

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 15 November 2000

The Council met at half-past Two o'clock

## MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

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

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

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

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

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

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

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

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE TIMOTHY FOK TSUN-TING, S.B.S., J.P.

THE HONOURABLE LAW CHI-KWONG, J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

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

THE HONOURABLE ABRAHAM SHEK LAI-HIM, J.P.

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S.

THE HONOURABLE TOMMY CHEUNG YU-YAN, J.P.

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

**MEMBERS ABSENT:**

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

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

THE HONOURABLE CHOY SO-YUK

**PUBLIC OFFICERS ATTENDING:**

MR STEPHEN IP SHU-KWAN, J.P.  
THE FINANCIAL SECRETARY

MR I G M WINGFIELD, J.P.  
THE SECRETARY FOR JUSTICE

MR DOMINIC WONG SHING-WAH, G.B.S., J.P.  
SECRETARY FOR HOUSING

MR JOSEPH WONG WING-PING, G.B.S., J.P.  
SECRETARY FOR THE CIVIL SERVICE

MRS LILY YAM KWAN PUI-YING, J.P.  
SECRETARY FOR THE ENVIRONMENT AND FOOD

DR YEOH ENG-KIONG, J.P.  
SECRETARY FOR HEALTH AND WELFARE

MS SANDRA LEE SUK-YEE, J.P.  
SECRETARY FOR ECONOMIC SERVICES

MISS YVONNE CHOI YING-PIK, J.P.  
SECRETARY FOR COMMERCE AND INDUSTRY

MR STANLEY YING YIU-HONG, J.P.  
SECRETARY FOR THE TREASURY

**CLERKS IN ATTENDANCE:**

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY  
GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

**TABLING OF PAPERS**

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Specification of Arrangements (Government of the Kingdom of Denmark Concerning Air Services) (Double Taxation) Order .....	298/2000
Specification of Arrangements (Government of the Kingdom of Norway Concerning Air Services) (Double Taxation) Order .....	299/2000
Specification of Arrangements (Government of the Kingdom of Sweden Concerning Air Services) (Double Taxation) Order .....	300/2000
Waste Disposal (Chemical Waste) (General) (Amendment) Regulation 2000 .....	301/2000
Waste Disposal (Permits and Licences) (Forms and Fees) (Amendment) Regulation 2000.....	302/2000
Water Pollution Control (General) (Amendment) Regulation 2000 .....	303/2000
Air Pollution Control (Asbestos) (Administration) (Amendment) (No. 2) Regulation 2000 .....	304/2000
Air Pollution Control (Open Burning) (Amendment) Regulation 2000 .....	305/2000
Air Pollution Control (Specified Processes) (Amendment) Regulation 2000 .....	306/2000
Noise Control (General) (Amendment) Regulation 2000 .....	307/2000

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Noise Control (Air Compressors) (Amendment) Regulation 2000 .....	308/2000
Noise Control (Hand Held Percussive Breakers) (Amendment) Regulation 2000.....	309/2000
Ozone Layer Protection (Fees) (Amendment) Regulation 2000 .....	310/2000
Environmental Impact Assessment (Fees) (Amendment) Regulation 2000 .....	311/2000
Dumping at Sea (Fees) (Amendment) Regulation 2000 .....	312/2000
Medical Registration (Fees) (Amendment) Regulation 2000 .....	313/2000
Dentists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.....	314/2000
Ancillary Dental Workers (Dental Hygienists) (Amendment) Regulation 2000.....	315/2000
Midwives Registration (Fees) (Amendment) Regulation 2000 .....	316/2000
Nurses (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.....	317/2000
Enrolled Nurses (Enrolment and Disciplinary Procedure) (Amendment) Regulation 2000.....	318/2000
Medical Laboratory Technologists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000 .....	319/2000
Occupational Therapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.....	320/2000

Optometrists (Registration and Disciplinary Procedure) (Amendment) (No. 2) Regulation 2000 .....	321/2000
Physiotherapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.....	322/2000
Radiographers (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.....	323/2000
Dutiable Commodities (Amendment) Regulation 2000 ..	324/2000
Gambling (Amendment) Regulation 2000 .....	325/2000
Declaration of Change of Titles (Senior Management Personnel of Civil Aviation Department) Notice 2000 .....	326/2000

#### Other Papers

- No. 27 — Accounts of the Government for the year ended 31 March 2000
- No. 28 — Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2000
- No. 29 — Report No. 35 of the Director of Audit on the results of value for money audits - October 2000

#### ORAL ANSWERS TO QUESTIONS

**PRESIDENT** (in Cantonese): Questions. I would like to inform Members that question time normally does not exceed one and a half hours, with each question being allocated about 15 minutes. Supplementaries should be as concise as possible and Members should not make statements when asking supplementaries.

First question.



**Pilot Scheme to Collect Plastic Household Waste in Public Housing Estates**

1. **MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, it was reported that the Government had discussed with a company the implementation of a pilot scheme under which the company would be partially funded by the Government to deploy its staff to various public housing estates to collect plastic household waste, and the waste so collected would be cleaned and compressed and then transported to waste recyclers for recycling. It was anticipated that some ten or more jobs would be created as a result of the implementation of such a scheme. In this connection, will the Government inform this Council:*

- (a) *of the details of the above pilot scheme and the progress of the relevant discussions, and whether it has plans to extend the scope of the scheme to cover other types of waste;*
- (b) *given that a number of bodies have proposed to the Government that financial assistance should be provided for the unemployed and the low-income groups to engage in waste recovery, of the reasons for considering only the above scheme which will provide just a few jobs; and*
- (c) *whether it will consider helping the unemployed and the low-income groups to engage in waste recovery on a similar funding basis; if so, of the details and the proposed amount of allocation; if not, the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, to promote waste separation and recovery, we have placed waste separation bins in all public housing estates and many private housing developments. Experience shows that recyclers are reluctant to collect plastic bottles because they are light and bulky, and their transportation and storage costs are relatively high. To enable recyclers to collect large quantities of plastic bottles to enhance the cost-effectiveness, the Environmental Protection Department (EPD) has sounded out the recycling industry, and is considering carrying out a pilot scheme whereby plastic bottles in a district will be collected by one collector.

On part (a) of the question, we are working on the details of the pilot scheme and are therefore unable to provide any further information at this stage. Other types of waste do not have similar problems. There is thus no need to make similar arrangements.

On parts (b) and (c) of the question, as I explained earlier, the pilot scheme aims to tackle the problems related to the collection of plastic bottles. As regards the promotion of domestic waste recovery, we welcome proposals from interested groups. We would also consider providing funding support if necessary. In fact, some organizations have already expressed interest in conducting projects that would foster waste recovery and also create employment opportunities. We will continue to discuss with these organizations the feasibility of various project proposals. I would like to emphasize one point: Our main objective is to promote waste separation and recovery in order to conserve natural resources and reduce disposal of useful materials. Certainly, if employment opportunities can be created in the process, that would be even better.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, a waste disposal and recovery company has reportedly admitted that a couple of months ago the Government had taken the initiative to contact it to discuss the scheme in question. Yet according to the main reply provided by the Government, the scheme has yet to be finalized as the Administration is still working on the details. In this connection, may I ask the Secretary whether the Government's approach would give people the impression that the pilot scheme is tailor made for a certain company, thereby killing off the chances of other interested organizations to participate in the scheme and stifling their future development?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, the EPD has in fact contacted a number of companies; however, a certain company told the media about the news on its own initiative. Actually, the pilot scheme will be put out to open tender once the EPD has worked out all the details, and companies interested in participating in the scheme will all be welcome to bid for the contract.

**MR LAU CHIN-SHEK** (in Cantonese): *Madam President, could the Secretary inform this Council whether the Administration would conduct any consultation exercise in relation to the selection criteria of the open tender, and whether the Government's discussions with organizations interested in this scheme to foster waste recovery have made any concrete progress?*

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek, please resume your seat first. It seems that you have raised two supplementaries, but since there are not many Members waiting for their turns to raise supplementaries, I will invite the Secretary for the Environment and Food to answer them. *(Laughter)*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, currently we are considering implementing only one single pilot scheme, which will last about two to three months. We hope that this pilot scheme will enable us to have a better grasp of the relevant information. If we are to make improvement to the existing effort of recovering plastic bottles, we must identify a way to improve the existing arrangement under which plastic bottles are collected by several recyclers. Having regard to the time factor, we hope to implement the pilot scheme as soon as possible; besides, we also hope to see expeditiously the results of this pilot scheme as well. Thus, we do not intend to sound out any other parties or the public on the details of the scheme except the recycling industry.

Should I answer the second part of the supplementary now?

**PRESIDENT** (in Cantonese): Yes.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): As I said before, there has been a consensus among Honourable Members, the Government and other organizations over the past few months that we must enhance the effectiveness of our household waste separation and recovery efforts. In this connection, I have consulted several organizations on the matter and a couple of them have indicated interest in carrying out the pilot scheme at the

district level after our meetings. Moreover, I have also learnt indirectly that one of these organizations had discussed the matter with the District Council concerned. We have all along maintained contact with these organizations and are currently waiting for them to furnish us with the details of their proposals.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, the Secretary mentioned in her main reply that the Government would consider providing funding support if necessary. Regrettably, however, in answering a supplementary just now the Secretary also mentioned that the pilot scheme would be put out to open tender. Under the circumstances, I am afraid there will be little chance of any funding support. In the event of no funding support being provided, not only will the general direction of the scheme be breached, the chance of small-scaled organizations to participate in the scheme will also be diminished. May I ask the Secretary to explain in detail the meaning of "we would also consider providing funding support"? Further still, could the Secretary also inform this Council whether the Administration would also consider providing funding support for the pilot scheme on plastic bottles recovery in addition to the efforts to recover household waste?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I believe there is some confusion about the pilot schemes. Actually, we are talking about two different projects, even though both of them are pilot schemes. The pilot scheme mentioned by the Honourable LEUNG Yiu-chung in the main question seeks to tackle the issue of plastic bottles recovery. We will look into ways to improve the procedures of recovering plastic bottles, and this pilot scheme on plastic bottles recovery is just one of the pilots schemes.

As I pointed out in my main reply, parts (b) and (c) of the main question raised by Mr LEUNG are related to the promotion of household waste separation and recovery as a whole, rather than targeting at the collection of plastic bottles alone. We strongly encourage the various organizations in Hong Kong, regardless of whether they are environmental protection organizations or local groups, to participate in all these waste recovery schemes. Besides, we also encourage members of the public to actively participate in these schemes as well.

In order to encourage more people to participate actively in waste recovery schemes, I believe the various schemes could achieve better results if they should be launched at the district level instead of being implemented centrally by the Government. So, my first point is that the promotion of household waste separation and recovery should start from the district level.

Moreover, we also attach great importance to the diversity of these waste separation and recovery schemes. It is not our objective to uniformly place hundreds of waste separation bins in all public housing estates or private housing developments and then expect residents to actively put their separated household waste into those bins. By diversification I mean we are most willing to try a variety of methods. We consider that public housing estates or Home Ownership Scheme estates in different districts could design different schemes to suit the special and individual needs of the estates concerned. Given that we encourage individual public housing estates and private housing developments in different districts to design their respective schemes, and that we also encourage the introduction of diversity into such schemes, I cannot make sweeping generalizations at this stage and point out in clear terms how funding support will be provided. As a matter of fact, some of the private housing developments may not necessarily need any funding support from the Government.

Further still, apart from encouraging different organizations to put forward their project proposals, I consider that the Government also has a major role to play in two areas. Firstly, we need to step up our education and publicity efforts to enhance the awareness of the people and boost their incentive to participate in these activities. Secondly, we are now reviewing the co-ordination among different government departments to find out whether the mode of operation of the existing waste separation and recovery schemes have caused the relevant organizations or recyclers to encounter difficulties in promoting such activities. We are now investigating how these problems can be ameliorated.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, which part of your supplementary has not been answered?

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, I am grateful to the Secretary for her detailed explanation. Nevertheless, I still could not find the answer I wish to know in the reply given by her just now. The thrust of my supplementary is whether it is true that despite the funding support it provides for certain schemes, the Government has no intention to provide funding support for the pilot scheme on plastic bottles recovery? In case the Government really does not wish to provide any funding support in this respect, would the chances of other organizations to participate in the scheme to recover plastic bottles be throttled? Is it true that the Government really does not wish to provide any funding support but allow the chance of other organizations to participate in the scheme to be throttled?*

**PRESIDENT** (in Cantonese): Secretary, do you have any anything to add?

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, as I have explained to Honourable Members just now, they are two different schemes and therefore should not be lumped together for discussion.

**MR LAW CHI-KWONG** (in Cantonese): *Madam President, given that the main objective of the Government is to have the relevant proposals being put forward at the district level and the pilot schemes carried out by the various districts, may I ask the Secretary whether the Government has formulated any specific policies on this, so that the Government would provide funding support for such proposals regardless of the types of waste involved, so long as they are in line with this direction of waste recovery; or this is purely a pilot scheme and might not be implemented if proposals should be received from district organizations extensively? Could the Secretary inform this Council of the Government's relevant policy?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, actually the Environment and Food Bureau will submit shortly to the relevant Legislative Council Panel our household waste separation and recovery proposals, with a view to encouraging more members of the public to participate in these activities.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, in answering the main question raised by Mr LEUNG just now, the Secretary mentioned that the Government would consider carrying out a pilot scheme whereby plastic bottles in a district will be collected by one collector. In this connection, may I ask the Secretary how long would this pilot scheme last? With regard to the recovery of waste other than plastic bottles, could the Secretary inform this Council whether the Government has formulated any timetable? We have received some cases today which are related to the sale of recovered waste to other places like China, Vietnam, and so on. Could the Secretary also inform this Council how the Government is going to implement this policy?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, the Honourable Miss CHAN Yuen-han has altogether raised three supplementaries. With regard to the pilot scheme on plastic bottles collection, the Government is still working on the details. In order to be fair, we must put out the scheme to open tender. We hope to launch the scheme in the coming few months, but the implementation period will be rather short, perhaps about two to three months, since this is only a pilot scheme.

Regarding the issue of domestic waste separation and recovery as a whole, since this is already November, I hope to submit a more detailed document to the Legislative Council Panel on Environmental Affairs and consult Members on the issue early next year.

As regards the exportation of recyclable waste, I believe it all depends on the type of waste. On the whole, about 30% of the recycling processes are currently conducted in Hong Kong, and the remaining 70% are conducted outside Hong Kong, mainly in the Mainland and Taiwan.

**PRESIDENT** (in Cantonese): The Council has spent close to 17 minutes on this question. We shall proceed to the second question.

### **Incidence Rate of Breast Cancer**

2. **MISS EMILY LAU** (in Cantonese): *Madam President, will the executive authorities inform this Council:*

- (a) *of the number of female persons who died of breast cancer in each of the past five years, and how such number compares to the numbers of female persons who died of other types of cancer in the corresponding year;*
- (b) *how the incidence rate of breast cancer in Hong Kong compares to those in neighbouring territories; and*
- (c) *whether additional resources will be allocated to enhance public awareness of breast cancer?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President,

- (a) The number of deaths due to breast cancer in women in the last five years are as follows: 320 in 1995, 376 in 1996, 377 in 1997, 380 in 1998 and for 1999, the provisional figure is 395.

Over the period 1995 to 1999, breast cancer was the third most common cause of cancer deaths among women, accounting for 9% to 10% of all cancer deaths in women. By way of comparison, lung cancer ranked first, accounting for 24% to 25% of cancer deaths in women, while cancer of the large intestine ranked second, accounting for 14% to 15%. The fourth and fifth major killers were liver cancer and stomach cancer respectively. Detailed statistics are at Annex.



- (b) The age standardized incidence rate of breast cancer in Hong Kong is 38 per 100 000 population in 1997, which is comparable to that of Singapore. The incidence rate in Australia, Canada and European countries is about two times that of Hong Kong, while that of the United States is three times.
- (c) Enhancing public awareness of breast cancer is an ongoing programme of the Department of Health (DH) and the Hospital Authority (HA). The DH has been actively promoting breast awareness, in addition to breast cancer awareness. Women are advised to maintain a close watch on their breasts to enable early self-detection of breast abnormality. The DH promotes breast cancer awareness through its Woman Health Centres and Maternal and Child Health Centres. These Centres also teach their clients breast awareness with the aid of health education materials, including video, breast models and an information leaflet on "breast awareness". As part of its efforts to promote awareness of personal health, including breast awareness, the DH operates a 24-hour telephone information system and trains about 200 Women Health Ambassadors every year to disseminate health messages. To further step up its promotional efforts, the DH is producing a booklet on promotion of breast cancer awareness, early detection and treatment for distribution to the public. The HA organizes promotional activities to enhance public awareness of breast cancer. Empowerment workshops on breast cancer awareness are organized on a half-yearly basis. Information pamphlets on breast cancer and breast self-examination are available to the public.

We shall establish a Cancer Co-ordinating Committee in 2001 to review the collation of relevant data and devise preventive strategies. Breast cancer will be one of the Committee's priority areas. In the coming year, we shall also review the woman health programme and deploy resources as appropriate to enhance preventive health services (including that for breast cancer) for women.

Number of female deaths by major types of cancer  
(1995-1999)

<i>Types of Cancer</i>	<i>Number of female deaths</i>				
	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999 *</i>
Lung	902 (25%)	957 (24%)	955 (24%)	1 022 (25%)	1 017 (24%)
Large intestine	517 (14%)	568 (14%)	541 (14%)	618 (15%)	628 (15%)
Breast	320 (9%)	376 (10%)	377 (10%)	380 (9%)	395 (9%)
Liver	300 (8%)	289 (7%)	285 (7%)	320 (8%)	351 (8%)
Stomach	218 (6%)	222 (6%)	245 (6%)	247 (6%)	268 (6%)

Figures in brackets denote percentage of total female cancer deaths

\* provisional figures

**MISS EMILY LAU** (in Cantonese): *Madam President, the Secretary indicated in his reply that there had been no substantial increase in the number of deaths caused by breast cancer. In this connection, will the Secretary inform this Council whether he has information on the number of new cases recorded over the past few years and whether the rate of increase is high? Madam President, apart from publicity and education, will the Government encourage the public to take an active approach in undergoing body check?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, the actual incidence rate is relatively high but the death rate has not risen. There are some figures for comparison. If we compare the figure of 1977 to that of 1999, there was indeed an increase. In 1977, the figure is 749. In 1997, the figure is 1 608. However, there are several reasons for the increase. First, our population has been growing. Second, we have an ageing population. Third, the rising incidence rate may be attributed to environmental factors. I have some figures for comparison in terms of the age standardized incidence rate. In 1977, the figure is 34.6 per 100 000 women. In 1997, the figure is 38 per 100 000 women, an increase of 3.4 cases.

As for the need to undergo body check, awareness is of paramount importance insofar as prevention of breast cancer is concerned. Women should keep a closer watch on their breasts to see if there are any changes. However, extra examinations are not necessarily appropriate. Of course, one must consult a doctor if any problem is detected. The doctor will carry out clinical examination and other examinations when appropriate.

**DR LO WING-LOK** (in Cantonese): *Madam President, to monitor breast cancer and other types of cancer effectively, systematic collation of data is very important. Will the Secretary brief us on whether there is in place a cancer declaration and registration system and if so, whether there is a need to enhance and improve the system?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, we have set up a "Hong Kong Cancer Registry" in the Queen Elizabeth Hospital. The centre collates information accurately and carries out its work efficiently. However, its progress of work is relatively slow for it normally takes two to three years to complete the co-ordination of relevant information. Apart from co-ordinating information, the Registry also needs to verify the accuracy of the information. This is because people filling in death registration forms would often have no idea of the criteria for determining whether a deceased person have had cancer even they claimed the said person to be a former breast cancer patient. Therefore, the Registry has to make a lot of efforts to ensure the accuracy of the information provided and that takes quite some time. We have held discussions with the Registry to examine ways to improve its efficiency.

**MR BERNARD CHAN** (in Cantonese): *Madam President, the Secretary stated in part (c) of the main reply that he would set up a Cancer Co-ordinating Committee. According to my knowledge, cancer has been in existence for a long time. Will the Secretary inform this Council of the special reasons for not setting up this Committee until next year and the framework under which the Committee will be established?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, the Cancer Co-ordinating Committee will be set up under the DH. The HA and the DH were responsible for carrying out preventive work and they will continue to do it. However, it will be more satisfactory if a co-ordinating organ can be set up to co-ordinate information and the strategies of the HA and the DH to make cancer preventive work more effective.

**MISS CYD HO** (in Cantonese): *Madam President, the Secretary cited three reasons for the rising incidence rate, one of which being the environmental factor. Can the Secretary explain whether the environmental factor is caused by the addition of excessive hormone into the food and water consumed by us and therefore it is necessary to impose better regulation of food safety? Will the Secretary explain what the environmental factor is?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, I believe the key problem is that the medical sector does not really understand how certain cancers are caused. From the environmental perspective generally, some studies suggest that cancer is probably linked with food. However, it is still very difficult to identify various causes of cancer even if we have observed and studied in a more meticulous manner, for instance, individuals who have contracted cancer because of such influence. The most important environmental factor is connected with our living habits. Cancer is also suspected to be linked with diet and living style similar to those of Westerners. Taking foods of a high fat content might also be another reason. According to some studies, some people were originally of lower incidence rate. After they have migrated to Western countries where the incidence rate of cancer is relatively high, the cancer incidence rate of their second generation will fall in line with the incidence rate of people of that country. This is why some people suspect cancer to be linked with food, mainly fat in food. There is no official information yet confirming other causes of cancer.

Another factor believed to have caused cancer is family history (that is, inheritance). About 10% of female patients suffering from breast cancer are found to have family members who are breast cancer patients as well. At the same time, examinations have shown that genetic changes may cause cancer.

**MRS MIRIAM LAU** (in Cantonese): *Madam President, I agree women should keep a close watch on their breasts for early detection. Some doctors will suggest their female patients, particularly middle-aged women like me, to receive breast examination with the help of instruments in clinics to enable early detection. Will the Government inform this Council whether it agrees with the doctors' advice and if so, whether it will consider providing women with such service?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): *Madam President, I believe Mrs LAU was referring to mammography, which is provided in clinics operated by the DH and the HA. However, I want to point out that not every woman needs to undergo mammography, even in Western countries where the incidence rate of breast cancer is relatively high. Subsequent to the findings of their studies, Western countries are now advising women over the age of 50 to undergo mammography once every one or two years. In Hong Kong and Asia, where the incidence rates are relatively low, it is not too desirable and effective for women to receive such examination frequently. In some cases, wrong positive results have been produced to cause great anxiety among women. What is more, the occurrence rate of wrong positive responses will rise with the number of examinations. In places where the incidence rate is low, dozens of examinations might reveal negative results after one has been found to be positive. However, the test would have already caused women great anxiety. At the same time, they might need to take many unnecessary follow-up examinations. Therefore, clinics operated by the DH and the Kwong Wah Hospital have advised women not to undergo mammography until they reach the age of 50. Moreover, not every woman needs to take the test.*

**DR TANG SIU-TONG** (in Cantonese): *Madam President, given the fact that the Government has planned to establish a Cancer Co-ordinating Committee in 2001 to collate information and devise preventive strategies, has the Government set down any work progress target in this respect and when will it inform us of the result?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, the first step we will take is to set up the Committee. I hope the Committee can, after analysing the information it has acquired on cancer cases detected in Hong Kong, identify the priority areas or preventive work it should carry out. I also hope it can carry out analysis in the first year after its establishment and advise the Government on the types of cancer that require special preventive work, in addition to the preventive work it has studied.

**PRESIDENT** (in Cantonese): Last supplementary question.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I note that the word "awareness" has appeared five times in part (c) of the main reply. It seems to me that the whole education initiative focuses only on awareness and the advice for women to undergo examination. In addition to awareness, are there any other preventive strategies? In addition to awareness, is there a need to implement preventive strategies with respect to our living habits or in other areas? The Government has given me the impression that it will have nothing to say about preventive strategies until a co-ordinating committee has been set up. I believe there is no such need, am I right? Can the Secretary tell me if other preventive strategies, apart from examination, are available and it is not necessary for the Government to wait until the co-ordinating committee is set up before it can devise other preventive strategies? This is because we have apparently done nothing at all through all these years. Can the Secretary explain what preventive strategies other than examination are available?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, there are not many ways that can really effectively prevent cancer. While the anti-smoking campaign can prevent lung cancer, hepatitis vaccination can prevent liver cancer. Apart from these, there are relatively few ways of preventing cancer. For the prevention of breast cancer, early detection is of the utmost importance for this can boost the effectiveness of surgery. Therefore, women must raise their awareness, keep a close watch on their own physical condition and take preventive measures. Early treatment is needed whenever any irregularity is detected. This is by far the most effective method available in Hong Kong. Of course, promotion of awareness is very important because detection enables early treatment. Moreover, early detection can make treatment more effective.

**PRESIDENT** (in Cantonese): Mr LEE, which part of your question has not been answered?

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, it appears the Secretary has not mentioned ways of prevention. This is because many people say a number of factors including breast feeding might also cause cancer. Yet the Secretary has not mentioned a word in this area. Is breast feeding one of the factors causing cancer?*

**PRESIDENT** (in Cantonese): Secretary, do you have anything to add?

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, I missed the point made by Mr LEE about what is being included?

**MR LEE CHEUK-YAN**: *Breast feeding.*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, we are actually not too sure about the causes of breast cancer. The main task is to confirm whether it is linked with genes. At present, we still have difficulty with genetic examinations, which account for approximately 10% of the total number of examinations conducted by us. For instance, after carrying out examination for family members of a cancer patient, we may find her sisters having genetic changes as well. Notwithstanding that, we have not been able to identify a sound preventive method yet. In overseas countries, there are extremists advocating breast removal instead of taking prevention in order to stem fears of cancer. This is not a good way of dealing with cancer. To prevent cancer, it is most important for us to raise awareness as other methods have not proved to be very effective. Therefore, the most effective way is to raise awareness and to make early detection to facilitate early treatment.

**PRESIDENT** (in Cantonese): Third question.

**Reduction to Contract Staff End-of-contract Gratuity by Employer's Contributions to MPF Scheme**

3. **MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, since December 1998, all employment contracts signed between the Government and its contract staff have stipulated that the amount of end-of-contract gratuity payable to the staff member upon completion of the contract shall be reduced by the Mandatory Provident Fund (MPF) Scheme contributions the Government has made in respect of the staff member during the contract period. A considerable number of public-funded organizations have followed suit. In this connection, will the Government inform this Council:*

- (a) *of the current number of people bound by such terms among the contract staff of all government secondary and primary schools; whether these employees may refuse to accept such terms;*
- (b) *whether it knows the number of contract staff bound by such terms in each of the public-funded tertiary institutions and other organizations; and*
- (c) *as the Mandatory Provident Fund Schemes Ordinance (MPFSO) stipulates that employers shall, "from the employer's own funds, contribute to the relevant registered scheme", of the justifications for its opinion that such terms of employment do not violate the stipulation?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, when engaging staff on agreement terms, the Government will consider whether, in addition to the salary of the substantive office, an end-of-contract gratuity should be offered and if so, the level of the contract gratuity, having regard to factors such as the market situation, the competitiveness of the terms of employment, and the lack of retirement benefits. The end-of-contract gratuity therefore reflects an element of retirement benefits.



In anticipation of the implementation of the MPF system, the Government has since mid-December 1998 introduced in all new contracts and renewals suitable arrangements for the provision of end-of-contract gratuity. The relevant provision stipulates that the contract gratuity payable to the staff plus the MPF contributions made by the Government in respect of the staff would be equal to a specified percentage of the total basic salary of the substantive office drawn during the contract period.

End-of-contract gratuity is payable on satisfactory completion of the contract. The Government will make the gratuity payment and the MPF contributions in accordance with the provisions in the relevant contract and from government funds. There is no question of the Government infringing the stipulations in the MPFSO.

As regards other gratuity-bearing contracts entered into before December 1998 and which are still in effect, the Government will make the MPF contributions for the staff in question in accordance with the MPFSO. The Government will also pay the staff in question the end-of-contract gratuity at the rate specified in the contract. Apart from these, the Government will also make the mandatory MPF contributions for the short term or part-time staff who are not employed on gratuity-bearing terms.

The above sets out the arrangements for staff on contract terms which the Government has made in anticipation of the implementation of the MPF system. The following is my response to the three specific questions:

- (a) Currently there are 369 teaching and non-teaching staff in government secondary and primary schools whose employment contracts contain the above-mentioned provision on end-of-contract gratuity. They have a contractual obligation to comply with all the terms specified in the appointment letter and the contract.
- (b) A total of 3 829 teaching and non-teaching staff in the eight government-funded tertiary institutions are subject to the new arrangements on the provision of end-of-contract gratuity. These institutions include the University of Hong Kong, The Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the Hong Kong Polytechnic University, the Hong Kong Baptist University, the City University of Hong Kong, Lingnan University and the Hong Kong Institute of Education.

According to the information we have collated, we understand that there are 5 057 employees of statutory bodies who are engaged under contracts containing the new provision on end-of-contract gratuity. These bodies include: the Hospital Authority, Independent Commission Against Corruption, Hong Kong Housing Authority, Hong Kong Housing Society, Vocational Training Council, Legislative Council Secretariat, Hong Kong Trade Development Council, Hong Kong Academy for Performing Arts, Hong Kong Tourist Association, Equal Opportunities Commission, Hong Kong Sports Development Board, Office of the Privacy Commissioner for Personal Data, Office of The Ombudsman, Consumer Council, and the Hong Kong Productivity Council.

As regards other non-government organizations subvented by government funds, we have no information on their employee contracts.

- (c) As an employer, the Government will make for its staff in each contributing period the mandatory MPF contributions from government funds. This complies with the provision in section 7A of the MPFSO. On satisfactory completion of the contract, the Government will also pay the staff the end-of-contract gratuity in accordance with the provision in the relevant contract. The Administration has consulted its legal advisor and the Mandatory Provident Fund Schemes Authority (MPFA) on the new arrangements for provision of contract gratuity. The arrangements are not in conflict with the requirements of the MPFSO.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, the rate of the end-of-contract gratuity payable to the contract staff of the Government and public-funded organizations has been reduced from 25% to 10% and it has even been further reduced to 5% recently. The shrunken end-of-contract gratuity is just like a chicken rib which has little or no value, but the Government is still going to deduct the MPF contributions from the small amount. The gratuity of low-income staff whose monthly salary is less than \$20,000 will vanish practically. May I ask the Government if this has violated the guideline of the MPFA that the MPF contributions should not be deducted from the income, including end-of-contract gratuity, of employees? Although the Government*

*claims that this complies with the provision of the contracts, has it contravened the original intent and spirit of MPF? Will the Government be an unscrupulous employer if it does so?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I have said clearly in my main reply that the Administration has consulted its legal advisor and the MPFA, and the arrangements are not in conflict with the requirements of the MPFSO. I have also said clearly in the second paragraph of my main reply that "the contract gratuity payable to the staff plus the MPF contributions made by the Government in respect of the staff would be equal to a specified percentage of the total basic salary of the substantive office drawn during the contract period". Therefore, this arrangement is not in conflict with the guidelines under the MPFSO.

**MR LEUNG FU-WAH** (in Cantonese): *Madam President, I understand the stance of the Government very well, that is, it has not violated the contract executed with its contract staff or the provisions of the MPFSO. However, paragraph (e) in the definition of "salary" under the Employment Ordinance refers to the gratuity payable upon the completion or termination of an employment contract. In that case, although the Government's deduction of MPF contributions is not regulated by the Employment Ordinance, according to our interpretation of the Employment Ordinance, the Government should make such contributions. Though the Government is not regulated by the Employment Ordinance, would the Secretary tell me whether it smacks of violating the Employment Ordinance?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I would like to state clearly once again that the MPF contributions made by the Government under the contracts are not deducted from the end-of-contract gratuity of employees. I have clearly stated in the second paragraph of my main reply that the new contracts and renewal contracts signed between the Government and the staff specify that "the contract gratuity payable to the staff plus the MPF contributions made by the Government in respect of the staff would be equal to a specified percentage of the total basic salary of the substantive office drawn during the contract period". Thus, the Government has definitely not deducted MPF contributions from the income of the staff.

Moreover, I would also like to add two points: first, the MPF contributions made by the Government are deposited into the accounts of the staff for their withdrawal when they retire; second, if the staff engaged by the Government do not have end-of-contract gratuity, we will make contributions fully in accordance with the provisions of the MPFSO. In this regard, we have earmarked \$118 million in the 2000-01 Budget, and \$56 million out of the sum have been earmarked as additional contributions for staff who do not have end-of-contract gratuity.

**DR RAYMOND HO** (in Cantonese): *Madam President, in the first paragraph of his main reply, the Secretary said that the end-of-contract gratuity reflects an element of retirement benefits. But this reply is incorrect in respect of some examples. For example, the resident engineering staff responsible for the supervision of government projects — I estimate that there are around 1 000 to 2 000 such staff — have always been engaged on contract terms but I believe their contracts do not include retirement benefits. Would the Secretary explain whether these resident engineering staff engaged by consultancy firms can get end-of-contract gratuity after the completion of their contracts in addition to the MPF contributions made by their employers, rather than a smaller percentage of the sum of the two?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I would like to clarify that the first paragraph of my main reply referred to the contract staff engaged by the Government. As regards the contract staff engaged by other organizations (including consultancy firms), as they have their own arrangements for end-of-contract gratuity and MPF contributions, I cannot answer the question for them.

**DR RAYMOND HO** (in Cantonese): *Madam President, I believe the Secretary understands very well that these resident engineering staff have signed contracts modelled fully on civil service contract terms. For example, their entry points and so on .....*

**PRESIDENT** (in Cantonese): Dr Raymond HO, I accept the explanation given by the Secretary for the Civil Service.

**DR ALBERT HO** (in Cantonese): *Madam President, according to the Secretary's explanation, the Government has stipulated cleverly in the new contracts that a certain portion of the end-of-contract gratuity will be deducted for MPF contributions. In other words, the Government is actually deducting further from the 10% end-of-contract gratuity for new contracts. Has the Government considered that this will set an example for the private sector? Regardless of whether they choose end-of-contract gratuity or other modes, they will adopt or make reference to the Government's practice and deduct the salary or end-of-contract gratuity of staff for employers' contributions, thus violating the spirit always upheld by the MPFA, that is, contributions should not come from salary reductions?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I have said time and again that our arrangement does not involve salary reduction and I added just now that we had earmarked some \$160 million this financial year for making MPF contributions in respect of employees. The private sector has to determine its own arrangements. I believe most Legislative Council Members and the general public (including working people) will think that the Hong Kong Government as an employer is not too bad.

**MR JAMES TIEN** (in Cantonese): *Madam President, may I ask the Secretary, according to the Government's definition, whether the end-of-contract gratuity for contract staff engaged by government departments on top of basic salary is regarded as salary?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I did not catch this supplementary question clearly. Can Mr TIEN please repeat it?

**PRESIDENT** (in Cantonese): Mr TIEN, please repeat your supplementary question.

**MR JAMES TIEN** (in Cantonese): *Madam President, as the term used by the Government may differ from that used by the business sector, may I ask the Secretary whether the so-called end-of-contract gratuity for contract staff engaged by the Government is regarded as salary?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, end-of-contract gratuity is only payable on the satisfactory completion of a contract by an employee and it is different from his basic monthly salary. After an employee has received the end-of-contract gratuity, it becomes part of his income, he has to make contributions on the basis of this part of his income.

**PRESIDENT** (in Cantonese): Last supplementary.

**MR ALBERT CHAN** (in Cantonese): *Madam President, although the Secretary denies that the Government is an "unscrupulous employer", he can certainly not decline that it is a "bitterly mean" employer. I would like to know if the Secretary can answer my supplementary question in line with his "bitterly mean" way of thinking and convince us that his explanation is feasible. Even if the definition of the Government differs from that of the business sector, its logic and thinking cannot be more confused.*

*In the first paragraph of his main reply, the Secretary has said that the end-of-contract gratuity reflects an element of retirement benefits. As far as we understand it, since the job is very often offered on contract terms for two years or a certain period of time and it does not offer long-term protection, thus, it carries an end-of-contract gratuity. On the completion of a contract, the relevant employee may not be able to find another job at once and there will be a period of time during which he is jobless, therefore, he is offered an end-of-contract gratuity. There are apparently many reasons behind the provision of end-of-contract gratuity. As the Secretary has said that the end-of-gratuity reflects an element of retirement benefits, may I ask what the proportion of retirement benefits in end-of-contract gratuity is? The Government is offering 25%, 10% or even as low as 5% end-of-contract gratuity and complicated calculations are involved. In line with the "bitterly mean" way of thinking of the Secretary, what is the proportion of retirement benefits in end-of-contract gratuity?*

**SECRETARY FOR THE CIVIL SERVICE** (in Cantonese): Madam President, I will not reply to the part about the "bitterly mean" way of thinking and I hope that Members will enlighten us on this remark. As I have said in the first paragraph of my main reply, the level of the end-of-contract gratuity is

determined with regard to factors such as the market situation, the competitiveness of the terms of employment and the lack of retirement benefits. As these factors change with the times and under different circumstances, we do not have an established percentage. But I would like to add, and I believe Members should be aware of it, that a lot of government staff are engaged on contract terms and they may be engaged for 20 years or 30 years until they are 60 years old. Thus, our remark that the end-of-gratuity reflects an element of retirement benefits is tenable.

**PRESIDENT** (in Cantonese): Mr LEE Cheuk-yan, that is all for this question.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, a point of order.*

**PRESIDENT** (in Cantonese): So please state your point.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, as the Secretary has asked us to express our views, I would like to .....*

**PRESIDENT** (in Cantonese): If Members would like to express their views, they can do so on other occasions but definitely not during the question time. Mr LEE, please sit down. (*Laughter*) If Members express their views during the question time, I believe this meeting will have to be carried on until tomorrow. Mr LEE Cheuk-yan, please, no more on this question.

Fourth question.

### **Designating Waters South of Cheung Chau as Permanent Dumping Area for Construction Waste**

4. **MR WONG YUNG-KAN** (in Cantonese): *Madam President, it has been reported that the Administration plans to designate the waters south of Cheung Chau as a permanent dumping area for construction waste. In this connection, will the Government inform this Council:*

- (a) *of the possible sites which it has considered, and the reasons for choosing the above waters;*
- (b) *whether any feasibility study and environmental impact assessment (EIA) will be conducted before the implementation of the above plan; if so, of the details and timetables of such studies; whether the scope of the EIA will cover the impact of the proposed project on the marine ecosystem of the waters as well as the fishing and fish farming industries; and*
- (c) *whether fishermen's organizations will be consulted; if not, of the reasons for that?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese):

Madam President, at present, the Administration does not have any plan to designate the area to the south of Cheung Chau as a marine disposal site for construction waste.

However, we need to identify a long-term arrangement to accommodate the 37 000 tonnes of construction and demolition materials produced by local construction activities each day. Currently, most of the reusable fill materials are used in reclamation works. With the reduction of reclamation works, we have to explore other arrangements. These include providing recycling facilities and encouraging the construction industry to adopt alternative construction methods and materials to reduce construction and demolition materials. In addition, the Civil Engineering Department (CED) is planning to commission a consultancy study to examine the feasibility of other options, including the concept of forming an artificial island with fill materials.

- (a) As explained, the Administration is studying different options to accommodate reusable construction and demolition materials. The study by the CED will include a site search.
- (b) The study will take about 12 months. Before making a recommendation, the consultants will examine the engineering feasibility and environmental aspects of various options, as well as



their impacts on the marine ecology and the fisheries industry. Detailed EIA will then be carried out before the Administration decides whether or not to accept the consultants' recommendations.

- (c) We will consult the Legislative Council, the Advisory Council on the Environment and all concerned parties, including fishermen's organizations, before any decision is made.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, may I ask the Secretary whether further consultation will be conducted before any more studies? The main reply says that there is at present no plan to designate the area to the south of Cheung Chau as a marine disposal site for construction waste. There is no such plan at present, but will there be any in the future? It is pointed out by the Secretary in part (a) of the main reply that different options will be examined. Will the Secretary please inform us whether the said area will be covered in the study? And, will she also tell us what areas will be included?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): *Madam President, I said a moment ago that at present, the Administration does not have any plan to designate the area to the south of Cheung Chau as a marine disposal site for construction waste. I also said that most of the construction and demolition materials (which are actually two different types of materials) can be used as fill materials in reclamation works. The study we are going to conduct aims mainly to explore how these fill materials can be handled. As for what we are going to do with these materials, I think we can only make a decision after the study has come up with an outcome.*

However, before the study, we will not conduct any consultation. Actually, at the last meeting of the Panel on Environmental Affairs, we already submitted a very detailed paper on an analysis of the current problems faced by us in the handling of construction and demolition materials. Back to the consultancy study in question, our consultant is tasked only to examine various feasible ways of handling this type of materials. That is why before the commencement of this study, we will not conduct any further consultation.

**MR CHAN KWOK-KEUNG** (in Cantonese): *Madam president, Hong Kong produces 37 000 tonnes of construction waste each day. May I ask how soon it will be before the existing landfills are filled to capacity?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, at present, besides those construction waste which cannot be used as fill materials, many other kinds of waste, such as domestic and commercial and industrial waste, are also transported to landfills for disposal. Therefore, waste reduction in general (that is, not only reduction of construction and demolition waste) and waste recycling have become a matter of urgency for us. At present, we have three landfills. On the basis of current usage, we expect that these landfills will be filled to capacity within 10 to 15 years from now. That is why we must make positive efforts to promote waste recycling, so as to lengthen the life-span of the existing landfills. Having said that, I must still add that we must explore ways to reduce the volume of those kinds of waste that cannot be reduced or recycled.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, does the Government have any statistics on the percentage of construction waste that can be recycled under the existing recycling measures? And, if these measures are somehow not very effective, what other measures will it put in place?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, the question of the Honourable Member is on how we can reduce construction and demolition waste and step up recycling. I really need to spend a bit more time on offering a detailed answer.

At present, about 80% of our construction and demolition materials are used in reclamation works, and the rest are disposed of in landfills. However, we must note that if we can actually screen the types of materials currently disposed of in the landfills, we may well be able to reduce the amounts of construction and demolition materials disposed of there. Under our proposed plan, once all the measures are put in place, we will be able to reduce the percentage of construction and demolition materials used in reclamation works from 80% now to 60%. The percentage target for recycling is 25%, and the percentage of construction and demolition waste disposed of in landfills will go down from 20% now to 15%.

As I explained a moment ago, there are a number of possible methods to achieve this. First, we will actively encourage the construction industry to adopt alternative construction methods and materials, such as precast segments now already used by the Housing Department. Second, we will revise the specifications of government works, so that the Government can take the lead in using recyclable materials, one example being the addition of recycled gravel to concrete and asphalt. The third possible method involves a current problem, that is, the supply of and demand for construction and demolition materials often do not match. Sometimes, we may have a huge supply of such materials, but no demand from any reclamation works. But then, when our reclamation works need them, there may be no supply. Therefore, we really need to consider the installation of some storage facilities for such materials, so that they can be used in reclamation works when the needs arise. Fill materials are different from waste. The waste mentioned in the question just now may have already been contaminated. In contrast, fill materials can be used for land filling or reclamation. However, if we wish to reduce construction waste effectively, I would say it is necessary to levy a landfill charge as an economic incentive to facilitate the construction industry paying more attention to the reduction of waste when considering what materials to use and which methods to adopt for building construction.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, I thank the Secretary for telling us that these materials can be divided into waste and fill materials.*

*In the second paragraph of the main reply, it is said that with the reduction of reclamation works, we have to explore other arrangements to handle these fill materials. Besides, we also learn that the CED is planning to commission a consultancy study to examine the feasibility of other options, including the concept of forming an artificial island with fill materials. May I know whether the concept of forming an artificial island is in fact an initiative from the CED itself? And, how is this concept different in any significant way from reclamation works, which are now gradually becoming smaller in number?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, reclamation works are becoming smaller in number. That is a fact, and that explains why we need to explore other ways of handling these materials. When we say that we need to identify a longer-term method to handle these materials, we actually have in mind the following possibilities: First, recycling. We will actively follow up the possibility of recycling these materials. Second, we note that some materials cannot be recycled, but are not waste as such. It will be very much a waste of useful resources, a waste of valuable space, to dispose of them in landfills. We are of the view that these materials can be disposed of in two types of places only. It will be a waste of land resources if we deposit them on land. This leads us to consider how they can be deposited in the sea, and this in turn gives rise to the idea of forming an artificial island. However, the whole thing has so far remained a concept only. Its feasibility in practice and whether there are any better ultimate solutions have yet to be ascertained by the consultant in its study.

**MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, it is mentioned by the Secretary in the main reply that the Government will explore various options to accommodate reusable construction and demolition materials, and that at the same time, the consultant will examine the engineering feasibility and the environmental aspects of various options. What then is the use of the study of the Government itself? The Government is not going to conduct any feasibility study, and it will just study different options. Does the Secretary agree that the study of the Government is kind of unnecessary?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, if we wish to seek an ultimate and long-term solution to the problem of accommodating these construction and demolition materials, we must study various different options, and these options must be implemented concurrently. That is why the Government simply cannot sit back and do nothing just because the consultant is conducting a study.

The options we are looking at can be divided into two main categories. The first category concerns how the Government can possibly encourage the construction industry to adopt alternative construction methods and materials and to set up storage facilities. The second category is about ways to enhance recycling facilities, and in this respect, we hope to secure the co-operation and

support of the industries concerned. However, even after we have done all this, there will still be excess fill materials to be dealt with. That is why the consultant will focus on ascertaining whether, besides the methods already mentioned, there are any other long-term ways to deal with the fill materials left. If several different options are found to be all feasible, they will have to be implemented concurrently.

**MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, I wish to ask a follow-up question, for I do not think that the Secretary has answered my question. If the Government itself does not conduct any feasibility study, it will just be like fighting a whole battle on paper. I do not think that there is a need to conduct any such study.*

**PRESIDENT** (in Cantonese): Secretary, do you have anything to add?

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, no, because two different types of work are actually involved here.

**PRESIDENT** (in Cantonese): Last supplementary.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Government is now considering the idea of forming an artificial island in the waters to the south of Cheung Chau. This will necessitate the construction of an embankment. So, to save costs, would the Government consider the possibility of disposing of these construction and demolition materials at a deserted island? This can save costs, and the site can at the same time be used for other purposes. For example, the prison planned to be constructed on Lantau Island may as well be removed to the artificial island formed at the deserted island identified.*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I have explained very clearly that the Government has not actually planned to construct an artificial island in the waters to the south of

Cheung Chau. What we have done so far is only commissioning a consultant to examine various different options. The scope of the study will not be confined to the formation of an artificial island, or any other particular options. We expect the consultant to examine all feasible options.

**PRESIDENT** (in Cantonese): Fifth question.

### **Attracting Foreign Investments in Constructing Semiconductor Chip Fabrication Plants**

5. **DR LUI MING-WAH** (in Cantonese): *Madam President, it was reported that an overseas company which had contacted the Administration to indicate its intention to construct a semiconductor chip fabrication plant in Hong Kong eventually decided to construct the plant in Shanghai, China. In this connection, will the Government inform this Council:*

- (a) *whether it knows the reasons for the company's decision not to construct the plant in Hong Kong;*
- (b) *of the number of overseas companies which have contacted the Administration in the past two years to indicate their intention to invest in the construction of this type of plants in Hong Kong; and*
- (c) *whether it has assessed the adequacy of favourable conditions in Hong Kong for attracting foreign investments in constructing plants of this type here; if it has, whether such assessment reports will be made available to this Council; if the assessment result shows otherwise, of its plans to improve Hong Kong's conditions for attracting such investments?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President,

- (a) I believe that the overseas company referred to in the question is H & Q Asia Pacific (H & Q), which is a venture capital investment company. In the last year or so, the company discussed with the

Government about its plan to construct a semiconductor chip fabrication plant in Hong Kong.

The discussions between the two parties involved a number of complicated issues, including capital arrangement, technology, provision of land as well as tax issues. Owing to the scale of the project and the advanced technology involved, the Government requested H & Q to provide detailed information particularly on how the project would be implemented with regard to the financing and technological aspects. However, the company was not able to provide the information required, resulting in a lack of progress in the discussions. Meanwhile, an overseas industrial group which was participating in the project also held discussions with the Shanghai authority, and subsequently decided to invest in Shanghai instead of setting up a plant in Hong Kong. As our discussions with H & Q never reached a decisive stage, it is very difficult for the Government to point out specifically the reasons for the company's decision of not setting up the plant in Hong Kong.

- (b) In the past two years, two overseas companies have contacted the Government to indicate their intention of investing in the construction of semiconductor chip fabrication plant in Hong Kong. One of them is H & Q. The other company is still considering its plan.
- (c) The Government did not make any specific assessment on the favourable conditions of Hong Kong in attracting foreign investment in constructing this type of plants. Our well-established policy is to provide a favourable environment for business from a macro perspective, including first-rate infrastructure, quality human resources, a sound legal system, a fair competitive environment and efficient government services, and so on. As regards commercial factors such as operating costs and profits, individual investors have to make their own decisions on the basis of market conditions.

The Government has also been actively improving the overall strategy and measures to attract external direct investment. In accordance with the recommendations made in a consultancy study conducted last year, the Government now adopts a more proactive

strategy to promote inward investment. One of the emphases is to focus our promotional efforts on sectors in which Hong Kong has a competitive edge. These include business and professional services, financial services, information technology, media and multimedia, technology, telecommunications, tourism and entertainment, trade related services and transportation services.

In carrying out the above strategy, the Government set up in July this year Invest Hong Kong which is dedicated to promoting inward investment. In addition, the Investment Promotion Strategy Group, which includes heads of Hong Kong offices of multinational enterprises in relevant sectors and representatives of chambers of commerce, has been established under the chairmanship of the Financial Secretary. The Group advises on ways to improve Hong Kong's conditions for attracting foreign investment and on the strategies and measures for promoting inward investment.

**DR LUI MING-WAH** (in Cantonese): *Madam President, I would like to raise two questions. First, that such a major investment project of building a plant eventually landed at Shanghai instead of Hong Kong may serve to indicate that we are unable to attract the relevant company to construct its plant here. Has the Government conducted a review to examine what inadequacies we have? Second, will the Government inform this Council of the details of the talks it has with the other company and what the progress is?*

**PRESIDENT** (in Cantonese): Dr LUI, in accordance with the Rules of Procedure, you may ask only one question when you raise a supplementary question. Which of the two questions you have asked would you like the Secretary to answer, or are these two questions related?

**DR LUI MING-WAH** (in Cantonese): *Madam President, then I would like to ask the first question.*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, about the supplementary question raised by Dr LUI, I would like to



point out first that we have indeed conducted a review. However, as I have said in the main reply, the discussions between the two parties involved a number of complicated issues, including capital arrangement, technology, provision of land and tax issues. In addition, we have requested the company to provide detailed information on the financing and technological aspects. However, the company was not able to provide the information required, resulting in a lack of progress in the discussions. Meanwhile, an overseas industrial group which was participating in the project subsequently decided to set up a plant in Shanghai instead of Hong Kong. As our discussions with the company never reached a decisive stage, it is very difficult for the Government to point out specifically the reasons for the company's decision of not setting up the plant in Hong Kong. Certainly, I would like to stress that every investment project or plan has its own unique characteristics and we will make due considerations for each investment project or plan to think of what we can do to facilitate its implementation.

**PRESIDENT** (in Cantonese): Dr LUI, which part of your question has not been answered?

**DR LUI MING-WAH** (in Cantonese): *Madam President, the Secretary said that a review had been conducted by the Administration, then will the Government inform this Council of the findings of the review or the lessons that it has learned from this case?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, I have explained just now that the Administration has reviewed the project, however, as the discussions between the two parties never reached the final stage, we are therefore unable to point out specifically the reasons for the company's decision of not setting up the plant in Hong Kong.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, in part (c) of the main reply, the Secretary mentioned that the Government had not made any specific assessment on the favourable conditions of Hong Kong in attracting foreign investment in constructing this type of plants. However, did the*

*Government make any assessment to compare the competitiveness of Hong Kong vis-a-vis other mainland cities such as Shenzhen, Guangzhou and Shanghai in attracting investment on innovative technology? If so, what the details are; if not, would that mean that we may lose the opportunity of having another foreign company, which is presently considering its plan, to set up a plant in Hong Kong?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, I have mentioned in my main reply just now that the Government will adopt a more proactive strategy to attract external direct investment and that includes investment on innovative technology. As to the other foreign company mentioned, we will hold discussions with it and we will think of what we can do by taking into consideration the unique characteristics of the project.

As for the comparison between Hong Kong and our neighbours in the Mainland, I can say that each place has its own advantages over others and so it is very difficult to make a comparison. However, I can give some data for Members' reference. The data show that Hong Kong is in no way worse off than our neighbours in attracting inward investment. According to the World Investment Report published recently by the United Nations, Hong Kong's external direct investment amounted to \$180 billion in 1990. This makes Hong Kong rank second in the Asia-Pacific Region, second only to China. As for other neighbouring cities such as Singapore, for example, its total inward investment in 1999 was \$54 billion. From these figures, it can be seen that as a place for foreign investment, Hong Kong is in no way worse off than our neighbours.

**MR HENRY WU** (in Cantonese): *Madam President, in the Secretary's main reply, it is mentioned that the Investment Promotion Strategy Group has been set up. May I ask the Secretary what work the Strategy Group has been doing and whether any meetings have been held or any concrete proposals been made? Or are these proposals all talk and no cider? Will the Government inform us when a timetable can be drawn up to enable us to know when the proposals will be implemented so that the territory can benefit as soon as possible?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, the Investment Promotion Strategy Group has held some meetings already. I would like to point out, however, that both the Invest Hong Kong and the Investment Promotion Strategy Group were set up only after 1 July this year. Therefore, some time is needed for them to start doing work in this area. I have just mentioned in the main reply that the main functions of the Investment Promotion Strategy Group is to advise on ways to improve Hong Kong's conditions for attracting foreign investment and on the strategies and measures for promoting inward investment. In this connection, the Strategy Group has made suggestions to Invest Hong Kong and the views are being considered. It is hoped that more effective strategies for attracting inward investment will be devised. In addition to that, as I have mentioned in the second paragraph of part (c) of the main reply, Invest Hong Kong has an overall strategy in place.

**PRESIDENT** (in Cantonese): Mr WU, which part of your supplementary question has not been answered?

**MR HENRY WU** (in Cantonese): *Madam President, the Secretary has not answered the part of my question on the timetable and that is a very important point.*

**PRESIDENT** (in Cantonese): Secretary, could you answer the part of the question on timetable?

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, about the timetable, we will be listening to the views, including those from the Investment Promotion Strategy Group, and we will take follow-up action in this respect.

**PROF NG CHING-FAI** (in Cantonese): *Madam President, I would like to follow up this supplementary question. On this issue of H & Q changing its plan and setting up the plant in Shanghai, the Secretary said that the Government had undertaken a review and later on the Secretary also said that as regards commercial factors, individual investors have to make their own decisions on the*

*basis of market conditions. The company subsequently decided to set up the plant in Shanghai. If we are unable to improve our investment conditions by learning from the experience gained from the first round of the discussions, then the other company may also change its mind and decide to set up its plant in Shanghai. Could the Secretary inform the Council specifically of the areas that should be improved as suggested in the internal review that it has conducted?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, first of all, as I have said in part (a) of the main reply, a number of complicated issues are involved in the event. On some major aspects, we requested H & Q to provide us with detailed information, but the company was unable to do so and that resulted in a lack of progress in the discussions. Meanwhile, an overseas industrial group which was participating in the project also held discussions with the Shanghai authority and subsequently decided to invest in Shanghai instead of setting up the plant in Hong Kong. As our discussions with H & Q never reached a decisive stage, it is very difficult for the Government to point out the special reasons involved. I have also said in the main reply that it is very difficult for the Government to point out specifically the reasons for the company's decision of not setting up the plant in Hong Kong. However, I wish to stress that every investment project has its own unique characteristics and we will discuss with individual companies concerning their investment projects and consider what we can do to facilitate the implementation of the projects. Our concern is of course to attract as much foreign investment as possible.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, I believe one of the key issues is what kind of investment conditions that our neighbouring competitors such as Shanghai are able to offer and whether we can offer the same conditions. The conditions offered by these competitors can be something that we may never be able to do so. May I ask if the Government has ever examined into the question of why Shanghai is able to attract this investment project? It will be out of the question if there are no similar projects of this kind in future, but as Prof NG Ching-fai has said, if we do not review the case and improve ourselves, we would continue to lose similar projects in future. What advantages does Shanghai possess vis-a-vis Hong Kong and has the Government ever looked into that?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): As to what kind of preferential conditions which the Shanghai authorities have actually offered to the company, we are not in the picture. However, we always endeavour to promote inward investment. We are aware of the kind of conditions and the extent to which these conditions are offered by our neighbours. I have also said just now that the conditions of each place are different. There are conditions offered elsewhere which we are unable to do so, or we will not offer due to our established policy, such as tax concessions. However, we do have some advantages over other places. According to the World Investment Report published by the United Nations, in terms of the total amount of inward investment, we are in no way worse off than our neighbours as an ideal place for investment.

**PRESIDENT** (in Cantonese): Last supplementary.

**MRS SOPHIE LEUNG** (in Cantonese): *Madam President, the Secretary said in part (c) of the main reply "Our well-established policy is to provide a favourable environment for business from a macro perspective, including first-rate infrastructure, quality human resources ..... and efficient government services, and so on." May I ask the Secretary, with regard to quality human resources and efficient government services, why can the Government assert that we have quality human resources and efficient government services? What are the internal criteria on which this view is based?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, with regard to quality human resources, we have made some assessment and the Importation of Talents Scheme launched at the beginning of this year is aimed at attracting some professionals and technological talents which are not immediately available in Hong Kong. We have been keeping close contact with the business sector and we are making some ongoing studies to examine if we need to make some follow-up actions in this regard.

About the second question raised by the Honourable Mrs Sophie LEUNG, I think one of the criteria is the total amount of inward investment that I have

mentioned. I have pointed out that the situation with regard to inward investment into the territory has been very favourable and it can be seen from a comparison of the figures that in 1998, our total inward investment was \$114 billion and in 1999, the total amount was \$180 billion.

**PRESIDENT** (in Cantonese): Sixth question.

### **Liaison Mechanisms for Aviation Safety Incidents with Airlines**

6. **MR LAU KONG-WAH** (in Cantonese): *Madam President, on 20 October, the collision avoidance system of a passenger aircraft was activated when the aircraft was about to land at the Beijing international airport on a flight from Hong Kong to Beijing. On 1 November, another passenger aircraft flying from Rome to Hong Kong had to turn back to the Rome airport shortly after take-off. Both incidents involved two Hong Kong-based airlines. Regarding the liaison mechanisms for aviation safety incidents outside the territory involving passenger aircraft to and from Hong Kong, will the Government inform this Council:*

- (a) *whether it knows the respective numbers of aviation safety incidents involving each of the two airlines over the past three years and the details of such incidents;*
- (b) *of the current liaison mechanisms set up between the Government and these two airlines in respect of aviation safety incidents, and whether such mechanisms are different from those made between the Government and other non-Hong Kong-based airlines; if so, of the details; and*
- (c) *whether the Administration will take the initiative to seek detailed information from these two airlines on any aviation safety incidents involving their aircraft or from the civil aviation authorities of the countries where these incidents have occurred, and request them to provide the relevant investigation reports; if so, of the details of the above two incidents; if not, the reasons for that?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, my reply to the three parts of the Honourable LAU Kong-wah's question is as follows:

- (a) On the whole, Hong Kong-based airlines are required to report "aviation accidents" and "aviation incidents" involving their aircrafts to the Civil Aviation Department (CAD). An "aviation accident" is an occurrence involving death or serious injury, major damage to aircraft or missing of aircraft. No such accident has occurred to any aircraft of Hong Kong-based airlines during the past three years.

As regards "aviation incident", generally it refers to an occurrence which, if not corrected, may endanger an aircraft or any person, but which does not involve death or serious injury. The great majority of "aviation incidents" in the last three years related to occurrences which are minor and do not involve any safety problem, for example, damage to some non-essential equipment or lighting, incomplete documentation on board an aircraft.

Only a small number of incidents were aviation safety incidents, which require immediate corrective actions to be taken to prevent further deterioration of the safety situation. The number of aviation safety incidents occurred outside Hong Kong to aircrafts of the two Hong Kong-based airlines concerned was eight in 1998; 16 in 1999; and 12 since the beginning of this year. Details are contained in the Annex tabled before Members. In all these incidents, the aircrew took immediate actions and subsequently the aircraft operated or landed safely.

As a matter of fact, the two airlines concerned have a good safety record. The average occurrence of aviation safety incidents during the past three years has been about one incident per 20 000 flying hours.

- (b) The CAD has an established liaison mechanism with Hong Kong-based airlines on reporting "aviation accidents" and "aviation incidents" which occur outside Hong Kong:

- (i) if an "aviation accident" has occurred, under the Hong Kong Civil Aviation (Investigation of Accidents) Regulations, the concerned airline is required to notify the CAD by the quickest means of communication. The notification shall include the details of the accident, number of casualties, and damage to aircraft and property as far as known. In accordance with the requirements of the International Civil Aviation Organization (ICAO), the CAD will send "accredited representatives" to the place of occurrence to participate in accident investigation and obtain a copy of the final investigation report from the state of occurrence; and
- (ii) if an "aviation incident" has occurred, under the Air Navigation (Hong Kong) Order, the concerned airline is required to report within 96 hours the details of the incident to the CAD. The Department will consider the means of investigation or monitoring according to the seriousness of the case. The CAD meets with local airlines on a regular basis to discuss safety related matters, such as details of investigation, remedial actions taken and maintenance procedures in respect of a specific type of equipment, and so on. The CAD will also follow up major incident reports as appropriate. This reporting requirement and monitoring system contribute significantly to Hong Kong's aviation safety.

In the case of an "aviation accident" or "aviation incident" which occurs outside Hong Kong to an aircraft of a non-Hong-Kong-based airline, the ICAO requires the state of occurrence and the state of operator to take actions immediately, including conducting investigation and issuing notification. The ICAO does not require the airline concerned to report to the civil aviation authority of the destination or origin. However, if an accident has resulted in the death or injury of Hong Kong residents, the CAD may request the state of occurrence to allow Hong Kong to send representatives there to obtain further information and the investigation report.

As regards the provision of assistance to passengers and their relatives in cases where Hong Kong residents have died, been



injured or are missing, according to international aviation practice, the airline concerned will liaise with those residents' families in Hong Kong. Furthermore, upon receipt of information, the Immigration Department will liaise with the local office of the airline concerned for further details and request the relevant Chinese Diplomatic and Consular Missions through the Office of the Commissioner of Ministry of Foreign Affairs in Hong Kong to obtain from the foreign authorities information on the persons concerned. Based on the information obtained, the Immigration Department will conduct record check to verify the identity of the Hong Kong residents involved, and provide assistance to their family members, such as to make arrangements for them to obtain travel documents and visas as quickly as possible so that they can travel to the place of occurrence.

- (c) As I have said in reply to part (b) of the main question, Hong Kong-based airlines are required to report to the CAD "aviation accidents" and "aviation incidents". As to whether the CAD will take the initiative to seek detailed information from the concerned airlines or the relevant authority:
- (i) in the case of an "aviation accident", the CAD will liaise with the airline concerned and the authority of the state of occurrence immediately to seek further information and participate in the investigation; and
  - (ii) in the case of an "aviation incident" being an ordinary one, depending on the nature of the incident, the CAD will liaise with the airline or the authority of the place of occurrence to obtain further information.

Regarding the details of the two incidents referred to in the question, after receiving an report on the incident occurred on 21 October, the CAD has liaised with the airline concerned and the General Administration of Civil Aviation of China (CAAC) to obtain further information. The CAAC is now investigating the incident, and the CAD will continue to follow up on the progress of the investigation.

As for the incident on 1 November, after the aircraft encountered bird-strike in the air, the commander took a cautious approach and brought the aircraft back to the airport. Investigation by the civil aviation authority there, airline and maintenance operator confirmed that safety had not been affected. The aircraft resumed normal operation afterwards.

Annex

Aviation Safety Incidents Outside Hong Kong  
of the Two Hong Kong-based Airlines

	1998	1999	2000 (up to now)
Shutdown of Part of the Engines In-Flight	0	1	4
Cabin Depressurization/ Emergency Descent	3	0	0
Warning from Traffic Collision Alert System (TCAS)	5	15	8
Total	8	16	12

**MR LAU KONG-WAH** (in Cantonese): *Madam President, I raised the question at part (a) of the main question because I hoped the Secretary could give separate answers about the accidents involving the two airlines. Regrettably, the Secretary has not done so. I hope she could provide additional information here.*

*My supplementary question is about the safety incidents involving the two airlines mentioned in the Annex. One of the incidents appears to be rather serious as it involves shutdown of part of the engines in-flight. There was zero occurrence in 1998 but four this year. Will the Secretary inform this Council whether she feels it is an alarm on safety, which airline was involved in the incidents and whether mechanical or human errors were involved?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, we do not usually disclose the names of the relevant companies in our internal information. Indeed, there are just a few Hong Kong-based airlines. Regarding the second part of the supplementary question on shutdown of part of the engines in-flight, my understanding is that according to the ICAO standards, shutdown of part of the engines in-flight does not necessarily affect safety and is therefore allowed. As to why there were four such incidents so far in 2000, I do not have detailed information on hand for a reply.

**PRESIDENT** (in Cantonese): Mr LAU, which part of your supplementary question has not been answered?

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. The information mentioned by the Secretary is not internal information. It is public and the public would very much want to know the details. What is tabled at the Legislative Council is public information. Why did the Secretary say it was internal information? The Secretary provided data for the four incidents I asked about but have not brought along the relevant details. This surprises me. As regards whether human or mechanical errors were involved, I think the Secretary must have brought along information for a reply.*

**PRESIDENT** (in Cantonese): Secretary, do you have anything to add?

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, we do not usually disclose the names of the airlines in every investigation report. Every investigation report contains very detailed information on the relevant case. As I have not brought all relevant reports to the Legislative Council, I cannot read out each report in detail now.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, since the Secretary has not brought along the reports to this Council, could she provide information on the relevant reports after the meeting?*

**PRESIDENT** (in Cantonese): Mr LAU, do you mean you want a written reply from the Secretary?

**MR LAU KONG-WAH** (in Cantonese): *Yes, Madam President.*

**PRESIDENT** (in Cantonese): Secretary, could you provide a written reply?

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, since Mr LAU has so requested, I will provide a brief written reply regarding the four cases. (Annex I)

**MR ABRAHAM SHEK**: *Madam President, I would like to ask the Secretary: Is the Government satisfied with the reporting mechanism for aviation safety incidents involving non-Hong Kong-based airlines, and is there any major difference in standards between the Hong Kong-based and the non-Hong Kong-based airlines?*

**PRESIDENT** (in Cantonese): Although the supplementary question and the main question are not 100% related, does the Secretary want to give a reply?

**SECRETARY FOR ECONOMIC SERVICES**: Madam President, in terms of the standard of safety, in fact, according to the International Civil Aviation Organization (ICAO), to which over 186 countries have subscribed, two permits will be required. First, in terms of the actual aircraft itself, the aircraft would need a permit to satisfy the safety standard in order to fly. Second, there should be a permit which allows the company to operate that commercial service. The standards for issuing those permits are set by the ICAO, and they are the universal standards mostly adopted by commercial airlines and are subscribed to by 186 or even more entities. Therefore, there are worldwide standards.

In terms of the reporting mechanism, actually, the principle is that if the airlines are based in a particular territory, they are required to report any kind of accident or incident as I referred to earlier to the local regulatory authority. In

the case of Hong Kong, it is the Civil Aviation Department (CAD). For those airlines which are not based in Hong Kong, the situation would depend on where the incident or the accident occurred. If it occurred in Hong Kong, naturally, it will be for our regulatory body, that is, the CAD, to take over the investigation. But when it occurred outside Hong Kong, under the ICAO arrangement, it will be the regulatory body of the place of incident which is responsible to investigate that particular incident. Thus, I could say that there is an international framework which governs those safety standards as well as the investigatory procedures.

**MRS MIRIAM LAU** (in Cantonese): *Madam President, the aviation industry in Hong Kong is subject to a certain degree of regulation by the Government, locally and overseas. Will the Secretary inform this Council whether the regulatory regime in Hong Kong is stricter than, looser than or on a par with that in other countries?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, we set very high standards of aviation safety. We meet all ICAO requirements. We even execute priority enforcement of some of the ICAO requirements.

In setting safety standards, we need to approach the issue from two levels. First, flight safety for local airlines. As I mentioned earlier, each airline needs a flight permit and an operation permit in order to fly. We also attach enormous importance to our regulatory system. In this regard, the CAD has transformed the ICAO requirements into administrative orders or laws to facilitate enforcement. We very much stress supporting services as well. For example, we require that aircraft maintenance and other services must meet certain standards.

Second, we trust some regulatory authorities and local airlines have maintained close contacts. As I said in the main reply just now, they meet on a regular basis to review the monitoring of incidents. We also request local airlines to report to the CAD details of incidents occurring locally or overseas. Under the relevant laws, any person found to be negligent would be penalized by the Courts through fines or imprisonment.

Other than the safety of the aircraft, we also care about the overall safety of the Hong Kong airport. As far as operation is concerned, we maintain very good co-ordination with the Airport Authority and all airlines in Hong Kong.

**PRESIDENT** (in Cantonese): This Council has spent more than 16 minutes on this question. Although we do have a queue, I can allow only one more supplementary.

**DR LUI MING-WAH** (in Cantonese): *Madam President, in answering a supplementary question earlier, the Secretary indicated that the ICAO allows shutdown of part of the engines in-flight. I trust the Government has detailed information on this. Will the Secretary provide a written reply for this?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, I will provide a written reply on this subject. (Annex II)

**PRESIDENT** (in Cantonese): Question time shall end here.

## WRITTEN ANSWERS TO QUESTIONS

### **Nuisances Caused by Water Dripping from Plants in Upper Floor Households**

7. **MR FRED LI** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the existing ordinances it can invoke to prosecute households for allowing muddy water to drip when watering their pot plants or discarding wastewater out of their premises, and thus causing nuisances to others; and*
- (b) *the department responsible for enforcing such ordinances, and the number of prosecutions instituted by that department in the past three years?*

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Chinese):  
Madam President,

- (a) Any person who causes muddy water to drip when watering potted plants and creates a nuisance may be prosecuted under section 12(1)(a) of the Public Health and Municipal Services Ordinance (Cap. 132). The normal practice is for a "Nuisance Notice" to be served by the Food and Environmental Hygiene Department (FEHD), requiring that person to carry out improvement measures within a specific time. If he fails to comply with the requirements of the notice, he will be liable on summary conviction to a maximum penalty of \$10,000 and \$200 each day during which the offence has continued.

It is also an offence under section 4(1) of the Public Cleansing and Prevention of Nuisances Regulation (Cap. 132, sub. leg.) for any person to deposit litter, which includes dirty water, in any street, public place or common parts of any building. The maximum penalty is a fine of \$25,000 and imprisonment for six months.

- (b) In respect of a nuisance under section 12(1)(a) of the Public Health and Municipal Services Ordinance, the Director of Food and Environmental Hygiene is responsible for serving a "Nuisance Notice". The FEHD will take follow-up enforcement actions if the notice is not complied with. No prosecution was made in the past three years because improvement measures were carried out after verbal warnings by officers of the FEHD, or of the Housing Department (HD) with respect to public housing estates.

The departments mainly responsible for enforcing section 4(1) of the Public Cleansing and Prevention of Nuisances Regulation are the FEHD, the HD, the Leisure and Cultural Services Department, and the Agriculture, Fisheries and Conservation Department. 37 418 prosecutions were instituted in 1997, 43 749 in 1998 and 33 794 in 1999. These figures include cases involving all types of litter and waste. We do not have a breakdown by types of litter and waste.

**Nuisances Caused by Prostitutes Soliciting in Public Places**

8. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the nuisances caused by prostitutes soliciting in public places, will the Government inform this Council:*

- (a) *of the number of complaints received concerning female members of the public being mistaken for prostitutes and harassed in public places by people seeking sexual services, and the follow-up actions taken in this regard;*
- (b) *whether it has assessed the current number of prostitutes soliciting in public places in various districts; if it has, of the figure, and whether it is on an upward trend in comparison with those figures in the same time in each of the past three years; and*
- (c) *of the measures it has taken to solve the problem of prostitutes soliciting in public places, hence causing nuisance to the public?*

**SECRETARY FOR SECURITY** (in Chinese): Madam President,

- (a) In the past three years, the police have only received two complaints concerning women being harassed in public places by people seeking sexual services. The complaints were received by the Tsuen Wan District in 1998. Having received the complaints, the police immediately deployed police officers for covert operations. These operations had resulted in the successful arrests of 10 persons seeking sexual services and 10 prostitutes. The arrested persons were all charged with the offence of "soliciting for an immoral purpose".
- (b) Since prostitutes soliciting in public places have a certain degree of mobility, and under normal circumstances, it is not easy to ascertain whether a woman is a prostitute purely from her appearance, we have difficulty in assessing accurately the number of prostitutes soliciting in public places. Nevertheless, the police noticed that the problem of soliciting by prostitutes in public places has become more serious in some districts this year. It has already taken appropriate measures in order to contain the problem.



- (c) The police spare no efforts in implementing different measures to combat prostitution. All these measures directly or indirectly help solve the problem of prostitutes soliciting in public places, hence causing nuisance to the public. These measures include:
- step up the patrol of black spots where street prostitutes are found soliciting so as to prevent them from congregating;
  - deploy undercover police officers for covert operations to arrest prostitutes who "solicit for an immoral purpose" in public places;
  - strengthen inspection of vice establishments and places for conducting prostitution activities;
  - with the assistance of local organizations, encourage members of the public to report prostitution to the police to enable immediate follow-up actions by the police. The Wan Chai and Sham Shui Po Districts have set up telephone hotlines for this purpose. This will facilitate the gathering of intelligence in relation to prostitution in the districts; and
  - since a proportion of the street prostitutes are illegal immigrants or two-way permit holders from the Mainland, the police have conducted joint operations with the Immigration Department against black spots where prostitutes congregate and solicit for immoral purpose. Those who have contravened the Immigration Ordinance will be prosecuted and repatriated to their places of origin. In order to block the inflow of this type of prostitutes in the long run, the police have passed information on two-way permit holders who engaged in prostitution to mainland law enforcement agencies. Furthermore, this subject will be discussed and information exchanged at the semi-annual Guangdong — Hong Kong — Macau Tripartite Meeting. To further strengthen co-operation between Hong Kong and the Mainland, the police (together with the Immigration Department) have sent a delegation to the Guangdong Public Security Bureau on 31 October 2000 to discuss the matter.

This has not only resulted in improving intelligence exchange concerning the problem of mainland prostitutes in Hong Kong, but also laid down a foundation for mutual co-operation and further joint operations to curb mainland women entering Hong Kong for prostitution.

### **Occupational Health Protection for Employees in Noisy Entertainment Establishments**

9. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, regarding occupational health protection for employees in noisy entertainment establishments such as karaokes, mahjong parlours and amusement game centres, will the Government inform this Council whether:*

- (a) *officers are regularly deployed to measure the noise levels in such establishments; if so, of the details; if not, the reasons for that; and*
- (b) *it will consider amending the Occupational Deafness (Compensation) Ordinance (Cap. 469) to include, in the "noisy occupations" category, employees in the above establishments for entitlement to compensation; if it will, of the legislative timetable; if not, the reasons for that?*

**SECRETARY FOR THE EDUCATION AND MANPOWER** (in Chinese):  
Madam President,

- (a) The Labour Department has been regularly conducting occupational safety and health inspections to workplaces under the coverage of the Occupational Safety and Health Ordinance to ensure that the safety and health of the employees are protected. Early this year, we have conducted noise measurements in karaokes, mahjong shops and amusement game centres to assess the employees' exposure to noise. The inspections results that the daily personal noise exposure (LEP,d) of all employees in these workplaces generally had not exceeded and internationally recognized occupational health standard of LEP,d 90 dB(A). In individual mahjong parlours, the

Labour Department found that a small number of employees being employed as "substitute" mahjong players had a higher noise exposure. However, the daily personal doses were not excessively high. Upon receipt of warnings or improvement notices issued by the Labour Department, all the employers concerned have made appropriate rectifications such as reducing the employees' exposure time and providing ear protectors to the employees.

- (b) The Administration will form a Working Group to conduct a review on the Occupational Deafness Compensation Scheme shortly. The Working Group will study the need to extent the coverage of workplaces under the Occupational Deafness (Compensation) Ordinance. The review will commence in December this year and is expected to be completed by the middle of next year.

### **Tenants Purchase Scheme**

10. **MR FRED LI** (in Chinese): *Madam President, will the Government inform this Council whether it knows if the Hong Kong Housing Authority (HA) plans to include public rental housing estates of the Harmony type (public housing estates) in the list of estates to be sold in 2003 or after under the Tenants Purchase Scheme; if the HA has such plans, whether the order of selling these public housing estates will be according to their year of completion; if it will not be so, of the criteria for determining the order of sale?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, under the current three-year rolling programme of the Tenants Purchase Scheme, nine public rental housing estates will be offered for sale in 2003. None of them is of the Harmony type.

The HA has not yet decided on which estates to be put up for sale after 2003. The estates to be sold in 2004 will be considered by the HA's Home Ownership Committee in mid-2001. The main criteria for determining the order of sale are the age, type, geographical distribution and maintenance condition of public rental housing estates.

**Monitoring Environmental Consultancy Studies**

11. **MISS EMILY LAU** (in Chinese): *Madam President, last month, a green group criticized the poor quality and long completion time of a number of environmental studies conducted by environmental consultancy firms commissioned by the Administration and alleged that one of the consultancy firms had conflict of interests. In this connection, will the executive authorities inform this Council:*

- (a) *of the current tendering procedure and selection criteria for such consultancy studies, and whether they will review such procedure and criteria;*
- (b) *of the total amount of public money spent on environmental studies conducted by environmental consultancy firms commissioned by the Administration in the past five years;*
- (c) *of the nature of, time spent on and costs of each of the studies;*
- (d) *whether completion deadlines have been set for such studies; and*
- (e) *whether environmental consultancy firms with poor performance records have been disqualified over the past three years from bidding for environmental studies commissioned by the Administration?*

**SECRETARY FOR WORKS** (in Chinese): Madam President,

- (a) The procurement of engineering consultancy services including environmental studies by the Government is guided by the principles of transparency, open and fair competition; public accountability and value for money. For engineering consultancy services with a value exceeding \$1,300,000<sup>1</sup>, the selection and appointment of the consultancy firms will follow a set of consultant selection procedures that has been formulated in full consultation with the

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<sup>1</sup> For engineering consultancy services with a value not exceeding \$1,300,000, the Government will procure them in accordance with the Government Stores and Procurement Regulations. Basically, not less than five quotations should be obtained and the lowest quotations will be accepted.

trade and is accessible to the public through the Internet. The consultant selection processes for procuring engineering consultancy services are under the scrutiny of the Engineering and Associated Consultants Selection Board (EACSB), which is chaired by the Director of Civil Engineering and includes a member each from the Works Bureau and the Finance Bureau.

Typically, a department wanting to procure a service of engineering consultancy studies, whether environment-related or not, must first set up an assessment panel, chaired by a directorate grade officer of the procuring department and comprises three to five members of senior professionals from various departments, and invite four pages of expressions of interest (EOIs) from all relevant consultancy firms. Among other things, consultancy firms will be required to declare in the EOIs any involvement or interest which they consider to be in real or apparent conflict with the duties to be performed for the study.

The EOIs will then be assessed by the assessment panel normally having regards to the following factors:

- (i) relevant previous experience;
- (ii) appreciation of the requirement and an approach to the study;
- (iii) knowledge, experience and capability of key staff;
- (iv) past performance; and
- (v) quality of sub-consultants, where applicable.

The assessment panel will normally recommend a shortlist of four consultancy firms. Subject to the EACSB's approval, the shortlisted consultants will be invited to submit detailed technical proposals, normally limited to 30 pages, and fee proposals separately in two envelopes.

A pre-submission briefing is usually held before the deadline for submissions to ensure that the shortlisted consultants are fully aware

of the study requirements. The opportunity is also taken to clarify any queries and to receive comments relating to the study brief and the assessment criteria. The revised brief taking into account any comments and clarification arising from the briefing is then issued to the shortlisted consultants, together with any amendments to related documents.

Before the envelopes enclosing the fee proposals are opened, the assessment panel will critically assess the technical proposals against a set of assessment criteria, as approved by the EACSB prior to invitation of proposals. The following criteria are normally used but with different weightings for different studies:

- (i) consultancy firm's experience — assessment of relevant experience and knowledge;
- (ii) consultancy firm's response to the brief — assessment of the consultant's understanding of the objectives and requirements, innovative ideas, and its appreciation of the key issues, constraints and relevant special requirements;
- (iii) approach to cost-effectiveness — assessment of the consultant's approach to achieve cost-effectiveness on past studies of a similar nature and on the current study;
- (iv) proposed methodology and study programme — assessment of the study programme and the proposed approach to ensuring a satisfactory implementation programme;
- (v) proposed staffing and resources — assessment of the proposed organization of the project team, including sub-consultants lined up for the project, relevant qualifications and experience of the key members of the team, commitment and availability of key members with due regard to any other concurrent assignment, adequacy of professional and technical manpower input, and their know-how of local practices, and so on.

Proposals which satisfy the technical aspects will have their fee bids opened and recorded by the EACSB before the technical/fee

weightings are applied to identify the overall winner. The technical/fee score weightings ratio is normally established with due regard to the study's nature and complexity, again determined prior to invitation of proposals. The more complex and technically demanding the project, the higher the ratio will be. The range of ratios adopted for studies of different nature and complexity is as follows:

- (i) Multi-disciplinary consultancy agreements that require special emphasis on technical input 80% technical: 20% fee
- (ii) Less complex consultancy agreements 70% technical: 30% fee
- (iii) Relatively straight forward consultancy agreements 60% technical: 40% fee

Having vetted the technical and fee proposals, the assessment panel will then present a report to the EACSB, usually with a recommendation to appoint the highest combined scorer, for its approval. Subject to the EACSB's approval, the department will enter into an agreement with the winning consultancy firm, who will be reminded prior to entering into agreement of the contractual obligation to declare real or apparent conflict of interest.

The consultant selection procedures and assessment criteria are subject to constant review. We are currently studying various measures to refine our consultant selection procedures and step up monitoring and administration of consultants. Such measures include a more frequent reporting of the performance of consultants, and the inclusion of consultant's performance as one of the assessment criteria even after the shortlisting stage, that is, in the final selection stage.

- (b) The amount of public money committed for stand-alone environment-related consultancy studies approved by the EACSB since 1996 is some \$528 million.

- (c) The nature of, time spent on and costs of each of the stand-alone environment-related consultancy studies are tabulated at the Annex.
- (d) Completion timeframes are set for all engineering, including environment-related, consultancies vetted by the EACSB. However the actual completion dates may be at variance with the timeframes, depending on the nature of the consultancy services being procured. For instance, the duration of environmental monitoring and audit/assessment assignments can be affected by progress of the relevant works contract. However, studies that are less dependent upon extraneous developments are expected to adhere to more specific programmes.
- (e) At present, any consultancy firm having received three consecutive adverse reports under an agreement will be suspended from bidding for any further agreements under the purview of EACSB until its performance in the agreement has become satisfactory. Over the last three years, no consultant for stand-alone environment-related studies has received three such adverse reports.

Annex

Stand-alone Environment-related Consultancy Studies Approved  
by Engineering and Associated Consultants Selection Board since 1996

<i>Agreement Title</i>	<i>Nature</i>	<i>EACSB Approval Date</i>	<i>Study Period (Month)</i>	<i>Fee (\$m)</i>
Consultancy Study on Life Cycle Analysis and Eco-Labeling	O	1996	26	4.34
EIA and DIA studies for Tsing Yi North Coastal Road	T	1996	23	1.21
Dredging Studies Related to Sand Extraction and Mud Disposal (Incl. Additional Works)	WD	1996	38	7.10
Strategic Sewage Disposal Scheme Stage I - Baseline Monitoring and Performance Verification	S	1996	73	13.62
Multi-disciplinary Research Programme on the Indo-pacific Hump-backed Dolphin Population	EC	1996	25	4.00
Development of a Comprehensive Conservation Strategy & a Management Plan in relation to the Listing of Mai Po and Inner Deep Bay as a Wetland of Int'l Importance	EC	1996	12	2.53
Strategic Sewage Disposal Scheme - Environmental Impact Assessment Study	S	1996	51	39.45
Environmental Impact Assessment Study for Disposal of Contaminated Mud in the East Sha Chau Marine Borrow Pit	WD	1996	46	4.00
Seabed Ecology Studies	EC	1996	50	5.37



<i>Agreement Title</i>	<i>Nature</i>	<i>EACSB Approval Date</i>	<i>Study Period (Month)</i>	<i>Fee (\$m)</i>
Coastal Ecology Studies	EC	1996	34	2. 90
Territorial Sewerage Inflow & Infiltration Reduction Strategy	S	1996	did not proceed	0. 00
Environmental Impact Assessment Study for PWP item no. 437CL - Aldrich Bay Reclamation Engineering works	R	1996	33	1. 49
Pak Shek Kok Reclamation for Dumping, Stage I Independent Consultants for the Supervision of the Environmental Monitoring and Audit Process	R	1996	25	3. 29
Feasibility Study for Nullah Decking and Associated Environmental Improvements	O	1996	48	12. 68
Consultancy Study for Environmental Improvement of Shing Mun River Main Channel and Associated Nullahs	WQ	1996	20	2. 83
Territory-wide Air Quality Modelling System	A	1996	51	18. 55
Tin Shui Wai Development - Biogas Study (Supp. Agreement)	O	1996	34	2. 49
Sludge Treatment and Disposal Strategy Study	S	1996	45	6. 09
Feasibility Study for Providing Retroactive Road Traffic Noise Mitigation Measures	T	1996	45	3. 53
Baseline and Performance Verification Monitoring for Pillar Point Sewage Outfall	S	1996	55	11. 60
Contract Review of the Chemical Waste Treatment Centre	WD	1996	51	6. 59
Environmental Impact Assessment and Traffic Impact Assessment Studies - Flyover at Tai Chung Kiu Road/Siu Lek Yuen Road	T	1996	21	1. 98
Upgrading of the Water Quality and Hydraulic Mathematical Models	O	1996	15	6. 99
Lantau Fixed Crossing, Tsing Ma Bridge - Noise Mitigation Study	T	1997	46	4. 00
Independent Reviewers for Territory-wide Air Quality Modelling System	A	1997	43	0. 30
Formation and Servicing in Area 36, Fanling -Environmental, Traffic and Drainage Impact Assessments	R	1997	27	2. 52
Reassessment of Chlorine Hazard for Eight Existing Water Treatment Works	W	1997	57	7. 47
Environmental Monitoring and Audit for Contaminated Mud Pits II and III at East of Sha Chau	WD	1997	37	10. 50
Artificial Reef Deployment Study	EC	1997	38	4. 50
Study on Sustainable Development for the 21st Century (SUSDEV21)(Including Supplementary Agreement - Survey Work)	P	1997	37	28. 08
Feasibility Study of Waste-of-Energy Incineration Facilities	WD	1997	53	27. 50
Preliminary Project Feasibility Study for 1)Noise Enclosure and Barrier on Fanling Highway near Choi Yuen Est. Sheung Shui; 2)Noise Enclosure on Fanling Highway near Fanling	T	1997	10	0. 50
Independent Audit on Airport Railway Noise on Tsing Ma Bridge and Kap Shui Mun Bridge	T	1997	37	5. 60
Update on Cumulative Water Quality and Hydrological Effect of Coastal Developments and Upgrading of Assessment Tool	WQ	1997	32	15. 02
Environmental Monitoring and Audit for Contaminated Mud Pit IV at East of Sha Chau	WD	1997	39	50. 46
FS for Add. Cross-border Links Stage 2:I on Env., Eco., Land Use Plan., Land Acq., Econ/Fina. Viab. and Prelim. Proj. Feas./Prelim. Design	T	1997	38	23. 21
Specialist Review on the Plant Specimens of the Hong Kong Herbarium	EC	1997	38	2. 98
Environmental Monitoring and Auditing for Pak Shek Kok Reclamation for Dumping, Stage II	R	1998	33	2. 85

<i>Agreement Title</i>	<i>Nature</i>	<i>EACSB Approval Date</i>	<i>Study Period (Month)</i>	<i>Fee (\$m)</i>
Tai Po Sewage Treatment Works - Stage V, PPFS	S	1998	12	2.00
Further Development of Strategic Sewage Disposal Scheme Stage III/IV and PPFS	S	1998	30	10.34
Sha Tin Sewage Treatment Works, Stage III Extension Environmental Impact Assessment	S	1998	21	2.41
Feasibility Study for Providing Noise Mitigation Measures on Existing Flyovers	T	1998	25	1.25
A Study on the Conservation Biology of the Finless Porpoise ( <i>Neophocaena phocaenoides</i> ) in Hong Kong	EC	1998	32	4.77
Core Consultancy for the Afteruse of Landfill Sites	L	1998	31	4.35
Reclamation Works for DOS and GIC Facilities in North Tsing Yi - Land Contamination Study	R	1998	30	2.35
Tseung Kwan O Development Phase III Road P2 connecting Town Centre and Western Coast Road (Including SA-Air Impact Assessment Study)	T	1998	28	2.30
Development of an Ecological Monitoring Programme for the Mai Po and Inner Deep Bay Ramsar Site	EC	1998	22	1.38
Environmental and Drainage Impact Assessment for Tai O Sheltered Boat Anchorage	O	1998	20	2.54
Performance Verification of Discharge into Victoria Harbour from Tolo Harbour Effluent Export Scheme	S	1998	27	3.30
Tuen Mun Sewerage - Eastern Coastal Sewerage Extension Environmental Impact Assessment	S	1998	21	1.24
Preliminary Phase Consultancy Study on Wider Use of Water-Cooled Air Conditioning Systems in Hong Kong	O	1998	10	3.10
Greenhouse Gas Emission Control Study	A	1998	21	6.87
Study on Revitalization of Tai O	P	1998	26	2.07
Study on Wetland Compensation	O	1998	28	25.71
Review of Sai Kung Sewage Treatment Works Phase II Upgrading	S	1998	19	2.00
Environmental Monitoring and Auditing for Pak Shek Kok Reclamation for Public Filling, Stage 3	R	1998	48	4.11
Consultancy Study On Fisheries and Marine Ecological Criteria for Impact Assessment	EC	1999	25	4.34
Review of Central and East Kowloon Sewerage Master Plans	S	1999	22	3.92
Review of Tuen Mun and Tsing Yi Sewerage Master Plans	S	1999	21	2.80
Outlying Islands Sewerage Master Plan Stage 2 Review	S	1999	20	2.30
Strategic Assessment and Site Selection Study for Contaminated Mud Disposal	WD	1999	17	2.08
Performance Verification of Stanley and Shek O Outfalls	S	1999	22	3.52
Study on the Environmental Impact of Discharges from Septic Tanks	S	1999	21	1.86
Materials Recovery/Recycling Facilities Study	WD	1999	17	5.05
Chai Wan Unauthorized Discharges Survey	S	1999	19	1.40
Road Traffic IA, Marine Traffic IA and Environmental Study for the Proposed Ap Lei Chau and Chai Wan Public Filling Barging Points	T	1999	17	3.24

<i>Agreement Title</i>	<i>Nature</i>	<i>EACSB Approval Date</i>	<i>Study Period (Month)</i>	<i>Fee (\$m)</i>
Environmental Impact Assessment Study and Traffic Impact Assessment Studies - Widening of T6 Bridge, Sha Tin	T	1999	19	1. 21
Strategic Sewage Disposal Scheme Stage II - Preliminary Project Feasibility Study	S	1999	14	4. 27
Environmental Impact Assessment Study for Demolition of Kwai Chung Incineration Plant (KCIP) and proposed Kennedy Town Comprehensive Development Area	H	1999	12	1. 28
Study of Air Quality in the Pearl River Delta Region	A	1999	19	11. 67
A Study of Toxic Substances Pollution in Hong Kong	WQ	1999	30	8. 98
Pilot Study for Inflow and Infiltration Reduction Strategy	S	1999	17	5. 18
Beach Pollution Reduction Study	S	1999	15	2. 90
Ecological Monitoring for Uncontaminated Mud Disposal	EC	1999	31	4. 74
Yuen Long and Kam Tin Sewerage and Sewage Disposal Stage 1, Sewers, Rising Mains and Ancillary Pumping Stations - EIA and Traffic IA Studies	S	1999	26	1. 88
Road Traffic Impact Assessment, Marine Traffic Impact Assessment and Environmental Study for the Proposed Kwai Chung Public Filling Barging Point	T	2000	6	1. 38
Extension of Existing Landfills and Identification of Potential New Waste Disposal Sites	L	2000	16	3. 40
Review of Hong Kong Island Sewerage Master Plans	S	2000	25	2. 97
Review of Strategic Sewage Disposal Scheme	S	2000	13	4. 90
Environmental Monitoring and Audit for Penny's Bay Reclamation, Stage 1	R	2000	20	2. 15
Additional Study of Waste-to-Energy Facilities (WEF)	WD	2000	8	2. 68
Consultancy for Environmental Monitoring and Audit for Contaminated Mud Pit IV at East of Sha Chau (2000-2005)	WD	2000	60	8. 00

## Legend:

A — Air Quality  
 EC — Ecology  
 H — Housing  
 L — Landfill  
 O — Others  
 P — Planning

R — Reclamation/ formation and servicing  
 S — Sewerage/sewage treatment  
 T — Transport  
 W — Water treatment  
 WD — Wasted disposal  
 WQ — Water quality

## Notes:

- As the EACSB approved agreements are not classified according to disciplines (for example, environmental or geotechnical engineering), a list of environmental consultancy studies cannot be readily extracted from the EACSB databank. The above list covers those consultancies approved by EACSB between 1 January 1996 and 4 October 2000, which according to the agreement title are believed to be directly related to environmental studies.
- The study period is based on the commencement date and latest estimated completion date/actual completion reported by departments.

**Maintenance of Fresh Water Pipes in Units of PRH Estates**

12. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the maintenance of fresh water pipes in units of public rental housing (PRH) estates, will the Government inform this Council:*

- (a) *whether the Housing Department (HD) regularly checks the extent of corrosion on the inside of water pipes in PRH units; if so, of the details;*
- (b) *of the criteria used by the HD to decide on whether the water pipes with corrosion inside need to be replaced; and*
- (c) *of the lead time normally required for the HD to replace the water pipes in PRH units in need of such works, and whether the tenants concerned are required to pay part of the costs of the works?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, the HD inspects the extent of corrosion inside water pipes in all PRH blocks aged 12 years old, and thereafter on a need basis. Other flats are inspected upon receipt of complaints from tenants.

Water flow and water clarity tests are used to determine whether the pipes in PRH flats need to be replaced.

Corroded water pipes in PRH flats are replaced normally within a month. In urgent cases, immediate repair will be arranged. Tenants are not required to meet any cost.

**Education for Non-Chinese Asian Children and Youths**

13. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, regarding the education of non-Chinese Asian children and youths in Hong Kong, will the Government inform this Council:*

- (a) *of the current number of these children and youths who are below the age of 15, and of the respective numbers of those who are*

*attending government, aided, directly subsidized and private primary and secondary schools, as well as those who are not attending any school;*

- (b) of the number of children and youths involved in cases in which assistance by the Government had been sought in finding school places in the past three years and, among them, the number of those who succeeded in getting school places;*
- (c) whether it plans to take the initiative to assist those children and youths who are not attending schools to get enrolled; and*
- (d) of the measures for providing education opportunities to the youths aged 15 or above who have not completed junior secondary school and have a relatively lower standard of Chinese and English?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President, we understand that by "non-Chinese Asian children", the Honourable CHEUNG Man-kwong is referring to children who are of Indian/Pakistani/Nepalese nationality and are residing in Hong Kong. The replies below are prepared on this basis.

Parts (a), (b) and (c)

According to the statistics of the Immigration Department, as at 10 November 2000, there are about 3 000, 2 300, and 3 100 Indian, Pakistani and Nepalese children respectively who are aged below 15 and are residing in Hong Kong.

Under the existing policy, all eligible local children (see Annex for eligibility criteria), including Indian/Pakistani/Nepalese children, may attend public sector schools in Hong Kong. In addition, they may choose to attend private/international schools. Since a student's racial origin/nationality does not affect his/her eligibility to study, the Education Department (ED) does not keep separate statistics on the number of Indian/Pakistani/Nepalese children who are aged below 15 and are now studying in public sector or private/international schools.

Government policy is to provide nine years of free and universal education to local children (including Indian/Pakistani/Nepalese) aged between six and 15. Under the existing arrangement, schools are required to bring to the ED's attention if children of this age group drop out from their schools, and the Department will take follow-up actions to ensure that these children will attend schools. At the time when this reply is being prepared, there are three Indian/Pakistani/Nepalese children who have dropped out from schools; the ED is now actively finding school places for them.

In addition, the ED from time to time also receives placement requests from local children, including Indian/Pakistani/Nepalese children. The ED's performance pledge is to find a school place for these children within 21 working days, and those aged between six and 15 are guaranteed a public sector school place. However, since the placement service is provided to all local children alike, the ED does not keep separate statistics on the number of Indian/Pakistani/Nepalese children who have sought the Department's assistance to find school places in the past three years, and the number of successful cases.

We are aware that there are children, including Indian/Pakistani/Nepalese children, who should be in schools but for various reasons do not attend schools although the ED does not have an estimate of the number of these children. The ED has been adopting the following measures to actively bring these children back to schools:

- working closely with relevant non-governmental organizations (NGOs) and social workers to reach out to children who are not attending schools and to provide assistance to these children;
- conducting briefing and experience sharing sessions with relevant NGOs to see how our education services could be better publicized amongst these children; and
- providing placement assistance service.

## Part (d)

We are conscious that some Indian/Pakistani/Nepalese children may not be able to adapt to the local education system initially. Therefore, starting from the current school year, the ED has been providing non-Chinese speaking children, including Indian/Pakistani/Nepalese children who are aged 15 or above and have not yet completed junior secondary education, with support services similar to those received by newly arrived children from the Mainland. Block grants (\$2,750 and \$4,080 per student for primary and secondary levels respectively) are provided to schools which admit non-Chinese speaking children. Schools may use the grants to provide school-based support services, such as organizing tutorial classes on Chinese/English, developing special teaching materials, and so on for their non-Chinese speaking students. In addition, subventions are provided to NGOs for running induction programmes to help non-Chinese speaking children adapt to the local school environment. While induction programmes are targeted at those aged below 15, children above this age could also attend these programmes.

For non-Chinese speaking children who are aged 15 or above, apart from day schools, they may also apply for the ED's adult education courses to continue their study.

Annex

Admission criteria of children to public sector schools  
in Hong Kong

Admission to public sector schools is restricted to children holding one of the following documents:

(a) *Hong Kong Birth Certificate*

- (i) For birth registration effected before 1 January 1983, the birth certificate alone is sufficient proof of the holder's eligibility for admission to such schools;

- (ii) For birth registration effected between 1 January 1983 and 30 June 1987, column 12 of their birth certificates must indicate their Hong Kong believer status as "*Established*";
  - (iii) For birth registration effected on or after 1 July 1987, column 12 or 11 of their birth certificates must indicate their Hong Kong permanent resident status as "*Established*";
  - (iv) Children whose Hong Kong believer status or Hong Kong permanent resident status is known as "*Not established*" in the birth certificate should have a Permit to Remain in Hong Kong - ID 235B or valid travel documents, with one of the endorsements listed in (c) below.
- (b) *Hong Kong Identity Card*

A Hong Kong Identify Card issued on or after 1 July 1987 which does not bear the symbol 'C' (for conditional stay) at line 6. If the symbol 'C' is shown, the holder must have a valid travel document with one of the endorsements listed in (c) below;

(c) *Travel Document*

A valid travel document with any of the following endorsements:

- (i) "*Permitted to remain until (date)*" (the date showing the stay in Hong Kong to be still valid at the time of admission to school);
- (ii) "*Permission to remain extended until (date)*" (the date showing the stay in Hong Kong to be still valid at the time of admission to school);
- (iii) "*The holder of this travel document has the right to land in Hong Kong. (Section 2AAA, Immigration Ordinance Cap. 115, Laws of Hong Kong)*";



- (iv) *"The holder arrived Hong Kong on (date) and was permitted to land."*;
- (v) Permitted to stay with no condition attached;
- (vi) *"Previous conditions of stay are hereby cancelled"; or*
- (vii) *"Holder's eligibility for Hong Kong permanent identity card verified"*.

### **Accident and Emergency Services of Public Hospitals**

14. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the accident and emergency (A&E) services provided by public hospitals, will the Government inform this Council whether it knows:*

- (a) *the respective numbers of doctors working on day and night shifts at A&E departments of public hospitals at present, with a breakdown by their ranks, and whether there have been any changes to such manning scales over the past three years; if so, of the details;*
- (b) *the existing arrangements and established procedure in public hospitals for junior doctors to seek immediate advice from senior doctors when encountering problems while on duty at A&E departments; and*
- (c) *the special procedure in place for dealing with patients who have been discharged after receiving treatment at A&E departments but have returned for treatment on the same day because their condition deteriorates?*

**SECRETARY FOR HEALTH AND WELFARE** (in Chinese): Madam President,

- (a) The work shifts of doctors in A&E departments are staggered in such a way to match the peaks and troughs of patient attendances, irrespective of time of day. This is to ensure that there are

sufficient doctors to attend to patients during peak hours, which range from 9 am to noon, 1 pm to 4 pm and 8 pm to 11 pm.

The number of doctors deployed to the A&E department by each hospital may differ slightly from time to time, subject to seasonal and service requirements. At present, depending on the scale of operation of individual A&E departments, the maximum number of doctors on duty during peak hours ranges from six to 20, while the minimum number on duty during non-peak hours ranges from one to three. Details are at Annex. The total number of senior doctors on duty (that is, Senior Medical Officers and above) ranges from zero to seven, depending on the workload of individual A&E departments. Where necessary, doctors in A&E departments can always obtain support and advice expeditiously from relevant senior doctors, including those from the in-patient departments.

Due to the scale of workload involved in compiling the data in 1998 and 1999, the Hospital Authority is not able to provide the information for these two years.

- (b) All doctors working in A&E departments receive training in emergency medicine for handling all common conditions presented to the A&E departments. To assure the quality and standard of care in A&E departments, senior doctors will supervise junior doctors and conduct regular audits on the clinical management of admitted and discharged patients. Should junior doctors encounter problems while on duty, they can seek immediate advice from senior doctors.
- (c) Doctors in A&E departments will pay special attention to all unscheduled patient re-attendances. The management of such patients will be audited and reviewed to ensure the quality of care delivered in A&E departments.

## Annex

## Number of doctors on duty in Accident and Emergency Departments

<i>Hospital</i>	<i>Total number of doctors on duty</i>
Alice Ho Miu Ling Nethersole Hospital	1-8
Caritas Medical Centre	1-8
Kwong Wah Hospital	2-15
North District Hospital	2-8
Princess Margaret Hospital	1-8
Prince of Wales Hospital	2-14
Pamela Youde Nethersole Eastern Hospital	2-10
Queen Elizabeth Hospital	2-20
Queen Mary Hospital	2-12
Tseung Kwan O Hospital*	3-6
Tuen Mun Hospital	3-12
Tang Shiu Kin Hospital	1-8
United Christian Hospital	3-12
Yan Chai Hospital	2-8

\* The operating hours of the A&E department of Tseung Kwan O Hospital is from 7 am to 11 pm.

### **Admission of Pupils with Special Education Needs by Mainstream Primary Schools**

15. **MR LAW CHI-KWONG** (in Chinese): *Madam President, regarding the admission of pupils with special education needs by mainstream primary schools, will the Government inform this Council:*

- (a) *of the respective numbers of mainstream primary schools which commenced operation in the past and current school years; and among them, the number of schools which have admitted pupils with special education needs, together with a breakdown of the numbers of such pupils admitted to each school by classes and types of special education needs;*

- (b) *of the estimated number of such pupils to be admitted to mainstream primary schools in the next school year, together with a breakdown by type of special needs, and whether the Education Department (ED) plans to increase such school places and the types of special needs;*
- (c) *of the additional resources provided to the schools which have admitted such pupils, and whether it knows how the relevant school authorities use the additional resources;*
- (d) *whether the ED has created new posts over the past two years for providing relevant support to the primary schools concerned; if it has, of the number, ranks and duties of the posts; and*
- (e) *whether it has encouraged mainstream schools and assisted the relevant school principals, teachers and other pupils to accept such pupils; if it has, of the details; if it has not, whether it will consider doing so?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Chinese): Madam President, the ED has been providing support services to students with special educational needs (for example, learning difficulties, speech defect, behavioural problems, autism with average intelligence, mild grade mental handicap, hearing impairment, physical handicap and visual impairment) attending mainstream primary schools. These services include remedial teaching, speech therapy, adjustment unit, as well as psychological and peripatetic services. The ED also provides the following resources to schools for implementing the whole-school approach to integrated education and the intensive remedial teaching programmes:

- (A) Whole-school approach to integrated education
  - (a) A non-recurrent grant of \$50,000 is provided to schools for purchasing additional equipment for pupils or paying for minor works;
  - (b) An annual recurrent grant of \$1,000 is provided to schools for each disabled pupil (that is, physical handicapped, visually

impaired, hearing impaired, mildly mentally handicapped or autistic with average intelligence) for organizing activities and supportive programmes;

- (c) An additional resource teacher at the Certificated Master/Mistress (CM) rank is provided for each school admitting five or more target pupils to support the implementation of integrated education; and
- (d) An additional teacher assistant is provided for each school admitting eight or more target pupils to assist the aforesaid resource teacher.

(B) Special Educational Needs Incidental Charges Grant

Schools not participating in the programme in (A) above will be granted an incidental charged grant of \$700 per year for each disabled pupil (that is, physical handicapped, visually impaired, hearing impaired, mildly mentally handicapped or autistic with average intelligence) admitted.

(C) Intensive Remedial Teaching Programme

Schools may apply for the operation of an intensive remedial teaching programme and the employment of an additional CM teacher for every eight to 15 pupils with learning difficulties. A set-up fund of \$7,200 and a recurrent grant of \$6,270 per year will be provided for each programme.

In the next four years, the ED will increase the number of primary schools adopting the whole-school approach to integrated education by about 20 each year. The ED will also set up some 60 intensive remedial teaching programmes next year to support pupils with learning difficulties.

As regards the questions raised by the Honourable Member,

- (1) Among the 15 mainstream primary schools commencing operation in the past school year (1999-2000), 12 have admitted pupils with special educational needs (SEN pupils). As for the 16 mainstream

primary schools commencing operation in the current school year, 14 have admitted SEN pupils. Details are set out at the Annex. All these schools are provided with the necessary support services described above.

- (2) Based on past trends, the ED estimates that, in the coming school year, about 7 500 SEN pupils will be admitted to mainstream primary schools or assessed to have special educational needs. details are as follows:

<i>Types of Special Educational Needs</i>	<i>Estimated No. of Pupils</i>
Learning difficulties	3 600
Speech defect	3 400
Behavioural problems	240
Autism with average intelligence	50
Mild grade mentally handicapped	70
Hearing impaired	50
Physically handicapped	30
Visually impaired	20

Under the existing policy, all the above SEN students can be admitted into mainstream primary schools. There is no need for the ED to increase the number of school places or the type of special needs.

- (3) The additional resources provided to schools for admitting SEN pupils have been set out above. With the implementation of school-based management, schools will provide information on the use of these additional resources in the school annual plan and annual report. ED staff will also visit the schools concerned to provide professional advice on school development and to closely monitor the use of resources.
- (4) Following its reorganization in early July this year, the ED has set up Regional Education Offices to provide more client-based services to key stakeholders. Over the past two years, the ED has also recruited two additional officers to provide relevant support to primary schools adopting the whole-school approach to integrated

education. One is an Educational Psychologist (at the Specialist rank) whose main duty is to provide support and professional advice to schools concerned. The other is an Integration Officer (at the Inspector (Graduate) rank) whose main duty is to plan and carry out administrative work on integrated education.

- (5) The ED has all along been actively encouraging mainstream schools to accept SEN pupils through a whole-school approach. Relevant publicity campaigns, training and support are provided to school heads and teachers. These include promotion seminars, school-based training workshops, experience-sharing sessions and training courses run by tertiary institutions. Publications such as newsletters, resource packages and teaching kits are also distributed. Moreover, the ED has met with various sponsoring bodies, school personnel, parent-teacher associations and school management committees to explain how to establish an inclusive learning environment in mainstream schools and to help teachers master effective teaching strategies. A special education resources centre where learning packages and resources on special education are kept for teachers' reference has been set up.

Annex

1999-2000 School Year

	<i>Name of school</i>	<i>Types of Special Educational Needs</i>	<i>Types of Special Educational Needs</i>						<i>Total</i>
			<i>P.1</i>	<i>P.2</i>	<i>P.3</i>	<i>P.4</i>	<i>P.5</i>	<i>P.6</i>	
(1)	Tin Shui Wai Methodist Primary School	Hearing Impaired	1						1
		Speech Defect		15					15
		Behavioural Problems		1	1	1			3
		Learning Difficulties			1	2	2	5	10
		Physically Handicapped					1		1
(2)	Po Leung Kuk Wong Wing Shu Primary School#	Hearing Impaired			1				1
		Speech Defect	8	7	7	6	8		36
		Learning Difficulties		3	7	11		11	32

	<i>Name of school</i>	<i>Types of Special Educational Needs</i>							<i>Total</i>
		<i>P.1</i>	<i>P.2</i>	<i>P.3</i>	<i>P.4</i>	<i>P.5</i>	<i>P.6</i>		
(3)	Tseung Kwan O Catholic Primary School	Hearing Impaired	1						1
		Speech Defect	1	10	6	6	1	1	25
(4)	Lions Club Ho Tak Sum Primary School	Hearing Impaired		1			1		2
		Speech Defect		1					1
		Learning Difficulties			2	2	3	4	11
		Physically Handicapped		1					1
		Mildly Mentally Handicapped	1		1				2
(5)	St. Antonius Primary School	Hearing Impaired		1					1
		Speech Defect	1	15	7	5	2		30
		Learning Difficulties	1	1					2
(6)	Tai Po Government Primary School#	Hearing Impaired			1				1
		Speech Defect		9	4	3	1	1	18
		Behavioural Problems		1					1
		Learning Difficulties		16	12	11	11	5	55
		Mildly Mentally Handicapped				1			1
(7)	Queen Elizabeth School Old Students' Association Branch Primary School#	Speech Defect	2	4	4	7	5	1	23
		Learning Difficulties		7	8	8	8		31
(8)	TWGH Leo Tung Hai Lee Primary School#	Speech Defect	2	8	6	5	3		24
		Learning Difficulties			6	4			10
(9)	Hong Kong Cheng's Clansmen General Association Cheng Jack Yiu School	Learning Difficulties				1			1
(10)	Pentecostal Yu Leung Fat Primary School#	Speech Defect		3	4		2	2	11
		Behavioural Problems		1					1
		Learning Difficulties			5	12	11	5	33



	<i>Name of school</i>	<i>Types of Special Educational Needs</i>	<i>Types of Special Educational Needs</i>						<i>Total</i>	
			<i>P.1</i>	<i>P.2</i>	<i>P.3</i>	<i>P.4</i>	<i>P.5</i>	<i>P.6</i>		
(11)	Tsuen Wan Government Primary School#	Learning Difficulties		17	18	3		1		39
(12)	Po Leung Kuk Cameos Tan Siu Lin Primary School	Learning Difficulties						1	1	2

# Schools which operate Intensive Remedial Teaching Programme

2000-01 School Year

	<i>Name of school</i>	<i>Types of Special Educational Needs</i>	<i>Types of Special Educational Needs</i>						<i>Total</i>	
			<i>P.1</i>	<i>P.2</i>	<i>P.3</i>	<i>P.4</i>	<i>P.5</i>	<i>P.6</i>		
(1)	SKH Tsing Yi Estate Ho Chak Wan Primary School	Hearing Impaired			1					1
		Physically Handicapped					1			1
(2)	Aldrich Bay Government Primary School**#	Hearing Impaired				1	1			2
		Mildly Mentally Handicapped	3		1					4
		Visually Impaired	1							1
		Learning Difficulties	1		9	16	15	15		56
		Autism with average Intelligence	2	1						3
(3)	Hong Kong Southern District Primary School**#	Mildly Mentally Handicapped		2		2				4
		Visually Impaired	1							1
		Learning Difficulties			7		7	8		22
(4)	Yaumati Catholic Primary School (Hoi Wang Street)	Hearing Impaired	1							1
		Learning Difficulties			2					2
(5)	SKH Chu Oi Primary School	Hearing Impaired				1				1
		Learning Difficulties			1					1

	<i>Name of school</i>	<i>Types of Special Educational Needs</i>	<i>Types of Special Educational Needs</i>						<i>Total</i>
			<i>P.1</i>	<i>P.2</i>	<i>P.3</i>	<i>P.4</i>	<i>P.5</i>	<i>P.6</i>	
(6)	Tsz Wan Shan St. Bonaventure Catholic Primary School	Learning Difficulties			1				1
(7)	The Hong Kong Federation of Youth Groups Lee Shau Kee Primary School	Behavioural Problems			1		1		2
		Learning Difficulties		1	1		1		3
		Mildly Mentally Handicapped	1						1
		Hearing Impaired		1	1				2
(8)	Chinese YMCA Primary School	Learning Difficulties				1	1		2
(9)	Lok Wah Catholic Primary School	Learning Difficulties			1		1		2
(10)	PLK Riverain Primary School**#	Learning Difficulties	1	5	9	7	9		31
		Mildly Mentally Handicapped	1	3					4
		Visually Impaired			1				1
		Physically Handicapped			1				1
(11)	SKH Ka Fuk Wing Chun Primary School	Learning Difficulties					1		1
(12)	Cumberland Presbyterian Church Yao Dao Primary School	Behavioural Problems			1				1
		Learning Difficulties				1			1
(13)	SKH Ma On Shan Holy Spirit Primary School#	Learning Difficulties		3	5	3	4		15
(14)	Ma On Shan Methodist Primary School#	Learning Difficulties		4	6				10

\*\* Schools which provide integrated education

# Schools which operate Intensive Remedial Teaching Programme

## MEMBERS' MOTIONS

**PRESIDENT** (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. As the recommended time limits are the same as those in the past, I will not repeat them here. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

Fist motion: Rental subsidy.

## RENTAL SUBSIDY

**MR ALBERT HO** (in Cantonese): Madam President, the Hong Kong economy has been going downhill in recent years, with increasingly more people falling into the low-income group. Although many have claimed that the economy has turned the corner, those in the community who are badly in need of assistance, namely, the low salaried and the impoverished, cannot feel the least bit of the recovery or share the least bit of the fruits of economic recovery.

Today, there are still incessant cases of salary reduction and layoffs. The income of the lower class has dropped substantially. To these low-income families, rental in the private sector is still on a fairly high level and some of them even have to cut other living expenses in order to pay for the high rent.

In this year's policy address, the Government stated that it would consider providing rental subsidies for eligible elderly applicants on the Waiting List for public housing. The Democratic Party supports the provision of rental subsidies for the elderly and we hold that these subsidies should also be extended to eligible families which have been on the Waiting List for three years. It is because those who face the greatest hardships in their living are people whose income is below the limit for public housing applications and who are still on the Waiting List but cannot or do not wish to apply for Comprehensive Social Security Assistance (CSSA) for various reasons. The purpose of this rental subsidy is to pay part of the rent for these people who are living in private buildings and who are on the Waiting List in order to reduce their rental expenses, thereby improving the quality of their living.

Perhaps let us look at some statistics. In 1986, the Gini coefficient in Hong Kong was 0.453 and it was 0.518 in 1996. This shows that the problem of a widening gap between the rich and the poor has become more and more serious. In the past year, families with a monthly income below \$4,000 accounted for 8% of all families in the first quarter of 1999, 8.2% in the last quarter of the same year, and 8.4% in the first quarter of this year. However, the percentage of families earning over \$30,000 a month increased from 28.7% to 30% in the corresponding period. Thus we can see that the number of low-income families in Hong Kong has kept on increasing. This also reflected the further widening of the gap between the rich and the poor.

In the decade between 1989 and the first quarter of 1999, the rent index for private housing went up from 100 to 146, but the wage index for "craftsmen and operatives" only registered a slight growth from 100 to 102.7 in the same period. This precisely reflected that of the total household expenses borne by a majority of the grassroots, the percentage of housing expenses has increased significantly.

Under the existing Housing Ordinance, if the income of a public housing tenant has dropped to such a level that the median rent-to-income ratio exceeds 10%, the Hong Kong Housing Authority (HA) cannot make any upward adjustment to the rent, or else it would be a breach of the Ordinance. This is a safeguard for tenants of public rental flats. Of course, if the median rent-to-income ratio exceeds 10%, theoretically the HA should reduce the rent instead of just freezing it, although the Government has refused to do so in reality. However, the rental level in the private sector is determined fully by the market and is therefore very much higher than that for public housing. Accordingly, the housing expenses of a family living in private buildings take up a higher percentage of the total household expenses when compared to public housing tenants. According to studies made by the Hong Kong Council of Social Service and the Oxfam, of those four-member families among the 10% of families with the least income, the housing expenses borne by public housing tenants accounted for 16% of their total household expenses, whereas those of households residing in private buildings is about 32%. So, we can imagine that the livelihood of low-income families living in private buildings will be greatly affected by the exorbitant rent, and they will even be forced to pare down other expenses in order to pay for the rent.

Madam President, given that the income of these families eligible for public housing is on the low side, if they have to pay rent at the level of the private sector, their living standard will not differ much from, or may even be worse than, that of CSSA recipients. We must not forget that the income of many Waiting List families has not reached the income ceiling. So, after the rental for private housing is deducted, the living standard of these people on the Waiting List may be even lower than that of CSSA applicants.

Madam President, if the entire family does not have any income due to either unemployment or losing the ability to work, the family must rely on CSSA. But those who are most in need of assistance are not those people with no income, but the Waiting List applicants who are working laboriously and yet earning a meagre income. Their monthly wages may only be some \$5,000 to \$6,000, or even \$3,000 to \$4,000. Perhaps singletons may barely make their ends meet with this level of income, but for a four-member family, their living standard may be even worse than that of CSSA recipients after paying for the rent. They are thus in dire straits.

Indeed, they can apply for CSSA and also the rental allowance under the CSSA Scheme. However, given the cumbersome procedures involved and fearing that they might be discriminated against by other people, and since the CSSA payment is just \$1,000 or \$2,000, these hardworking people may not apply for it perhaps because they do not have the time or they simply do not wish to do so. On the other hand, they may prefer lowering their standard of living further and continuing to put up with the adversities. In reviewing the amount of the CSSA payment, a major consideration of the Social Welfare Department is that it should be enough to meet the basic needs of subsistence. Those people whose living is below the CSSA standard because of the high rental, as I mentioned above, do not have the means to meet even their basic needs of subsistence and yet, the Government does not have any policy in place to provide them with reasonable care.

Madam President, at present, eligible families have to wait for five years before they are allocated a public housing unit. We feel that the Government must shoulder the responsibility to provide assistance for these people who are paying high rent and also the low-income families. Over the past decades, the Government has embarked on a number of large-scale housing projects to provide public rental housing (PRH) for the general public with a view to improving their living environment. This policy is vitally important to Hong

Kong. However, we feel that there is absolutely no reason for the Government to ignore another group of low-income citizens who have not yet been allocated public housing units even after waiting for a certain period of time.

Madam President, in the mid-1980s, the Government began to encourage public housing tenants to purchase their own flats and implemented a series of policies to this end, including the policy on better-off tenants in 1986, revising the ratio of PRH to flats under the Home Ownership Scheme (HOS) (that is, building more HOS flats and less public rental flats), the policy for the much better-off tenants in 1996, and so on. All these showed that the Government has been aiming at a private sector-led housing policy in the hope that its commitment in the provision of PRH could be reduced by encouraging home ownership among members of the public. In the long-term housing strategy announced in 1987, the Government miscalculated that the housing needs of all families on the Waiting List for public housing could be met in the year 1996-97. Consequently, we still have close to 108 000 families waiting desperately for public housing today. This is apparently the result of the Government's miscalculation and the failure of the public housing policy reforms, but the impoverished in society are now made to bear the brunt of it. At present, there are nearly 60 000 families living in squatter areas, 1 000-odd families in temporary housing areas and cottage areas, and over 60 000 people in partitioned rooms, bedspace apartments and caged homes. How can the Government be answerable to these people?

Madam President, the Democratic Party considers that the housing problem can be completely resolved only by building more public rental flats. But at present, an applicant must wait for five years on average before he is allocated with a housing unit, and the target of reducing the waiting time to three years can be reached only by the end of 2003. If the Government cannot come up with a proposal that can address the problem at root in a short period of time, it can only go for the "second best" option. We call on the Government to draw up a transitional policy as a stopgap measure first. Yet, we are also aware that rental subsidies are not an effective improvement to the living environment. They are purely a short-term and temporary measure. In the long term, the only solution is to speed up the construction of PRH and see to it that the low-income families will be allocated with public housing within the timeframe as pledged by the Government.

However, before the problem is resolved, the formulation of a rental subsidy policy will enable low-income families to obtain immediate assistance. Therefore, we propose that rental subsidies, being the differential between market rent and rent for public housing flats, be provided for eligible families which have been on the Waiting List for three years. The subsidies will pay part of the rent for people living in private buildings and waiting for public housing, thereby reducing their rental expenses, easing their burden and improving the quality of their living. These subsidies shall be provided until these eligible families are allocated with public housing units. Later on, Mr Martin LEE will explain the Democratic Party's proposal as well as the rationale behind it.

On the question of how much pressure this rental subsidy will have on the Government financially, we have made some projections based on the information provided by the Housing Department. Among families currently on the Waiting List, those comprising four members or less account for 93%. If we calculate on the basis that a four-member family can receive about \$27,000 a year and multiply this amount by 32 000, being the number of households which have been on the Waiting List for three years, the rental subsidy policy, if implemented now, will require an additional funding of some \$600 million by the Government in the coming year according to our estimation. Furthermore, as the provision of rental subsidies is not purely a housing policy, it will also be conducive to easing social conflicts and narrowing the wealth gap. We, therefore, propose that this subsidy be financed by the Government's fiscal reserve. Dr YEUNG Sum of the Democratic Party will further explain the other details in respect of implementation and financial arrangements.

In fact, regarding the rental subsidy policy, the Democratic Party has already drawn up a specific proposal long before, and I have just explained our policy in simple terms just now. I hope Honourable colleagues will support the whole of our policy proposal. As for the other details, they certainly need to be studied by Honourable Members before the policy can be implemented. I hope Honourable colleagues will support my motion. Thank you, Madam President.

**Mr Albert HO moved the following motion: (Translation)**

"That this Council urges the Government to formulate a rental subsidy policy, whereby rental subsidies are offered to eligible families which have been on the Waiting List for public housing for a period of time."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Albert HO, as set out on the Agenda, be passed.

**PRESIDENT** (in Cantonese): Mr Frederick FUNG will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Frederick FUNG to speak and move his amendment.

**MR FREDERICK FUNG** (in Cantonese): Madam President, according to the statistics of the Hong Kong Housing Authority (HA) for the first quarter of 1999, the average monthly rental for a residential flat in the private sector in various districts ranged from \$126.8 per sq m to \$198.4 per sq m. Compared to public rental flats under the HA, of which the average monthly rental ranged from \$38 per sq m to \$43.4 per sq m, the average rental for a flat in the private sector is 3.3 to 4.6 times higher than that for public rental flats. The rental for flats in the private sector on Hong Kong Island and in Kowloon is particularly high. In the meantime, the median household income in Hong Kong fell from \$19,200 in 1997 to \$17,000 in 1999, representing a drop of over 10%. In the period between 1997 and the end of March 2000, the rental expenses accounted for 26% of the total expenses of general households on average.

According to a research study conducted recently on Hong Kong's social development index in 2000, families with an income on a par with or less than the median household income accounted for 14.1% of the total population in 1996, and the figure increased to 16.3% in 1998. The study also found that the expenses on rental and food took up over 60% of the total expenses of low-income families.

At present, many low-income families are living in private buildings. To these low-income families, rental for private housing is comparatively expensive, and the environment of many private buildings is deplorable. In Sham Shui Po, for instance, the monthly expenses spent by many families on housing accounted for 40% to 60% of their total household income. If these families can be allocated with PRH, they can cut their expenses by \$1,000 to \$2,000 monthly. More importantly, their children will be able to live and learn in a more reasonable and comfortable environment.



I agree with Mr Albert HO's motion on rental subsidy in principle, but I have moved an amendment which consists of two points mainly for two reasons. First, the original motion proposes that families on the Waiting List may be eligible for rental subsidies but fails to specify when they can obtain the subsidies. Certainly, Mr Albert HO stated in his speech just now a qualifying period of three years, but I wish to move an amendment to the motion to spell out this requirement of three years. Before the meeting, I discussed with officials of the Housing Bureau and they appeared to have some misunderstandings about the wording of the motion. Therefore, I will explain in greater details here and I hope the Democratic Party will not misunderstand the wording. My amendment reads, "..... families which have been on the Waiting List for public housing for a period exceeding the average waiting time for public rental housing as pledged by the Government ....." . What I mean is not setting a qualifying period by averaging out the waiting time. Since the Government has stated that after five years (and this was subsequently revised to three years), the average waiting time for public housing would be reduced to three years, we will take three years as an undertaking of the Government so we hope that those who have been on the Waiting List for a period exceeding the average waiting time, that is, three years, are eligible for rental subsidies. The qualifying period now is, therefore, three years as pledged by the Government or the Chief Executive. Second, the original motion has not stated in express terms whether the proposed rental subsidy is in effect a housing policy to substitute the provision of PRH by granting rental subsidies. This has given cause for our concern.

The policy address in 2000 reiterated that starting from 2003, the average waiting time for public housing will be reduced to three years. Therefore, "three years" should be taken as the Government's undertaking. But at the same time, the Policy Objectives of the Housing Bureau mentioned that the Government hoped that the provision of rental subsidies for the elderly would substitute the provision of public housing for them in future. In our view, if it is not expressly stated in the amendment that the provision of public housing remains the final solution to the housing problem, we are worried that the Housing Bureau would, whether deliberately or unintentionally, use Mr Albert HO's original motion to extend this policy of substituting public housing with rental subsidies to citizens other than the elderly. Certainly, I have learned from Mr Albert HO's speech that we share the same principle. So, I hope that my amendment on these two points can clearly express the objective of Mr Albert HO's motion and tell the Government in more express terms the kind of rental subsidy policy that we wish to see. That is why I have proposed this

amendment and I also hope that the Government can appreciate my point of view.

Then, I wish to say a few words about the manner in which rental subsidies will be provided, the eligibility for the subsidies and the calculation method. The Association for Democracy and People's Livelihood (ADPL) and I suggest that eligible applicants for public housing who have been on the Waiting List for three years or more can apply for or receive the proposed rental subsidies. The amount of the proposed subsidies is the differential between the average rental in the district of the applicant's residence (for instance, the average rental in Sham Shui Po is \$20 per sq m) and the highest rental paid by a similar household living in public housing (for instance, the highest rental for public housing in Sham Shui Po is \$10 per sq m) and so, the subsidies to be provided will be \$10 per sq m at the maximum. That is the maximum level and the ceiling. We consider it necessary to cap the total payment of rental subsidies to a recipient. How do we calculate the upper limit of the subsidies then? We do not wish to further engage in argument over a new calculation method. So, we propose that to adopt the upper limits of rental allowances currently granted under the CSSA Scheme. In other words, for a singleton family, if the differential between the average rental in the private sector and the highest rental for public housing exceeds the amount of rental allowance under the CSSA Scheme, the applicant can, at most, receive rental subsidies equivalent to the amount of rental allowance under the CSSA Scheme. Based on this formula, the upper limits of the proposed rental subsidies are \$1,505 for singletons, \$3,030 for a two-member family, \$4,210 for a four-member family and \$5,265 for a family of six or more members. Similar to the CSSA, these limits should be reviewed annually. The review of the CSSA also includes a review of rental allowances under the CSSA.

To conclude, we are concerned that many low-income families renting a flat in the private sector are in financial straits owing to the exorbitant rent. We consider that the provision of public housing, particularly PRH, will be helpful not only in respect of the level of rent and the living environment. It is also a means to eradicate poverty. The ADPL and I consider that an effective way to eradicate poverty is for the Government to seriously consider offering rental subsidies for families which have been on the Waiting List for three years until they are allocated PRH units. It can reduce their expenses on housing and improve their living environment. For these reasons, I have proposed an amendment to Mr Albert HO's original motion on those two points. I hope

Honourable Members will support my amendment. Thank you, Madam President.

**Mr Frederick FUNG moved the following amendment: (Translation)**

"To delete "of time" from "Waiting List for public housing for a period of time" and substitute with "exceeding the average waiting time for public rental housing, as pledged by the Government, until public rental housing units are allocated to them"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Mr Albert HO's motion, be passed.

**MR MARTIN LEE** (in Cantonese): Madam President, faced with a growing gulf between the rich and the poor and 170 000 households each earning an average income below \$4,000 monthly, measures taken by the Government to help the poor appear powerless. The Democratic Party has proposed again the formulation of a rental subsidy policy by the Government, seeking to take more positive measures to help the poor and giving the poor decent and cozy homes.

The Democratic Party wants to stress that a sufficient supply of public housing is required to solve the housing problem of the grassroots. At present, however, public housing falls short of the demand of the many households on the Waiting List. The Government lacks any measures to help these low-income households, but rental subsidy may help to improve their life effectively in the short term. Therefore, the Democratic Party proposes that a rental subsidy policy be formulated as soon as possible. Now, I shall speak on the rationale for the proposal.

The Democratic Party opines that rental subsidies should be granted to eligible families on the Waiting List for public housing. Indeed, the Government has been using public housing as a form of subsidy to help the low-income group solve their housing problem. Hence, the Democratic Party suggests that the Government provide an alternative form of subsidy, which is rental subsidy, for Waiting List families living in private buildings. Madam President, everyone needs a home; so do the poor. Public housing or rental

subsidy are important policies that serve to help the poor. They must be implemented at once.

We suggest that to qualify for rental subsidies, families must have been on the Waiting List for public housing for a period of time. That period may be subject to discussion but the Democratic Party suggests that three years are reasonable because a public housing estate takes about three years to complete, discounting the time for site formation. Furthermore, in the policy address, the Government indicated it aims to reduce the average waiting time for PRH to three years by the end of 2003. Therefore, we think using three years as a standard for granting rental subsidy is appropriate.

Madam President, some may worry Waiting List families may become choosy in selecting PRH units because of the rental subsidies. They may wait longer for more choices. So, the Democratic Party suggests that families receiving rental subsidies can only have three chances to choose PRH units. After that, if they still choose to decline a further offer, hoping for a "favourite" unit to come along, they will immediately be disqualified for rental subsidies, the payment of which will immediately be stopped.

We do not encourage poor families to rent units that are too big or expensive either. Thus, we think the minimum standard for each person should be identical to the standard employed by the Housing Authority in allocating public housing units. Reference should be made to market rent. Using a four-person family as an example, each person of an over-crowded family may be entitled to at least 5.5 sq m. Hence, subsidy will be made at the average market rent for a residential unit of 22 sq m at the maximum.

For the calculation of the level of rental subsidy, the Democratic Party suggests that the Government needs only provide the difference between market rent and rent for public housing, because when Waiting List families eventually move into public housing, they need to pay rent for public housing. If the average rent for private housing is \$5,000, and \$2,000 for public housing units, the difference is \$3,000, which shall be the rental subsidy. At present, there is also rental allowance in the special allowances under CSSA. Therefore, we think that the level of rental subsidy should not exceed the amount of special allowance under CSSA.

Madam President, the Democratic Party has made the proposal after careful consideration, hoping to help the poor families on the Waiting List for public housing and to ease their financial burden in respect of rental payment. The details involved may be subject to further negotiation. We hope Members will support the principles for rental subsidies to help the low-income group, thereby letting them have a decent and cozy home.

After listening to the reasons put forward by the Honourable Frederick FUNG for his amendment, the Democratic Party will support his amendment. Thank you.

**MR IP KWOK-HIM** (in Cantonese): Madam President, at the Legislative Council meeting on 22 January 1997, the Honourable James TO of the Democratic Party proposed a motion on rent assistance. On that day, the Democratic Alliance for Betterment of Hong Kong (DAB) voted against the motion. Today, the DAB maintains the same stance. We will vote against Mr Albert HO's motion and Mr Frederick FUNG's amendment.

I trust Members in this Chamber must have heard of the Bible story about "five loaves and two fish". In that story, five loaves and two fish were sufficient to feed 5 000 men. Unfortunately, our Government does not have the power to work miracles. Thus, given the limited resources, it can only try to help the most needy in the community, having weighed the pros and cons.

At present, anyone in financial difficulty may apply for CSSA which includes rental allowance. Furthermore, applicants for public housing understand very well that they cannot practically be allocated units overnight. So they must be financially capable of renting units in the private sector until they are allocated public housing units.

I believe Members have a subjective wish to use rental subsidy to improve the living conditions of the people. But there is afterall a gap between an ideal and the reality. Come to think about this. If tenants are offered rental subsidy, the subsidy can only alleviate their financial burden; it will not constitute a motivating factor for them to move away from their present dwelling place, because moving to a large house involves some initial outlay. And if the tenants do not move, the intent of the rental subsidy will be defeated. So the DAB does not support the motion.

The motion moved by Mr Albert HO suggests the Government to provide rental subsidy to families which have been on the Waiting List for a period of time. That period is, however, not well-defined. Could it be one year, two years, three years or other time span? I was glad Mr Albert HO defined the period as three years. But are three years a reasonable waiting time?

Before 1997, Hong Kong people needed to wait for about seven years to be allocated PRH. Today, the waiting time has been shortened to five years. The Housing Authority (HA) has now even made an undertaking to further shorten the waiting time to three years by 2003. What I am trying to point out is that given the much shortened waiting time, would it cause some other kind of unfairness to applicants of Home Ownership Scheme flats, home purchase loans, or home starter loans if we now channel all resources to applicants for PRH?

Furthermore, the HA will be producing an average of over 40 000 PRH units annually in the next four years. The number will be sufficiently large. Thus the DAB considers the HA has the capability to satisfy the demands of the people on the Waiting List. In our view, the greatest wish of people currently on the Waiting List is to be allocated PRH units early and to move in quickly.

We think the Government should be very cautious with using public money to fulfil its pledge in respect of social services. We must consider ways to allocate the limited resources. These include, for example, ways to sort out families or people in genuine need so that a comprehensive scheme for assistance can be provided. Any subsidy that is provided without careful thinking beforehand will only give the Government a pretext to delay the community building and funding commitment. In the end, public moneys will be spent without ever solving the problem.

According to our rough estimation, if we provide rental subsidies to eligible applicants who have been on the Waiting List for three years, the HA will have to spend an extra \$800 million annually. This amount is sufficient to construct 1 700-odd public rental housing units, assuming the average unit cost of production is \$450,000. While each unit can last for over 30 years, rental subsidies are not retrievable for further use.

From an administrative point of view, the proposal to formulate a rental subsidy policy will squander resources. Just imagine this: Before we pay out rental subsidies, we need to examine applicants as to their eligibility for a public rental housing unit. It would take about eight months to finalize processing those cases which have been on the Waiting List for three years or more, given that the present capacity of the HA to process applications is 3 000-odd per month.

Simple arithmetic shows that even if the HA agrees immediately to the policy for rental subsidy, it will only be able to implement the policy in, I think, the later half of next year at the soonest. Then, with the current establishment of the HA, it will have to wait till the end of 2002 or the beginning of 2003 at the earliest before it can complete examining the cases that have been on the Waiting List for three years. However, I would like to remind colleagues that on the current undertaking of the HA, the waiting time will be reduced to three years by 2003. By then, people who are eligible will have been allocated units. In the circumstances, why do we have to take the trouble to think about rental subsidy?

In summary, the DAB holds the view that any proposal to help the low-income group or low-income families should be comprehensive in nature and resources should be applied to people in real need. The prerequisite for a sound long-term housing policy is a stable and adequate land supply. The Government should target at building more public housing units. No matter what housing policy the Government adopts in future, the Government should have a certain commitment in housing the people. The DAB demands that the Government should produce at least 50 000 PRH units each year, with the aim of satisfying the housing needs of the families on the Waiting List ultimately. Thank you, Madam President.

**MR HOWARD YOUNG** (in Cantonese): Madam President, the issue of the long waiting time for public housing for people on the Waiting List and the exorbitant rents they have to pay while so waiting was indeed a topical question. I recall that three years ago, in a similar motion debate in this Council, the Liberal Party criticized the housing policy of the Government. We pointed out that the crux of the problem lies in the failure of the Government to supply land and build public housing units in a timely manner.

However, I adore some colleagues in the Legislative Council who changed the idea in the policy mentioned by the Secretary for Housing in October. They changed the idea of "study the feasibility of using rental subsidies to satisfy the housing needs of elderly wait-listed applicants" abruptly to one that renders the rental subsidies applicable to all wait-listed persons. The original idea was to formulate a policy that initially gives the elderly a choice between rental subsidies and public housing when they are about to be allocated public housing units. These colleagues have tabled the subject, which was debated three years ago, before this Council for debate again. This persistence could be an admirable spirit. However, the Housing Bureau only indicated its aim was to start the relevant study next year. If the feasibility were confirmed, a study on rental subsidies for other wait-listed families would then be carried out. As for now, the review and the study have not started yet, but already some colleagues cannot wait to put forward a proposal to grant subsidies to all families on the Waiting List. This, I think, is tantamount to jumping the gun, and is too hasty.

Can I ask the colleagues who have moved the motion and the amendment whether they have noticed a marked improvement in the waiting time for the Waiting List applicants after the reunification? The five-year wait by 2003 laid down in 1997 has been shortened to a three-year wait as mentioned in the Chief Executive's policy address this year. That means the scheduled waiting time has been shortened by two years. The number of cases on the Waiting List has been drastically reduced from 144 660 in 1997 to 107 977, a new low in 19 years. Only 3% of those on the Waiting List have to actually wait for five years to be allocated public housing units. Hence, the Liberal Party finds it not convincing at all to offer rental subsidies to people who have been on the Waiting List for a period of time. Even Mr Frederick FUNG's amendment to effect offering rental subsidies to eligible families which have been on the Waiting List for public housing for a period exceeding the average waiting time for PRH, as pledged by the Government, becomes totally meaningless in view of the impending and drastic shortening of the waiting time.

Furthermore, there have been many variables in the property market after 1997. Many property owners found themselves having negative equities due to the Asian financial turmoil. The rental market has also plummeted. I believe not many people will complain about high rents now. In fact, rents for



residential units in the major private housing estates have fallen by about 34% after the peak in 1997. For instance, at the peak in August 1997, the rent for a 400 sq ft unit was \$8,000 but it has since dropped to \$5,000-odd now. The rent can be lower if the unit is in the New Territories. Since the financial burden arising from rent has greatly reduced, should we use public money to fund unnecessary financial assistance?

More importantly, it violates market principles to provide rental subsidies. Moreover, landlords or principal tenants may take the opportunity to raise rents if they know tenants are subsidized. This is a possibility I cannot rule out. As a result, owners may benefit at the expense of tenants.

The Liberal Party insists that the right way to genuinely help families on the Waiting List is for the Government to produce more public housing units, and try to shorten the waiting time for public housing. I trust Members may have noticed that the Housing Authority decided in June to convert 16 000 Home Ownership Scheme units to PRH units in the next four years.

Some families on the Waiting List may need public assistance due to financial difficulties. The Liberal Party believes that even if they do run into financial difficulties because of their low income, the existing Comprehensive Social Security Assistance Scheme can help them as they may apply for rental allowance. Regarding the level of rental expenses incurred by people on the Waiting List, it accounts for 27.6% of the median income of the tenants according to 1996 figures. This level is approximately the same as that of those living in rented flats in the private sector. As such, I do not think it is convincing to require taxpayers to shoulder an extra portion of their expenses. Nor is it the best way to utilize public resources for it is tantamount to being wealth redistribution.

In addition, this is not a means to extend the safety net under the existing framework. We agree we should extend the safety net when there are sufficient resources, but the benefit should not just go to the group of people under discussion. Rather the issue should be considered from a wider perspective. Thus, the Liberal Party does not support the amendment or the original motion.

THE PRESIDENT'S DEPUTY, MRS SELINA CHOW, took the Chair.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam Deputy, the Hong Kong Federation of Trade Unions (FTU) agrees with today's motion and amendment. The FTU has always been aware that due to the long waiting time for public housing, poor families living in private residential buildings have to spend more on an important item of living expenses. In our view, the Government should provide them with some compensation in this respect. For this reason, we support the original motion and the amendment.

Madam Deputy, as at the end of September this year, there were 107 000 applicants on the Waiting List for public housing, while there were over 110 000 Waiting List applicants as of July last year. Among the applicants last year, 68% were renting private flats. From the relevant figures, we also know that the rental of private flats is double that of public housing. Insofar as the Waiting List income limit is concerned, we can see that the grass-roots people living in private housing have a relatively low income. The monthly rent they pay accounts for almost 40%, sometimes even 60% of their income. Under these circumstances, they are even poorer than families living in public housing. Due to the long waiting time, they cannot move into public housing until after a long time. Thus it is not easy for them to improve their living environment. In this year's policy address, the Government stated clearly that it wanted to help the poor and the needy. It should help those poor households living in private flats which have been on the Waiting List for public housing for a period of time based on the principle of helping the poor and the needy. Unfortunately, the Government has not offered them any help. We have been debating the relevant question since 1997. The conditions of the grass-roots population have not changed with the time, but have deteriorated on the contrary. In view of their hardship, we think the Government is obligated to review the relevant situation now and consider implementing a rental subsidy policy.

Madam Deputy, I have quoted a number of figures just now. There were over 110 000 applicants at the end of July last year. Now, there are over 100 000 of them. 70% of these applicants are living in private housing and they are badly off. The FTU has not changed its stance since I amended a relevant motion of Mr James TO in 1997. We have not changed our stance because of the reasons given by me just now.

I also wish to stress the fact that families on the Waiting List for public housing are worse off now than at the time when I proposed the amendment. Indeed, these people often find themselves in dire straits. The Government might say that they can apply for Comprehensive Social Security Assistance (CSSA) if they are leading a difficult life. But is it easy to apply for CSSA? Some people who have not applied for CSSA are not better off than those on CSSA. There are a number of reasons for this. For instance, the Government's policy very often does not apply to them or they are not aware of this right. There are many such people in the districts that I am familiar with, such as To Kwa Wan, Hung Hom, Sham Shui Po and Wan Chai. They are as poor as they were three years ago. Very often, a family with several members has to eat on their bed. Their children have to play and do their homework in their bed. Their living environment is far inferior to that of public housing. Why does the Government not help them? The Government might bring up the same argument advanced by it three years ago in debating with us, saying that these people can obtain assistance through other channels, such as CSSA. But since they are still living in private flats and are very poor, why does the Government not help them?

Three years ago, I proposed an amendment to a relevant motion. Apart from agreeing that we should provide rental subsidy to poor families renting private flats, we also strongly urged the Government to do more to help them by building public housing. While the waiting time for public housing has been shortened, people still have to wait for a certain period of time. That is why I think the Government should make more efforts in this respect at this stage, for this is its responsibility.

Moreover, in my view, many government policies have failed to address the reality. At present, the Government does provide some kind of housing allowance, such as providing loans to home purchasers and giving housing subsidy to tenants of public housing. Why does the Government not help those poor families living in private flats which are on the Waiting List? Although there are no officials from the Health and Welfare Bureau today, I believe the Bureau should review the relevant issue.

Madam Deputy, I wish to stress that I can foresee that this situation will continue for a long time due to the difficulty in finding a job and the impoverished situation of many people who have a job. As regards the proposal

to provide rental subsidies, while the Government may have limited resources, I hope that it will take it into consideration, in keeping with the emphasis on helping the poor and the needy in this year's policy address. I hope today's debate will be a healthy one and will make the Government face this question and offer rental subsidies to poor families living in private flats which have been on the Waiting List for public housing for a period of time. For the above reasons, the FTU supports today's original motion and amendment.

Thank you, Madam Deputy.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam Deputy, just now, the Honourable IP Kwok-him said that he would not support today's original motion, the main reason being that this question should be solved by massive construction of public housing. Actually, I do not think the colleague who proposed the original motion or the amendment will oppose this. Every colleague here will agree that the present housing problem should be solved by massive construction of public housing. However, even if the Government does this, it cannot solve the immediate problem. What should the families on the Waiting List for public housing do?

Madam Deputy, the unemployment problem has been very serious since the financial turmoil. Poverty has become one of the concerns of the general public, while less attention is paid to the housing problem. However, when we talk about the problem of poverty, we cannot ignore the housing problem. In fact, the right to housing is also a basic human right. The Government must attach importance to and satisfy the people's housing needs. For those living in bad conditions, the Government should provide them with suitable housing or up-to-standard flats. But as I said, even if the Government carries out massive construction of public housing, this cannot solve the most pressing problem now.

Madam Deputy, in this year's policy address, the Chief Executive said that the aim of providing public rental flats after a waiting time of three years would be achieved by 2003. The Chief Executive might think that this pledge is a grace to the 260 000 households living in bad conditions. However, for the poor families, it is doubtful whether this pledge of three years can be honoured. No matter whether it is honoured, we must deal with the problem of helping poor families to improve or escape from their poor living environment. In our view,

there are of course many ways to escape from the present poor living environment. Still, offering rental subsidies is certainly one of the ways that we must consider.

Non-governmental organizations have always urged the Government to implement the policy of "providing suitable housing". This means that we must have adequate living space and the accommodation can protect us from the cold, the damp and the heat. Structurally, it must not jeopardize our lives or health and must not be infested with diseases. However, according to a recent survey, there are still 260 000 households in Hong Kong living in cubicles where four family members have to share one bed. The prescribed living area for each person in public housing is about 7.5 sq m. However, a person living in private flats generally has 4.6 sq m only, while the living space in a bedspace is even smaller, only about 2 sq m. We can hardly imagine that a person lives every day in an area only somewhat larger than the area occupied by the seat of the President's Deputy. Under such conditions, are human rights being respected? To me, they amount to trampling on human rights.

Besides, some people are still living in highly dangerous places such as rooftop structures where their lives and property are always in danger. We also find cases where 30 to 40 people cramp together in a small private flat. They have to share one kitchen and one toilet. It is unhygienic and people quarrel frequently. Due to the cramped living space, there is also little privacy. I often receive complaints describing how women are frequently subjected to sexual harassment in such a living environment. According to a recent survey conducted by a women's organization, approximately 210 000 women are living in such an environment and always under the threat of sexual harassment. A bad living environment also has great impact on children. A cramped environment will impede the learning and growth of children. Due to the lack of personal space, many children go out and wander around, thus leading to many social problems. A recent survey shows that some families send their young ones to be taken care of at illegal 24-hour boarding places. This not only affects normal family relations, but also has a serious negative impact on the growth of children. The Government must adopt effective measures to change the above situation and let people enjoy their right to proper housing.

At present, the rental of a private flat of over 40 sq m suitable for a small family is about \$6,000 to \$7,000, or \$7,000 to \$8,000. It is almost three to four times that of a PRH flat. In the present adverse economic environment, it is not

easy for some families whose income is below the Waiting List income limit to pay such a rent. If the Government does not offer rental subsidies to them, how can they solve their housing problem?

Madam Deputy, I also wish to talk a little about today's original motion and amendment. The original motion asks the Government to offer rental subsidies to eligible families which have been on the Waiting List for public housing for a period of time. In my view, this can certainly solve the immediate problem. However, the Government has pledged to allocate PRH flats to families which have been on the Waiting List for public housing for five years or more in 2001. According to the original motion, these families will not receive a large amount of rental subsidy, although they have to put up with a poor living environment for a very long period. I find the reference to "a period of time" in "on the Waiting List for public housing for a period of time" in the original motion rather vague — Mr Albert HO has just passed me a document explaining the meaning of "a period of time". In any case, if the Government can implement the proposal in today's motion, it will be a first step towards helping families living in bad conditions. Of course, this is not our ultimate aim. I agree with Mr IP Kwok-him that the ultimate aim is to allocate public housing units to them. However, the Government must also formulate measures to solve the immediate problem.

Madam Deputy, I so submit.

**DR RAYMOND HO** (in Cantonese): Madam Deputy, many low-income families which cannot afford the market rent seek to fulfil their wish of improving their living environment by applying for public housing. Although the Government has been endeavouring to shorten the waiting time in recent years, the Waiting List families still have to wait for a period of time before public housing units are allocated to them. Prior to this, due to the high market rent, they often have to rent smaller flats with a poorer environment. Their situation is extremely undesirable. The Government has always said that it will strive to shorten the waiting time for public housing in recent years. I very much support this, and I hope that the Government can keep to the timetable set down by the Chief Executive in his last policy address and shorten the waiting time for public housing to an average of three years in 2003.

On the face of it, offering rental subsidies to eligible families which have been on the Waiting List for public housing for a period exceeding the waiting time as pledged by the Government can solve their housing problem before PRH units are allocated to them. However, in my view, we have to examine this proposal in greater detail before coming to any conclusion.

Many colleagues who support the rental subsidy are of the view that the households that will benefit are dispersed throughout Hong Kong, Kowloon and the New Territories. Even if they receive rental subsidies, this will not have a great impact on the rental market. However, in my view, before making the relevant decision, the Government should study carefully whether the rental subsidies will stimulate the rental market, so that the owners of rental flats will become the real beneficiaries, instead of those Waiting List families for PRH which genuinely need help.

If the rental subsidies exert pressure on the rental market, this will affect families which have to rent private flats, especially those marginal cases which barely exceed the criteria for applying for public housing. Since they are ineligible for applying for PRH, they have to rent flats in the private property market. Thus, they will have to shoulder the burden of a rise in the market rent as a consequence of the rental subsidy measure and become innocent victims.

In my view, rental subsidies should only be a short-term assistance for eligible families which have been on the Waiting List for public housing for a period exceeding the target waiting time pledged by the Government. In the long run, rental subsidies may not necessarily help the relevant families improve their living environment. Moreover, for the families which stand to benefit, renting private flats is unlike being provided with public rental flats, since they will not have a sense of belonging for the place where they live. In terms of rent, rent increases of public housing are subject to a certain degree of regulation, while the rents of private flats are determined by the market. As for the terms of lease, public housing tenants also enjoy better protection than private housing tenants. Even if they are temporarily in arrears on rent payment because they have lost their jobs, they will not be expelled. Another disadvantage of rental subsidies is that they are liable to abuse. The subsidies may be used for purposes other than paying the rent. To preclude this, the relevant authorities may need vast manpower to vet the leases, thus incurring very high administrative costs.

The long-term solution to the problem of long waiting time for public housing is to speed up the production of PRH. This will shorten the waiting time, so that public rental flats can be allocated to eligible families or individuals applying for such flats according to the timetable pledged by the Government. The relevant building projects can also stimulate the economy and increase job opportunities, thus accelerating the pace of economic recovery in Hong Kong.

Madam Deputy, I do not think that rental subsidies are a long-term solution to the problem. Even if they are meant as a short-term measure, we must study their impact on various quarters carefully before introducing them. I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): Madam Deputy, I speak on behalf of the Hong Kong Confederation of Trade Unions (CTU) in support of today's motion on rental subsidy and the amendment to it.

First, I believe that the proposal for rental subsidy is mainly aimed at helping the low-income families. If we try to identify which group of people is the poorest and most miserable in Hong Kong, it is certainly those low-income families living in private flats. While the low-income families living in public housing are also miserable, they at least receive rental subsidy and the rent they pay is not as high as that of private housing. Therefore, the poorest and most miserable group in Hong Kong now is certainly those low-income families living in private housing, paying exorbitant rents.

Based on figures provided by the Census and Statistics Department, the CTU has made some analyses and drawn a definition for poor households: households whose income is only half the median household income are considered poor households. At present, the median household income of a four-member family is \$20,000. Half of it will be \$10,000. If a four-member family has an income below \$10,000, it is considered a poor household. Hong Kong now has 370 000 such poor households, that means 1.24 million people. According to the figures of the Census and Statistics Department, 140 000 of the 370 000 poor households live in private flats. Among these, 60% (that is, 80 000 households) are tenants paying high rents. These 80 000 low-income households which have to pay high rents are the group we are at present most concerned about and also the main target of rental subsidy. These households



are doubly disadvantaged: they have a low income and have to pay high rents. If the Government really wants to solve the poverty problem, it should adopt the people's suggestion to set up a subsidy for low-income working households. The idea of this subsidy is similar to the rental subsidy. However, we use income as a criterion, that is, subsidy should be given when the income is below a certain level. What Mr Albert HO has proposed today is to provide housing subsidy, which we support. In our view, the greatest shortcoming of the Chief Executive's policy address is that it does not address the issue of how to help low-income working households.

The second point I wish to make specifically is that many people think that we have no reason to subsidize the rent that other people pay. Come to think about this. Public housing is in itself a subsidy, that is, what we usually call "social wage". Those who move into public housing are immediately given a subsidy. So why can people not be given a subsidy before moving into public housing? What is the difference between getting a subsidy before and after moving into public housing? There is no difference at all, except that people can pay less rent after moving in, while they get a cash rental subsidy before that. Thus, if we feel that public housing is important and that it represents a subsidy of the whole community for low-income families, we should accept that families on the Waiting List should also get a subsidy before moving into public housing. We are merely giving them a public housing subsidy in advance while they are still on the Waiting List. If Members support public housing, I hope they will also support the concept of rental subsidy.

The third point that I hope Members will take into consideration is that housing is often a factor in the perpetuation of poverty. Frankly, the Chief Executive has often suggested that there is little that unemployed or low-income people aged over 40 can do, other than their children and investing in their education, in the hope that the whole community will have a more reasonable income in the next generation. However, there is little hope for the present generation. Sometimes, when we argue with the Government, we have the feeling that the Government is saying that one should not cherish too many hopes. There is little that the present generation can do. Better leave it to the next.

If we really leave it to the next generation, we must not forget that if our living environment is especially poor, for instance, if there is only a cubicle and the children have to do their homework in an extremely cramped space, it will

have enormous impact on them. If we want to leave it to the next generation, hoping that they can lift the whole family out of poverty after receiving education, we must know that an adverse living environment will perpetuate poverty. Therefore, another objective of providing rental subsidy is to ensure that no one needs to live in a very cramped space and that children will have a better environment while receiving education, so that poverty will not perpetuate from generation to generation because of the housing problem. Thus, even if we just think of the children, we feel that rental subsidy can help the poorest low-income families.

Madam Deputy, I support the amendment and the original motion.

**DR YEUNG SUM** (in Cantonese): Madam Deputy, as pointed out by Mr Martin LEE, as early as 1997, we already moved a motion on "rental assistance" with the same aim of helping those low-income people on the Waiting List for public rental housing to pay part of their private housing rentals. We notice that the poverty problem we faced at that time is very much similar to the one confronting us now, and the only difference is perhaps that the recent economic figures actually indicate a situation which is even worse than that in 1996.

The livelihood of low-income families, especially those living in private buildings, has been severely affected by high rentals. Private housing rentals are determined by the market, and for this reason, they are naturally higher than public housing rentals. As a result, the proportion occupied by housing expenditure in the total household expenses of private housing tenants has been higher than that of public housing tenants. As indicated by a survey on low-expenditure households conducted by the Hong Kong Council of Social service and Oxfam Hong Kong, in the case of the bottom 0% to 10% four-member households, the housing expenditure of those living in public housing occupies just about 16.4% of their total household expenses, while that of those living in private housing occupies as high as 31.5%.

The result of this is that other expenditure items of private housing tenants have been seriously eaten into. In the case of the bottom 0% to 10% low-expenditure group, we notice that after deducting their housing expenditure, public housing tenants and private housing tenants do incur roughly the same proportion of their total expenses on foods. But we must not forget that since

the housing expenditure of private housing tenants is much higher than that of public housing tenants, the former may have to cut down their actual expenditure on other items. Therefore, even if these two types of tenants do incur roughly the same percentage of their expenses on foods, one can actually tell that those poor households living in private buildings must have to reduce their other expenditure very substantially, so as to meet their expenses on housing and food. Some of these families may not have enough to eat because of the high rentals. Or, as mentioned in the survey of the Hong Kong Council of Social Service, they are simply living in a state of abject poverty.

In the absence of any detailed statistics, we have only been able to analyse the current situation on the basis of the latest household expenditure figures released by the Census and Statistics Department. However, since the outbreak of the financial turmoil, the economy of Hong Kong has been marked by an obvious decline. Even at the worst times after 1973, our Gross Domestic Product (GDP) recorded a negative growth only for two consecutive quarters. There has never been anything like 1998, when a negative growth in our GDP was recorded for four consecutive quarters. Besides, the unemployment rate of Hong Kong also soared from 2.8% in 1996 to 6.3% in 1999. Currently, 168 000 people in Hong Kong are unemployed. All this shows that the current economic situation of Hong Kong is even worse than that in 1996.

Therefore, the Democratic Party proposes that the Government should put in place a policy on rental subsidy for applicants who have been on the Waiting List for PRH for a period of three years. The policy should be executed by the Housing Department, with funding from the fiscal reserves of the Government, and the subsidy should be paid until the eligible households are allocated PRH units. With respect to the proposal on the actual calculation of subsidy, I have asked the staff of the Secretariat to table a set of information to Honourable Members at this meeting. In the meantime, let me give a brief account of the calculation. At present, households with four members or more represent more than 90% of the total number of applicants on the Waiting List. Assuming that each four-member household is to be offered a subsidy of \$2,300 monthly, each eligible household will receive a total subsidy of about \$27,000 a year, and this is to be multiplied by 22 000, the number of four-member households which have waited for PRH for three years or more. Assuming that the policy is implemented immediately, the Government will have to earmark an additional \$600 million for the purpose in the coming year.

The Democratic Party is of the view that the policy should be considered as an initiative of helping the poor through the granting of rental subsidy, and for this reason, it should not be taken as a housing policy. That is why the funding should not be shouldered by the Housing Authority (HA). Moreover, we must also note that the income of the HA actually comes mainly from the rentals of public housing estate shops and the sale of HOS flats. So, before we can change the existing financial arrangement of the HA, asking the HA to shoulder the funding for rental subsidy will only achieve a "horizontal redistribution of wealth", that is, making public rental housing tenants subsidize other people with similar financial backgrounds. Therefore, the Democratic Party proposes that the Government should provide the funding for rental subsidy by making allocations from its fiscal reserves, so as to avoid any horizontal redistribution of wealth. However, when it comes to actual operation, because the Housing Department (HD) holds all the information concerning public rental housing applicants on the Waiting List, it is not necessary to entrust the task of granting subsidy to another organization or to set up a new mechanism for the purpose. Therefore, the Democratic Party proposes that the HD should be tasked to execute the policy and handle all the relevant technicalities.

As I mentioned just now, heavy expenses on housing will directly reduce the amounts of money that can be spent on other items. Therefore tackling the poverty problem from the housing perspective is a very strategic approach. Actually, all along, the Government has been providing public housing to the lower strata of the community to meet their housing needs. The income of a household has to be very low before it can become eligible to register on the Waiting List for public housing, but then many such households have to pay very high private housing rentals while waiting for allocation. So, their living standard is in fact no different from that of CSSA recipients. And, it must also be pointed out that the incomes of many waiting households are even far lower than the income ceiling. It can thus be imagined that their life is actually even worse than that of CSSA recipients. Therefore, we think that it is reasonable to adopt the income ceiling for public housing application as the criterion.

It now takes an average of five years before an applicant can be allocated a public housing unit. If an applicant does not wish to move to a distant place, and if he wishes to live in the extended urban areas, he will have to wait more than six years. Actually, many grass-roots people on the Waiting List have been waiting in vain for several years already, and they have thus been burdened by high rentals for several years. If the rentals they have been paying are not

really that high, then one can assert that their living conditions must have been very poor. Whether they have to pay very high rents or live amidst poor conditions, these several years of waiting must have been a very hard time for them. Since the Government has set down the objective of shortening the waiting period to three years, the Democratic Party would like to propose that all these low-income families which have waited in vain for three years should be offered rental subsidy.

The aim of the policy proposed by us to provide short-term rental relief to those private housing tenants affected by the HA's failure to provide them with PRH units. The Democratic Party is of the view that rental subsidy should only be offered as a stopgap measure. Ultimately, all eligible households should be allocated PRH units.

With these remarks, Madam Deputy, I support the motion.

**DEPUTY PRESIDENT** (in Cantonese): Does any Member wish to speak?

**MR ANDREW WONG** (in Cantonese): Madam Deputy, I must state expressly that in the vote to be taken later on, I will support the original motion of Mr Albert HO and the amendment moved by Mr Frederick FUNG.

The reason is simple. I think this proposal is basically desirable. However, we should sit down and discuss it properly, rather than being so adamant and antagonistic from the outset. It is most desirable that this can be discussed by various political parties candidly in the Panel on Housing for this is not only a housing policy, but also a policy about helping the poor.

On this housing issue, I think people being allocated with public housing units in the past were virtually given housing subsidies. But for those people who were not allocated with public housing, no rental subsidy was given to them even though they were in abject poverty or they were recipients of Comprehensive Social Security Assistance (CSSA). Later, faced with criticisms from many people, the Government then began to grant rental allowances to CSSA recipients living below the poverty line. Therefore, people living in private buildings can be given some rental subsidies. So, it can be said that there is already a precedent. But that is not meant to subsidize private

housing. Instead, it is provided to enable the recipients to have a dwelling place. However, the problem is that the Hong Kong Housing Authority, the Housing Department and the Government are subsidizing public housing tenants, but some people who have been on the Waiting List for a long time are not yet allocated with public housing units. There used to be cases in which the applicants were not allocated with public housing units after waiting for over 10 years. Perhaps these people were too picky and they chose only those districts that they liked. So, the motion before us now proposes using the average waiting time as a basis, and Mr Frederick FUNG has put forward his proposal just now. While Mr Albert HO of the Democratic Party stated "a certain period of time" in his motion, he also suggested a period of three years. In fact, this is a very reasonable demand because if there are people who have not been allocated with public housing over a long period of time, some rental subsidies should be provided for them after they have waited for a certain period of time to relieve them of their plights.

Secondly, on the issue of helping the poor, the Government has always refused to draw a poverty line. But objectively speaking, there is already a poverty line now, that is, the poverty line based on the CSSA threshold. Basically, we can draw a relatively lax poverty line with reference to rental expenses which perhaps constitute the biggest burden on all families in Hong Kong. I have no intention to thoroughly discuss the question of poverty line here. This relatively lax poverty line is based on the income limit of the Waiting List for public housing. If housing subsidies can be provided by the Government, the largest part of the expenses borne by ordinary households can thus be reduced. These subsidies will be conducive to helping the poor.

Thirdly, I am not sure whether the estimate of an additional funding of \$600 million is correct or not. It might entail as much as \$1 billion. But however much it will cost, as long as it is a fair proposal which can help the poor and push up property prices, why do we not go for it? I think this proposal can kill three birds with one stone.

So, while I do not wish to discuss this matter in a motion debate for I think it should be discussed in the Panel on Housing, but as things now stand, I must explain my position to members of the public, my constituents and Honourable colleagues.

Thank you, Madam Deputy.

**MR JAMES TO** (in Cantonese): Madam Deputy, first of all, I should like to briefly respond to the point raised by the Honourable Andrew WONG just now and that is: should the subject matter of this motion debate today be discussed in the Panel on Housing? Actually, the answer should be in the affirmative. This is because the proposal put forward today is identical to the one advocated by us in 1997, and Honourable Members may check it out from the record of proceedings then. I was the mover of the motion back in 1997, but since Mr Albert HO is our party's spokesman for housing policy, he is responsible for moving the motion today.

Back in 1997, such a proposal was indeed mooted in the Panel on Housing of the former Legislative Council; besides, the Government also provided us with some data after an in-depth discussion with the Panel. That being the case, why are we putting forward again a motion which was already debated three years ago? Moreover, because of the bicameral voting system, the motion moved this time around would most probably be negatived. Our reason for bringing up the motion again is very simple. This is the first time the Government ever talks about studying time the provision of rental subsidies as part of the welfare for the elderly since our motion was passed in 1997. All along, the Government has been of the view that no rental subsidies should be provided for elderly public housing applicants, and that they should remain on the Waiting List until public rental flats are allocated to them. In this connection, the Government would rather resort to speeding up the construction of public housing to resolve the problem. But since the Chief Executive has particularly raised this point in his policy address, we consider that the stance of the Government on rental subsidy should in principle be quite different from the response it made several years ago, which insisted that the idea was not feasible in principle and should not be put into practice. Otherwise, I would like to request the Secretary to give us an explanation on that.

That being the case, we cannot but propose the motion once again (or in the terms used by Mr Howard YOUNG: steal the idea of the Chief Executive's policy address). Actually, we have not stolen anybody's idea but only — to use a colloquially expression — "grabbed" the opportunity. Since the Government has given us the impression that it considers there should not be any problem in principle, we believe the attitude of the Government must be more relaxed than three years ago, as its stance in principle seems to have changed slightly. On this basis, we then come up with the view that the Government should consider providing rental subsidies for all eligible applicants on the Waiting List.

Certainly, we will listen very carefully when the Secretary speaks in reply later on, for we wish to know whether the proposal is considered fine in principle only when the rental subsidies are provided for the elderly but not so if people other than the elderly are involved. However, according to the message we received from the Panel, it seems that the Government would consider extending the proposal step by step. That means if it should be feasible to provide rental subsidies for the elderly, the Government would consider providing rental subsidies for other people as well. Most importantly, principle is no longer the major concern of the Government.

Secondly, just now Mr IP Kwok-him mentioned that one of their reasons for opposing the motion was that while public housing flats have a useful life as long as 30 years, rental subsidies were like spilt water which could not be retrieved for further use. However, I hope Honourable colleagues can understand that while water spilt onto the floor might be considered a waste, the same would be considered useful if it should be spilt onto the floor to cleanse the streets. For people in desert areas who are dying under the scorching sun, the spilt water might help to cool them up. So, spilt water can be useful as well. By the same token, perhaps the provision of rental subsidy by the Government might not be able to make improvements to the living environment of recipients, but this could at least be considered as an effort to carry through the policy on helping the poor and the needy. So, we could see this proposal from another perspective. To those people earning a meagre income, the rental subsidies would mean a lot to them even if the amount offered should just be some \$1,000 to \$2,000. Here, I should also like to respond to the view expressed by the Honourable Edward HO during the motion debate held in 1997. In his view, housing policy should not be mixed up with welfare policy. This view might seem somewhat reasonable then, but then even the view of the Government seem to have changed a lot these days. In this year's policy address, an initiative has been put forward to help the poor and the needy, yet this proposed initiative is aimed at helping the needy elderly only. But in reality, a far greater number of families without any elderly members are badly in need of assistance. Now that the Government has come to the view that rental subsidies could be provided as part of the welfare policy or the policy on helping the poor, the argument put forward by the Liberal Party in 1997 that housing policy should not be mixed up with welfare policy might not stand now. At least the Government is not holding such a view any more — I suppose the Government would not say that rental subsidies could only be provided for the elderly as a form of assistance, other needy families without any elderly members could not benefit from this



policy. So, the provision of rental subsidy for other needy people is just a matter of timing. Naturally, I do not know whether the Secretary is thinking about studying the feasibility of providing rental subsidies for elderly applicants on the one hand, and speeding up the production of public housing flats on the other. According to the Secretary, applicants have to be on the Waiting List for three years to be eligible for rental subsidies. This is the prerequisite we have been advocating all along, and it is shared by Mr Frederick FUNG. So, by the time the study is completed and the results published, those who have been on the Waiting List for three years originally might be allocated public rental flats for that reason. What is more, eligible applicants might perhaps be allocated PRH after being on the Waiting List for two years. By then, there should be no need for us to discuss about rental subsidy any more. Actually, we do not always want the Government to introduce additional policies. After all, new bureaucracies are not something we have in mind or prefer.

I just hope the points made by me just now can clarify the misunderstanding and doubts that Members have about us. I also hope that these points can help to explain why we have proposed again the motion already moved by us three years ago. As a matter of fact, we can see that the stance of the Government on certain ideas have been relaxed in principle and changed slightly. We can also see that the poverty problem facing us now is not the same as the one we were dealing with in 1997, for the economy was so prosperous three years ago. It was because we had seen many needy families that we moved the motion then, but I believe the motion today can suit the needs of the times better than it did in 1997. I hope Members can appreciate our objective and the intent of the motion.

**MR NG LEUNG-SING** (in Cantonese): Madam Deputy, as a member of the Housing Authority (HA) and like other members, I understand that both the Government and the HA have always endeavoured to shorten the waiting time for public housing. According to figures supplied by the Government, there were 159 000 households on the Waiting List for public housing in 1988-89. The number for 1998-99 was reduced to 121 000 and now there are about 108 000 households. As the housing construction programme in the public sector is making good progress, the waiting period has now been shortened to five years. It is expected that the target of reducing the waiting period to three years can be reached by the end of 2003, which is two years ahead of schedule. Taking into account the present rate of progress and estimates of future targets to

be met, the implementation of government policy on PRH is able to satisfy the needs of society in general and it can fulfil the basic requirements of the policies laid down by the Chief Executive on public housing.

If we are to provide a rental subsidy to those eligible families on the Waiting List on top of the present housing benefit measures we are offering, then we must consider how the public resources provided by a limited number of taxpayers should be allocated. In 1997, the Government made some estimates and it was found that if this kind of rental subsidy was offered to those eligible, that might incur an annual expenditure of more than \$3 billion, and that amount of money could be used to produce an extra 9 700 public housing units annually. Of course, as the waiting time has been shortened and market prices have changed, there may be some changes in the figure just quoted, but the effect of that on the distribution of public resources would be the same.

The provision of PRH is a fundamental solution to the housing problem of the needy. Even if the Government has resources for this rental subsidy, they should be used to build public housing units which are a more effective way to solve the housing problem of households on the Waiting List at root. We should bear in mind that if public resources are put into the private residential rental market in the form of rental subsidy, that may ultimately lead to the result of pushing up the rents for residential units in the private sector, hence those subsidy recipients may not really benefit. However, if resources are concentrated on providing public housing, that will have a balancing and stabilizing effect on rental levels in the market.

If those families on the Waiting List have financial difficulties in respect of housing, the CSSA Scheme will be able to help them. The rental allowance now payable to eligible CSSA recipients ranges from \$1,505 for a singleton household to \$5,265 for a six-person household. If a family which is eligible for public housing and has been on the Waiting List for a long time, it can apply for rental allowance under the scheme. If we are to set up this kind of subsidy which is repetitive in nature and is outside the existing social welfare system, then we should think carefully in terms of public resources and the implications for taxpayers at large.

Madam Deputy, as compared to the situation before the reunification, the waiting period for public housing has reduced to five years, and in three years' time, this is expected to be further shortened to three years. This is the result of

the massive pooling of resources by the Government of the Special Administrative Region and the HA to produce public housing units. In my view, and according to the philosophy of governance the Government, the future housing policy should stick to this approach so that the waiting period for public housing will continue to be shortened. With the stabilization of market prices and the completion of a large number of public housing units, I think the overall demand for PRH will be satisfied in the not so distant future. On the other hand, the public housing benefits offered by the Government are not a kind of right which will be automatically given to all applicants. It is also not appropriate to give all eligible applicants any pledge in the so-called "average waiting time". Limitations in public resources should be considered so that allocations can be made in lots and phases in a fair and reasonable manner. Therefore, a reasonable waiting period for public housing allocation will still exist at the present moment and in the future. If only public money can be used in a reasonable manner and the production of public housing units is normal, a continued reduction of the waiting period for applicants will be the most appropriate course for us to take.

Madam Deputy, I so submit.

**MR WONG SING-CHI** (in Cantonese): Madam Deputy, earlier in the debate, Members of the Democratic Party stated the reasons why we have proposed this motion. I wish to talk about how we disagree with some objections raised by the Democratic Alliance for Betterment of Hong Kong (DAB).

The DAB always places emphasis on people's livelihood. However, the first argument put forward by them today shows clearly that they are a "government party". They are worried that the Government does not have enough resources, so they think there is no need to consider providing housing subsidies to those families living in bad conditions. The DAB also put forward another argument, saying that even if housing subsidies are offered to these families, they may not be motivated to move away from their adverse environment. Members of the DAB, especially Mr LAU Kong-wah, whose constituency is in the New Territories East, should be familiar with the rural areas. I am sure he has visited many villages. In the northern part of the New Territories, many villages will be flooded in the summer. The people live in very crude structures and the environment is extremely poor. All along, they need not pay any rent or only pay a very small rent. They are certainly not

prepared to remove and pay a high rent. However, if given housing subsidies, these residents who live in such a shabby environment and who are always threatened by floods will certainly consider moving out of their homes which are full of hazards. That is why I think if the Government provides them with housing subsidies, they will be encouraged to move.

The DAB also expressed the hope that public rental flats would soon be allocated to these people with housing needs. However, they have forgotten that these people are in dire need. What the DAB said was just like saying in front of a house on fire that it does not matter and that having the proper fire protection equipment is the most important. Instead of trying to put out the fire, they just say they will help the residents to improve their fire protection equipment, so that they can use the equipment to put out a fire in future. Unfortunately, by the time the fire protection equipment is ready, the house will have already been burnt down.

The DAB also said that if the Government had several hundred million dollars, it had better spend it on more public housing. Then, we would have 1 700 permanent units. Why should we throw the money into the sea or help those families with housing problems? Actually, the DAB's calculation is misleading. They must not forget that if we are to allocate a public housing unit to each of the over 22 000 people with housing problems, that is, the people to whom we hope to offer rental subsidies, we will be offering them subsidies amounting to \$800 million over the next three years. This is no different from the \$800 million or \$600 million rental subsidies we are proposing. The Government will not incur any additional expenses.

The Liberal Party opposes this motion today. However, they fail to come up with any concrete arguments. In fact, the Liberal Party mobilized some people whose properties had depreciated to demonstrate in the streets, saying that it was concerned about the prices of their properties. If the Government offers rental subsidies, the rent of the properties which have depreciated in value may be stabilized.

The Liberal Party and the DAB always say that they want to help the people. Actually, they are nothing but "royalists". They oppose our motion only because they want to deal with the Government, so that they will continue to receive greater support in the Legislative Council. I hope Members of the Liberal Party and the DAB will change their mind and support the motion proposed by the Democratic Party.

**MR LAW CHI-KWONG** (in Cantonese): Madam Deputy, I just wish to add a few points and I will not repeat the views expressed by other Members.

Actually, when we talk about rental subsidy, we always stress that offering rental subsidies is only a short-term rather than long-term goal. The long-term goal must be the construction of PRH units. When we talk with the kaifongs, they will talk about their concern that the Government may not build any more public housing after offering rental subsidies. In fact, we always say that rental subsidies are only a temporary arrangement. This will be an incentive for the Government to speed up the construction of public housing, since it will no longer have to provide rental subsidies to residents after public housing units are allocated to them.

In the debate, many Members expressed the view that it would be better to allocate funds for public housing construction than offering rental subsidies. However, Members should note that the construction of public housing by the Government does not depend on whether the Housing Authority or the Government has money. Instead, it has to do with land and the housing construction target. That brings us back to the old question of 85 000 flats. Thus, we cannot say that if the Government has the money, it is better to spend it on building public housing than providing rental subsidies. Under the present housing policy, this does not work. I hope Members can look at this clearly.

I also wish to make some remarks on the question of the elderly, especially since the Government is studying the question of providing rental subsidies to elderly persons on the Waiting List for public housing. The Democratic Party has proposed three years as the threshold. If elderly persons have been on the Waiting List for three years, then they should be granted rental subsidies. Actually, in this respect, the amendment proposed by Mr Frederick FUNG coincides with our suggestion of the three-year period. One of the reasons for proposing this period is that the Government also hopes that future applicants will be allocated public housing units after a wait of three years. However, I wish to point out that the situation is a bit different for elderly persons on the Waiting List. There are now many different versions. Some have proposed that households with elderly persons should be provided with public housing units two years earlier. How long do elderly persons have to wait? In this year's policy address, the rough estimation is that if elderly persons apply before the end of March next year, they will be allocated public housing units before the

end of 2003, that is, they have to wait for two years and nine months. This is shorter than the waiting time of the average household. Therefore, I hope that in studying the question of providing rental subsidies to the elderly, the Government will not just consider the three-year period simply because it is proposed by the Democratic Party. The three-year period proposed by us applies to the general cases. When it comes to elderly persons, the period should be shorter.

Madam Deputy, I have spoken to provide some supplementary opinions only.

**DEPUTY PRESIDENT** (in Cantonese): Does any other Member wish to speak?

(No Member responded)

**DEPUTY PRESIDENT** (in Cantonese): Mr Albert HO, you may now speak on Mr Frederick FUNG's amendment. You have up to five minutes to speak.

**MR ALBERT HO** (in Cantonese): Madam Deputy, first of all, I wish to thank Mr Frederick FUNG for proposing an amendment to my motion. Indeed, the content of his amendment can further clarify my motion.

In fact, when the Democratic Party was drafting the wording of this motion, I had made some suggestions similar to the views of Mr Frederick FUNG. However, we finally decided to use wording with more emphasis on the principle, hoping that we could lead the discussion in a broad direction. Anyhow, having listened to the speeches of Honourable colleagues, I agree that Mr Frederick FUNG's amendment can indeed clear up the doubts of some Honourable colleagues and iron out some difficulties. Therefore, not only do I hope that Honourable colleagues will support Mr Frederick FUNG's amendment. I also hope that in giving support to Mr Frederick FUNG's amendment, they can dispel the misconceptions and arguments based on which their opposite views have developed.

The amendment mentioned a qualifying period of three years. Many Honourable Members asked why it has to be three years. In fact, the reason is very simple. It is because that is an undertaking made by the Chief Executive. If the Chief Executive's undertaking is not realized, many people who are longing for housing subsidy will, as the Government has put it, feel disappointed and see their hopes being dashed. It stands to reason that the Government should offer them some support and subsidies so that the Government can have other alternatives to make remedies in order not to break its promise made to the people. Allocating public housing units and providing rental subsidies are both ways to help the impoverished low-income group. Mr LEE Cheuk-yan and Mr Andrew WONG have made this point very explicitly, and the principle here cannot be clearer.

In fact, we are just helping the Chief Executive to deliver the goods. If the Chief Executive cannot deliver the goods in 2003, he can realize his pledge by providing rental subsidies. It is as simple as this. Why can the Government not do it?

Some asked why should we bother to fuss over all these since the policy can be implemented in 2003. This will bring up another question, that is, will the Government certainly deliver the goods in 2003? I really do not have the confidence to say it will. Earlier Mr LEUNG Yiu-chung also asked whether we really have confidence in the Government. We can see that the Government's projections are very often inaccurate, and more often than not, the Government will fail to implement to policies proposed by it and must therefore put them off. By 2003 — Mr TUNG Chee-hwa will very likely remain as the Chief Executive for he is hand-picked so he can be returned for another term of office — the Chief Executive might say that this policy no longer exists for whatever considerations, just as what he did with regard to the policy of 85 000 flats. I am afraid that it might occur. Madam Deputy, this would again disappoint those people who have been waiting desperately and would again dash their hopes. We hope that at least a short-term policy can be implemented so that even if the Government cannot deliver the goods and honour its promise by that time, there could be some remedies available. The Government should be able to do this.

Moreover, Mr Frederick FUNG also mentioned in the second part of his amendment that rental subsidies should be provided until public housing units are allocated to those on the Waiting List. We share this view too, and we consider

that rental subsidies cannot substitute the policy of providing public housing for the people. So, in the long term, we hope that people on the Waiting List can be allocated with public housing units so that their living environment can be improved. This is our objective. We do not support the use of rental subsidies to replace our public housing policy which has long been accepted by the public. So, regarding the comment made by some Honourable colleagues that the provision of rental subsidies cannot improve the people's living environment in the long term, we consider these concerns unwarranted. I think the motion has spelt out our objective very clearly.

I hope Members will support Mr Frederick FUNG's amendment and then support the motion as amended subsequently.

**SECRETARY FOR HOUSING** (in Cantonese): Madam Deputy, in this year's policy address, the Government made an undertaking to study the feasibility of providing rental subsidies for elderly applicants on the Waiting List in lieu of PRH units. I should also like to take this opportunity to discuss with Honourable Members the subject of rental subsidy as a whole.

Compared to direct housing construction by the Government, the option of rental subsidy may perhaps offer greater flexibility. There are two major advantages. First, the rental subsidy will allow the recipients to have more choices in relation to the location, size and type of housing. Second, the use of a rental subsidy is more flexible. On the one hand, the recipient could change accommodation in the light of their individual circumstances; on the other hand, the Government could also regularly review the level of rental subsidy in the light of the financial conditions of the recipients.

These are the advantages of a rental subsidy, but there are also some debatable points as well. Rental subsidies cannot guarantee that the recipients will improve their living environment, as the Government can hardly have any control over the quality of accommodation of the recipients after rental subsidies are provided. For instance, the recipients may identify relatively inexpensive accommodation in certain areas; as a result, these low-income families can only make use of the subsidy to find accommodation in areas where the living environment is comparatively poor. In other words, although the basic housing needs of the recipients have been met, there have not been substantial and adequate improvements to their living environment.



Another point we must take into consideration is that the Government may have to incur unnecessary commitments as a result of the provision of rental subsidy. For their own reasons, some may not have any intention to apply for public housing (they are able to afford a flat in the private market). But given the option of a rental subsidy, these people may register on the Waiting List in order to get the subsidy, thereby affecting the chance of people with a genuine need to get public housing faster and adding to the burden on both the Government and the Housing Authority.

Madam Deputy, at present, in some countries including the United Kingdom, Germany, France, Holland and New Zealand, low-income families are offered rental subsidies as a kind of housing assistance. When considering the level of rental subsidy, and before arriving at the details of the subsidy, these countries will normally look at three criteria: first, family income and assets; second, the number of family members; and third, the rentals of flats. Generally speaking, the recipients of rental subsidy will have to shoulder part of the rentals, but the low-income families will normally get a higher level of subsidy.

However, our preliminary understanding is that these countries have all encountered some problems at the operational level in implementing their rental subsidy schemes.

In studying the feasibility of implementing a rental subsidy policy in Hong Kong, we must also take into consideration the circumstances in Hong Kong, in addition to the relevant experience of other countries and regions. In this connection, there are three major areas that we must look into. Firstly, the supply of suitable rental flats in the market. At present, about 310 000 families in Hong Kong are living in private rental flats situated mainly on Hong Kong Island and in Kowloon. We need to examine if there is a sufficient supply of decent private rental flats in the market. If there are not enough private rental flats, families receiving rental subsidies may not be able to identify suitable flats, in the end, they will make use of their rental subsidies to rent their existing accommodation. Hence, there will not be any actual improvement to their living environment. Secondly, we need to investigate what impact will rental subsidies have on the rental market of private flats, since the provision of the subsidy might cause the demand for private rental flats to increase. As Dr Raymond HO has reminded us, in addition to understanding the rental levels and the actual operation of the private rental market, the Government also needs to

assess the possible impact that the provision of rental subsidy might have on the market. Thirdly, an effective monitoring mechanism. Supposing the feasibility of implementing a rental subsidy policy has been confirmed, we still need to set up an effective monitoring mechanism to ensure the proper operation of the rental subsidy scheme as a whole, with a view to preventing public money from being abused.

These are the areas we need to look into carefully, and it will take quite some time to conduct all these studies.

The motion moved by Mr Albert HO advocates that this Council urges the Government to formulate a rental subsidy policy, whereby rental subsidies are offered to eligible families which have been on the Waiting List for public housing for a period of time. Mr Frederick FUNG has proposed an amendment to the motion, seeking to urge the Government to formulate a rental subsidy policy, whereby rental subsidies are offered to eligible families which have been on the Waiting List for public housing for a period exceeding the average waiting time for PRH, as pledged by the Government, until PRH units are allocated to them. The Government should like to respond to these two proposals as follows.

In our view, we should first understand clearly the rationales of these two proposals before discussing the motion and the amendment proposed to it, for it is only in this way that our discussion could have any meaning. Judging from the speeches they made earlier on, I think the two Honourable Members are actually aiming at helping those people who are in need of assistance to resolve their immediate problems. In this connection, I hope Honourable Members can see the difference between the concept of housing policy and that of welfare policy. The objective of the Government's housing policy is to provide enough and affordable accommodation for the people. To this end, we will provide sufficient infrastructure and land for private and public housing development purposes in the light of the people's housing demand. Furthermore, in addition to providing different types of accommodation to suit the needs of the various strata of society, where necessary, we will also make use of a number of subsidy schemes to enable members of the public to satisfy their housing needs and to improve their living environment.

The objective of the Government's social welfare policy is to provide a safety net for those people who have financial difficulties to enable them to get

the right assistance in times of need. Hence, if any member of the public, including applicants on the Waiting List, should have any genuine financial needs, they should apply for assistance under the Comprehensive Social Security Assistance (CSSA) Scheme managed by the Social Welfare Department (SWD). Eligible families will receive a payment to cover their general household expenses and a rent allowance to cover their rental expenses. At present, about 210 000 families in Hong Kong are receiving assistance paid out by the SWD direct, and some 176 000 of these families are also granted rent allowance at the same time. In addition, through the referral of the SWD, families with urgent housing needs may also be allocated PRH on compassionate grounds. Indeed, over the past five years, over 10 000 families have been allocated PRH under the category of compassionate rehousing.

Here, I should like to stress again that families faced with financial difficulties and immediate accommodation needs at the same time should make use of the existing mechanisms to apply to the SWD for assistance. As regards needy individuals, in the light of their respective situation, they may be provided with assistance under the rent assistance scheme to enable them to cover rental payments, or be allocated PRH through the compassionate rehousing arrangement. Mr Albert HO urges the Government to "offer rental subsidies to eligible families which have been on the Waiting List for public housing for a period of time". However, given that families with urgent financial needs may apply for assistance under the CSSA Scheme by way of the existing mechanism, there is no particular need for the proposal put forward by Mr HO.

With regard to the amendment proposed by Mr Frederick FUNG, it urges the Government to offer rental subsidies to eligible families which have been on the Waiting List for public housing for a period exceeding the average waiting time for PRH, as pledged by the Government, until PRH units are allocated to them. For the same reasons, we hold that members of the public with pressing needs should apply to the SWD for assistance. As regards families hoping to improve their living environment, when such need arises they may also apply for public housing and have their names placed on the Waiting List.

Madam Deputy, the average waiting time for PRH has in fact been substantially shortened by the Government of the Special Administrative Region over the past few years. In 1990, the average waiting time for PRH was nine years; by 1997, the average waiting time has already been shortened to six years and a half. Today, the average waiting time is less than five years. Over the

past five years, the Housing Authority has altogether allocated over 80 000 PRH to families on the Waiting List. In this year's policy address, we have promised to further shorten the average waiting time to three years towards the end of 2003. Under the premise of better utilizing social resources, the Government considers the current waiting time as pledged reasonable.

We are surely going in the right direction in studying the feasibility of offering rental subsidies. After all, we also hope to provide eligible elderly applicants on the Waiting List for PRH with an additional choice and more convenience. As regards the feasibility of putting the policy into operation, naturally we will need to look into the matter in great detail. As I have mentioned earlier on, this policy will affect a wide variety of areas. Besides, there are also many practical issues that warrant further deliberation. For instance, will there be a sufficient supply of private residential flats suitable for rental purposes, who will be eligible for the subsidy, how are we going to prevent abuse, and so on? Throughout the entire studying process, the Government will maintain an open attitude to collect information, solicit views, as well as analysing and examining carefully the views collected before making any decisions.

In this year's Policy Objectives, the Housing Bureau has promised to explore the feasibility of offering rental subsidies to eligible elderly applicants on the Waiting List in lieu of PRH. We hope that any new policy of far reaching impact can be implemented gradually in an orderly manner. We hope to concentrate our study on the feasibility of providing rental subsidies for eligible elderly applicants on the Waiting List. We consider studying the feasibility of providing rental subsidies for eligible elderly applicants on the Waiting List first because elderly persons in general prefer to live in the neighbourhood they are familiar with due to many personal reasons, such as health needs and the need to live in the vicinity of their family members. Besides, most of them also prefer to live in or close to urban areas but find it hardly acceptable to relocate to public housing estates in new towns or remote areas in the New Territories.

All in all, Madam Deputy, we hope that Honourable Members will allow the Government more freedom to explore and consider in a more open-minded manner the feasibility of providing rental subsidies for elderly applicants on the Waiting List to satisfy their housing needs. As regards the motion moved by Mr Albert HO today and the amendment proposed to it by Mr Frederick FUNG, since they are not in line with some of the basic concepts of the Government's

housing policy, the Government cannot support them. I hereby earnestly urge Members to vote against the motion and the amendment.

Thank you, Madam Deputy.

THE PRESIDENT resumed the Chair.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Mr Albert HO's motion, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Albert HO rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Albert HO has claimed a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr LAW Chi-kwong and Miss LI Fung-ying voted for the amendment.

Mr James TIEN, Dr Raymond HO, Dr LUI Ming-wah, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Dr LO Wing-lok and Mr IP Kwok-him voted against the amendment.

Mr Eric LI and Mr Michael MAK abstained.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN, Mr WONG Sing-chi and Mr Frederick FUNG voted for the amendment.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted against the amendment.

Prof NG Ching-fai abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, six were in favour of the amendment, 17 against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 27 were present, 16 were in favour of the amendment, nine against it and one abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

**PRESIDENT** (in Cantonese): Mr Albert HO, you may now give your reply. You have 49 seconds.

**MR ALBERT HO** (in Cantonese): Madam president, I heard Mr IP Kwok-him alluding at the beginning of his speech to the Bible story of "five loaves and two fish" to explain that the Government is no Jesus Christ and thus cannot look after needy people because of limited resources. I was really shocked by such an argument, because even before the Government itself talked about financial constraints, the DAB had already hastened to "tighten its purse strings". The Government is willing to spend \$5 billion on assisting small and medium enterprises and \$1 billion or so on helping home starters. But then, when we now ask the Government to spare several hundred million dollars on helping the low-income group, Mr IP Kwok-him simply hasten to say "no". Does he mean that poor people should be brushed aside altogether? I am really shocked by his argument, and I am very angry too.

Second, administrative costs are even less acceptable as a reason for opposition, because if this argument can stand, it will not be possible to implement many necessary and good policies. After all, all these policies will involve administrative costs. Third, about this question from the Secretary: What rationale is there for this proposal? My answer is: The rationale is to supplement the housing policy.

**PRESIDENT** (in Cantonese): Mr Albert HO, your time is up. Please sit down.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Albert HO, as printed on the Agenda, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Albert HO rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Albert HO has claimed a division. The division bell will ring for three minutes.

**PRESIDENT** (in Cantonese): Will Members please proceed to vote.

**PRESIDENT** (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr LAW Chi-kwong and Miss LI Fung-ying voted for the motion.

Mr James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU,



Mr Timothy FOK, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Dr LO Wing-lok and Mr IP Kwok-him voted against the motion.

Mr Michael MAK abstained.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN, Mr WONG Sing-chi and Mr Frederick FUNG voted for the motion.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr David CHU, Mr NG Leung-sing, Prof NG Ching-fai, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted against the motion.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, six were in favour of the motion, 18 against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 27 were present, 16 were in favour of the motion and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

**PRESIDENT** (in Cantonese): Second motion: Extending the effective period of concessionary duty rate for ultra low sulphur diesel.

## **EXTENDING THE EFFECTIVE PERIOD OF CONCESSIONARY DUTY RATE FOR ULTRA LOW SULPHUR DIESEL**

**MRS MIRIAM LAU** (in Cantonese): Madam President, in a bid to ease the hardship of the people, the Government reduced the duty rate for ordinary diesel from \$2.89 per litre to \$2 per litre with effect from June 1998 up to 31 December 2000. Owing to environmental protection considerations, the Government set the concessionary duty rate for ultra low sulphur diesel (ULSD) at \$1.11 per litre for the period from 7 July 2000 to 31 December 2000, the purpose for this is to offset the difference in cost between ULSD and ordinary diesel.

Now, on the same premise of easing the hardship of the people and environmental protection, I urge the Government to extend the effective period of the prevailing concessionary duty rate for ULSD at \$1.1 per litre for another year to 31 December 2001.

The trend of retail prices for diesel over the past three years is roughly as follows: before June 1998, the duty rate for diesel was \$2.89 per litre, the retail price of diesel inclusive of duty was \$6.58 per litre. After June 1998, the duty rate for diesel was reduced from \$2.89 to \$2 and the retail price of diesel with duty inclusive was \$5.69 per litre. In November 1998, the oil companies made a price cut of \$0.1 and the retail price for diesel inclusive of duty reached an all-time low for the past three years. However, the price was still \$5.59 per litre. During the period from September 1999 to July this year, in less than one year, the diesel price has increased three times and the total increase per litre is \$0.85 and the retail price has increased to \$6.44 per litre, representing an increase of more than 15%. In July 2000, the duty rate for ULSD was set at \$1.11 per litre and the retail price for ULSD inclusive of duty is \$6.35 per litre, which is similar to the price for ordinary diesel. Given this price of \$6.35 per litre for diesel, I think it is the most expensive in Asia and it ranks among the most expensive globally.

The great surge in global oil prices has led to exorbitant retail prices and waves of protest which began first in the transportation industry in France. The French demanded that fuel duty be lowered in order to reduce the loss in income due to high oil prices. The protests in France triggered off a chain reaction in Germany, Belgium, Denmark, Spain, and so on. Truck drivers in Europe protested against the effects of high oil prices on their living by occupying the expressways and blockading the oil depots and refineries.

The transportation industry in Hong Kong reacted in a much milder way than their foreign counterparts. To date, no radical actions have been taken and only two rallies for diesel vehicles have been held. In these two rallies, members of the local transportation industry have shown calmness and restraint, causing no adverse effects on the public.

Although the local transportation industry has been using mild actions of protest, it does not mean that the pressure it is suffering as a result of the oil prices is in any way smaller than that by its foreign counterparts. I have recently conducted a survey on the operations of diesel vehicles in order to ascertain the effects of high oil prices on the local transportation industry. I have compared the current operations of different types of diesel vehicles to the situation of end 1997 and the effects of oil prices on drivers of different types of diesel vehicles. The preliminary findings of the survey indicate that the drop in the monthly income of drivers of trucks/container trucks, taxis, minibuses, nanny's vans and public buses ranges from 15% to 40%. The drop in the income of drivers is mainly due to the drop in business turnover and patronage.

Looking at different vehicle types, the drop in the income of trucks/container trucks is mainly due to the lowering of freight charges. For example, the freight charges for transporting a container from Dongguan to Hong Kong used to be \$4,000 in 1997. But it is reduced to \$3,000 now. The drop in the income of minibus drivers is mainly due to the substantial increase in the rental of these vehicles. In 1997 the rental was about \$500, now it is \$800. An interesting reason for the drop in the income of drivers of nanny's vans is that many parents have become unemployed and some of the women who used to work now are staying at home since the salary they get has been reduced. They now take care of their children on a full-time basis and every morning they send their children to school by using public means of transport and so they do not use nanny's vans any more. In addition, the number of tourists who visit Hong Kong on package tours has decreased, despite an increase in the total number of tourists back to the number in 1997. Hence, the income of public bus drivers has been reduced.

As to the effect of diesel prices on the drivers of diesel vehicles, as expenses on diesel take up a large proportion of the operation costs of the transportation industry, occupying some 20% to more than 40% of the total expenses, the slightest change in diesel prices would have great impact on the diesel drivers. According to rough estimates, oil expenses for a container truck

operating in Hong Kong is about \$10,000 monthly, the amount of diesel consumed being about 1 700 litres. If the diesel price is increased by \$0.89 per litre, the additional monthly expenses for each container truck will be more than \$1,500. A taxi has a monthly mileage of about 10 000 km and diesel consumption is about 1 100 litres. If the diesel price is up \$0.89 per litre, and taking into consideration the monthly income of about \$9,000 for taxi drivers of one shift, they will lose about 6% of their income, or about \$500. This amount will be quite substantial to a taxi driver with a monthly income of about \$9,000.

It is not known if oil prices in the international market will continue to rise, but the Government has already stated that the concessionary duty rate of \$0.89 will be abolished with effect from 1 January next year, and the duty rate of ULSD will return to \$2 per litre. Even if international oil prices will not go up, the present price of ULSD is already \$6.35 and if it is reduced by \$0.1, it is still \$6.25. If the price is raised by \$0.89 per litre, the rate of increase will be more than 14%. Compared to the price at the end of 1998, as I have mentioned just now, when the price for ULSD was \$5.59 per litre, the total increase of diesel price in such a short period of two years will be about 30%. Given the present economic conditions, it is hard to think of any trade which can sustain such an enormous increase in its major item of cost expenditure.

In the face of high oil prices, the governments of many countries have cut taxes or provided tax rebates to offset the pressure exerted on the transportation industry as a result of the increase in oil prices. France has cut the duty for diesel by 15%, Italy has also cut the duty for diesel and speeded up the rebate process, and the Netherlands also introduced a tax rebate. Britain, which used to be quite firm with regard to this issue, will reduce the consumption tax for diesel by 4 pennies per litre, or about HK\$0.5, starting from next April. Against a background of protests from the transportation industry in Hong Kong, can the Government remain indifferent?

It is an indisputable fact that the increase in oil prices will cause the greatest impact on the transportation industry. Many people in society, including many economists, are sympathetic to the plight of the transportation industry. One of these people is Mr George S.K. LEUNG, Chief Economist of the Hong Kong and Shanghai Banking Corporation. He is very sympathetic to the transportation industry. In his view, under the present economic circumstances, the Government should extend the effective period of concessionary duty rate for ULSD, for this will not only serve to ease the

hardship of the transportation industry in their operations, but it will also be beneficial to the people's livelihood. At present, the residential coaches have a daily passenger volume of more than 100 000, the public buses have 1.5 million and taxis have 1.3 million. If the Government increases the fuel duty, the increase may be transferred onto the public.

However, it is doubtful if taxis, minibuses and residential coaches can raise their fares. These vehicles have lost quite a number of passengers in the face of competition from other means of public transport. In fact, these means of transport are now in a dilemma, that is, they will drive away passengers if they increase their fares, but if they do not, they will be driven out of business.

Apart from the predicament faced by the operators of taxis, minibuses and residential coaches, operators of trucks and container trucks also face the same predicament. In 1999, the total value of tangible trade (including re-exports, locally manufactured goods and imports) was \$2,745 billion, which is equivalent to 223% of the Gross Domestic Product. The competitiveness with which we sustain our import and export trade owes, among others, to the substantial drop in transportation charges compared to previous levels and hence the transportation industry has become competitive. The drop in transportation charges is due to the transportation industry cutting the charges for survival. If the transportation industry is forced to raise its charges as a result of the increases in oil prices, the consignors may choose not to use the land transport provided by Hong Kong to send their containers to Hong Kong for export. It is because they do not want to pay more expensive charges. They will send their containers direct to Yantian or Shekou instead for export. Then the ones to suffer will not only be the transportation industry, but Hong Kong economy as a whole. Does the Government wish to encourage the transportation industry to continue to grow and prosper, or to bear a heavier burden? Does the Government want to enhance or undermine the competitiveness of our import and export trade?

Madam President, the reason why I propose to extend the effective period of concessionary duty rate for ULSD is not just to ease the hardship of the people and to enhance the competitiveness of the local transportation industry, but also to improve our air quality.

ULSD is very effective in reducing exhaust emission. It can reduce the emission of particulates by diesel vehicles by 10% to 30%, and the emission of

nitrogen oxides by about 5%. Ever since ULSD was launched in the market three months ago, the numbers of smoky taxis, light goods vehicles and minibuses have dropped by 32%, 16% and 49% respectively compared to the same period last year. Starting from 1 January next year, we will adopt Euro III emission standards for all newly registered vehicles. Coupled with the use of ULSD, the Euro III vehicles will achieve better results in reducing the emission of black fumes.

The continued provision of concessionary duty rate for ULSD by the Government will indeed encourage the transportation industry to continue to use ULSD. I would like to stress that both the industry and I oppose the use of illegal diesel. We support the Government's efforts to crack down on the sale and use of illicit oil. However, the reality is that some drivers use unmarked oil because it is much cheaper than ULSD. If the Government abolishes the concessionary duty rate for ULSD, there will be a greater difference in the prices between ULSD and ordinary diesel, and so more drivers will risk breaking the law and use unmarked oil.

In addition, if encouragement is given by the Government to the transportation industry to use ULSD, the public will also benefit. The Government says that providing concessionary duty rate for ULSD will incur a reduction of about \$600 million in revenue, but it is only a small sum compared to the \$3.8 billion medical expenses incurred annually as a result of air pollution.

Having said all this, my purpose is to urge the Government to collect less tax. Even if the Government reduces fuel duties in a bid to alleviate the hardship of the people, the transportation industry still has to pay other taxes, such as the duty for ULSD at \$1.1 per litre and other charges. Based on last year's figures, the total amount of fuel duties paid by drivers of diesel vehicles this year will be about \$750 million. When this sum is added to vehicle licence fees of about \$700 million and registration tax, and so on, that will be a total of \$1.5 billion. On top of that, if the industry makes any profit, it will need also to pay profits tax as well.

Madam President, we often criticize the Government for levying a high fuel duty, but the Government has never explained to us how the fuel duties are determined and how the rates are calculated. In the past, the Government only

followed a routine practice of raising a little of the duties according to the prevailing inflation rate and the duties were reduced somewhat if there was opposition from the public. The rate of increase was decided entirely at the will of the Government. According to a study made in Germany, there are some criteria for determining fuel duties in foreign countries such as the United States. One of these criteria is to use the duties collected to pay for the construction and maintenance of roads. In the United States, the levy rate of US\$0.1 per litre is used for maintaining the roads. But in Hong Kong, there is no detailed breakdown of how much out of the \$1.1 duty rate is used in maintenance expenses and how much is tax. There are absolutely no figures in this respect provided by the Government. I hope the Government can provide this Council with the criteria used by it in determining the rate for fuel duty.

Lastly, when the Government proposed the resolution on concessionary duty rate for ULSD, it undertook to make a decision by mid-2001 to keep or revise the duty rate for ULSD for 2002 in accordance with the import prices of ULSD. At present, apart from franchised buses, all diesel vehicles now use ULSD which can be refined in the Asian Region. Therefore, I think it is the right time to review and determine a fair duty rate of ULSD for 2002.

Madam President, I am in full support of the amendment proposed by Mr Fred LI. I absolutely disapprove of any attempt by anyone to reap a profit out of the tax concession provided by the Government to the transportation industry. I therefore give my full support to Mr Fred LI's amendment in order that this kind of illegal activities be prevented. With these remarks, Madam President, I beg to move.

**Mrs Miriam LAU moved the following motion: (Translation)**

"That this Council urges the Government to extend the effective period of the concessionary duty rate of \$1.11 per litre for ultra low sulphur diesel (ULSD) to 31 December 2001, and to expeditiously conduct a review before deciding on an appropriate duty level for ULSD for the year 2002."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Miriam LAU, as set out on the Agenda, be passed.

**PRESIDENT** (in Cantonese): Mr Fred LI will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Fred LI to speak and move his amendment.

**MR FRED LI** (in Cantonese): Madam President, I move that Mrs Miriam LAU's motion be amended, as set out on the Agenda. On the outset, I would like to first thank Mrs Miriam LAU for indicating support for my amendment so quickly. Actually, she will have five minutes to respond to my amendment.

The Democratic Party supports the promotion of environmental protection through taxation measures. For reasons related to people's livelihood, it supports the original motion's proposal of extending the effective period of the concessionary duty rate for ULSD. Nevertheless, we find it unacceptable for oil companies to reap profits on the pretext of environmental protection. The Democratic Party is extremely dissatisfied that the Government has failed to play its regulatory role, thereby enabling oil companies to get whatever they want. This is why the Democratic Party has moved an amendment to the original motion to urge the Government to, on extending the effective period, devise an effective regulatory mechanism to prevent oil companies from reaping profits from the concession.

The granting of the duty concession serves two purposes. The main purpose is to subsidize the difference between the prices of ordinary diesel and ULSD. The second is to subsidize the cost, a one-off cost, incurred as a result of the introduction of the new diesel by oil companies. Actually, since its introduction in end-July, ULSD has been introduced by all oil companies on a full scale within only a few months. Ordinary diesel is now no longer available on the market, with the exception of ordinary diesel used by some franchised bus companies. This scheme can be said to be very successful for ordinary diesel is now no longer available at petrol filling stations. Is this within the Government's expectation? Why am I raising this question? This is because if ordinary diesel is no longer available on the market, how can the Government calculate the subsidy required to cover the price difference between the two types of diesel? Some oil companies indicated to the Legislative Council Panel on Economic Services that they had ceased to take the price difference into account anymore for ordinary diesel was no longer on sale. Therefore, they found it



very difficult to explain how the duty concession should be allocated. Because of the existence of this grey area, the oil companies did not know how to calculate the price difference. Now some oil companies state that there is no need to make such calculation for ordinary diesel is no longer available. In that case, should the \$0.8 saved as a result of the duty concession be pocketed by the oil companies? What is it all about? This is the thrust of my amendment. While the effective period of the concessionary duty rate should be extended, we can definitely not allow the oil companies to muddle through.

Madam President, there are many press reports today covering the embezzlement by oil companies. I can only use the expression "absurd" to describe this incident. The Government agreed to grant tax concession in the hope that environmentally friendly diesel could be imported by oil companies to promote environmental protection. In order to make the plan a success, I believe the Government acceded to whatever concessionary demands made by the oil companies, like fully accepting the demand of the \$0.8 concession. It was only after gathering the relevant data did the Government realize that the oil companies had exaggerated the price (this was what the newspapers said). Actually, the price should be much lower and the concession should not have gone into the pockets of the oil companies. It was only until then that the Government awakened from its dream and demanded the oil companies to lower their diesel prices. Yet it was too late for the Government to do anything. Now the Government can only "make use of verbal coercion" by resorting to public criticism. This shows that the Government basically lacks any idea as to what it should do in monitoring the oil companies.

Last Monday, Secretary Sandra LEE finally shelled the oil companies in a high profile and demanded that the price of ULSD should come down. Despite her apparent ferocious gesture, I know it will not get the Government anywhere to rely solely on "verbal coercion". Under public pressure and the pressure exerted by public opinion, what can the Government do even it has resorted to "verbal coercion" and Mr TUNG has made his appeal in Shenzhen? Oil companies responded that they might consider lowering the diesel price by \$0.1 per litre. In my opinion, this is like a slap in the Government's face. No wonder such a large number of vehicles serving the transportation industry have taken part in a slow-drive protest. We fully agree that the industry should pressure the Government into recognizing the fact that it cannot "make a cart behind closed doors".

The Government can hardly shirk its responsibility in this incident where oil companies have been found pocketing the money. It is evident from the data provided by the oil companies that the Government could have done better had it gathered more data beforehand. I would like to ask the Government three questions, but I am not sure which government department can give me the answers.

First, did the Government require the oil companies to provide data on the additional cost incurred as a result of the introduction of ULSD? Had the Government cared to look into it a little deeper, it would have found that the oil companies were able to offset the one-off cost in the first several months. Was the Government aware of such information?

Second, did the Government discuss with the oil companies before the introduction of ULSD early this year how many months it would take to repay the one-off cost?

Third, did the Government evaluate the import price of ULSD beforehand? Has it kept monitoring the price? It is not difficult to gather information on global diesel prices. In the past two weeks, the Government has proved that it is able to gather data on its own, showing that there was a difference of \$0.4 to \$0.5 between the import prices of ordinary diesel and ULSD. Why did the Government not gather information beforehand early this year?

Surprisingly, when the three oil companies gave us such data during a three-hour closed meeting held on 4 November, we were told by the Government that it had no knowledge of certain data until that day and that the Government and Members were informed of the data at the same time. I found it very strange for the Government had always stated that it could acquire the data not accessible to Members very quickly. Things turned out to be fair to us on that day for the Government got the data the same time as we did. According to the data provided by the three companies on that day (I am not allowed to disclose the details and I will abide by the agreement; but still I want to share some information with Honourable Members), there was surprisingly a 10% difference in the prices of ULSD imported by the three companies. Worse still, there was a marked difference of 80% between the additional costs incurred by the companies as a result of introducing ULSD. In other words, while one of the companies incurred an extremely high cost, the remaining two companies set two different costs, with one lower than the other one. Why was there such a

marked difference? More surprisingly, even though the three companies accounted for different import prices and costs, they turned out arriving at the same total figure of \$0.8, which happened to justify where the \$0.8 had gone, thereby proving that they had not "pocketed the money". I am really amazed at this for we will need unusual imagination to find the data acceptable. I do not know whether the oil companies were trying to manipulate us with the figures. Does the Government have a mechanism in place or professionals to examine the matter and monitor the figures to see if it was really such a coincidence that they added up to \$0.8?

Unless the Government takes immediate action to put in place an effective regulatory mechanism, it will be difficult for the public to continue to have faith in the Government and the oil companies. The original intent of offering duty concession is to support environmental protection. I read from the newspapers that the Secretary for the Treasury once estimated that it would cost the Government more than \$600 million in revenue as a result of the extension of the concessionary period each year. The Democratic Party finds it totally unacceptable if the concession eventually turns out to be dessert for the oil companies.

Judging from the remarks made by the Secretary for the Treasury earlier, she has actually admitted lack of competition in the fuel market and the fact that there is unfair competition. The Government has told us repeatedly that it would liberalize the market. Even Mr TUNG has told us the same thing before. It has been a long time since then and nothing has been achieved so far. If the Secretary for the Treasury is really sincere in breaking the monopoly of the oil companies instead of solely relying on posing gestures and chanting empty slogans of liberalizing the market, she should put up the 21 lots of land for bidding for the building of petrol filling stations (the Government has been saying this for a long time). The Government needs not employ "verbal coercion" every several days by publicly appealing to the oil companies to cut price.

The fact that global oil prices are still standing high has exerted pressure on the retail prices of oil products. As a result of such pressure, operators in the transport industry have applied for fee increases in the coming year or the levy of "fuel surcharges" to offset the pressure caused by the rise in oil prices.

We are concerned that the consistently high oil prices will affect the people's livelihood seriously. Therefore, we have urged the Government to extend the effective period of the concessionary duty rate for one more year as a short-term relief measure. Nevertheless, the Government still needs to strengthen the regulation on oil companies and prevent them from introducing unreasonable and unnecessary increases when the oil prices go up. To regulate oil companies, the Government must create a level playing field. We very much hope that the Government can expeditiously liberalize the fuel market for vehicles and launch an investigation into the recent issue concerning the octane ratings of unleaded petrol (ULP) at 97 and 98. Why is ULP sold \$1 cheaper in Shenzhen whereas consumers in Hong Kong are left with no choice except for petrol at a more expensive price? This is an issue of grave concern to the public. The Secretary for Economic Services must not procrastinate this matter any longer.

With these remarks, I support the original motion.

**Mr Fred LI moved the following amendment: (Translation)**

"To add "devise a regulatory mechanism to prevent oil companies from reaping profits through the concessionary duty rate; at the same time, the Government should" after "31 December 2001, and to"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Fred LI to Mrs Miriam LAU's motion, be passed.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the Hong Kong economy has not yet recovered fully and the revenue of the Government in future is still not very steady. Nevertheless, it needs to continue to spend a lot on education and helping the poor, thus, it is not easy for the Government to attain a balanced budget soon. I understand that the Government wants to lift the concessionary duty rate for ULSD in order to increase revenue.

The problem is an abolition of the concession will certainly strike a blow at the freight forwarding industry. The freight forwarding industry and the import

and export sector are closely related because when the freight forwarding industry finds operation difficult, the continuous promotion of our economic recovery by the import and export sector will certainly be impeded. Therefore, the Government should avoid taking any policy and measure that will increase the costs of the freight forwarding industry. As the representative of the import and export sector, I hope that the Government will readily accept good advice and suitably extend the effective period of concessionary duty rate for ULSD in the light of the needs of the freight forwarding industry.

Apparently, it seems natural for the Government to revert the duty rate for ULSD to \$2 per litre after the end of the concessionary period and it is an arrangement that respects market operation. But if we consider the overall business costs, the termination of the concessionary period by the Government is actually adding fuel to fire — the difficult business environment of the freight forwarding industry.

The upward fluctuating oil prices aside, the water charges, electricity tariffs, tunnel tolls and postage that are poised to increase together with the possible increases in licence and registration fees stated by the Government to recover costs have made prospects bleak for the freight forwarding industry. This impending wave of increase may not necessarily affect the profits of large enterprises, but it may substantially erode the profit margins of the industry that comprises mainly small and medium enterprises and the self-employed. The effect is particularly evident given the prevalent economic slump and high real interest rate. In the past two years, the freight forwarding industry started to bestir itself from the economic recession with much difficulty. If the Government abolishes the concessionary duty rate for ULSD at this stage when the wave of increase is spreading, I am afraid the industry will have no way out and an unnecessary blow will again be stricken at the import and export sector that is steadily recovering, the business environment that has begun to show viability and the investment desire that has started to fire up.

It is worrying that the freight forwarding industry is gradually escalating their frustration as a result of difficult business to protest actions. Earlier on, 20 transportation groups initiated a procession of over 100 diesel vehicles in Central, which is an evident warning. The Government must conduct an in-depth study, try to improve the regulation on oil companies and introduce a

competition mechanism in order to persuade oil companies to set oil prices at a reasonable level. Otherwise, I am afraid more and more people in the freight forwarding industry will be forced to join the protests. If we allow the problem to deteriorate, it will only impact on our international image as the centre of the freight forwarding and import and export industries.

Madam President, I so submit.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, Mrs Miriam LAU has provided plenty of information in her speech just now to explain the impact of fuel expenses on members of the transportation industry, particularly in view of the many hardships faced by the industry as well as other trades and sectors in recent years. Therefore, a reduction in fuel duty is an important relief to the transport industry. In this connection, I fully support extending the effective period of the concessionary duty rate for ULSD.

I think what warrants discussion now is not the question of whether the effective period of the concessionary duty rate should be extended. Instead, we must ask: Who will benefit from this extension in the final analysis? Can the benefits generated from this duty concession be returned to consumers in full, or will this extension only enable the fuel companies to reap more profits for no reason at all?

Over the past few weeks, there have been lots of reports in the press alleging "rip-off" by the oil companies for they did not return to consumers the full benefits generated from the concessionary duty rate for ULSD. Even government officials have quite extraordinarily called on the oil companies to lower prices, hence we can see from this the severity of the problem. The Secretary for Economic Services called on the oil companies to reduce the price of the fuel by at least \$0.3 per litre, but the latter did not directly respond to the appeal of the Government. Instead, they only reacted by effecting a nominal reduction of \$0.1 in response to a fall in the import price. Some people, therefore, said that this is like a slap in the face of the Government. This again showed that the Government is a "toothless tiger", and the public is all the more worried that the oil companies can arbitrarily manipulate prices to such extent that even duty concessions granted by the Government would be eventually vaporized.

I believe that the general public would wish to see that apart from providing fuel duty concessions and extending the effective period of such concessions, the Government can at the same time take effective measures to ensure that the benefits so generated will be fully returned to consumers. Otherwise, I think it would only be a waste of revenue to the public coffers. Meanwhile, the problem we now face is that the oil companies are unwilling to disclose more information and data on their operating costs and yet, the Government has no statutory power to monitor their operation and ensure true competition in the fuel market. So, no one can actually guarantee that the duty concessions provided by the Government would not be ripped off in one way or another. What action the Government can take, may I ask?

As things now stand, I think the Government can no longer avoid the issue of making legislation to regulate oil prices. Mrs Miriam LAU opined that regulating oil prices by means of a profit control scheme would allow the oil companies to enjoy guaranteed profits, in which case they would make even more profits than they are making now. I wish to respond to her view. In suggesting making legislation on regulation, I certainly do not mean that we should do it in a way similar to the existing arrangements with the two power companies which can enjoy "guaranteed profits". What I mean is that through the formulation of legislation on fair competition, the Government will intervene only in the event of market monopolization or when operators colluding to set prices at agreed levels, with a view to safeguarding consumers' rights and interests. In fact, an attempt by various mobile telephone service suppliers collaborating to increase their fees early this year was thwarted by the Office of the Telecommunications Authority, and this has showed that fair competition legislation in the telecommunications industry is pivotal to consumer protection. The Government has time and again emphasized the need to introduce competition. Let us not discuss its feasibility for the time being. Even when there is competition as keen as that in the telecommunications market, it is still necessary to draw up fair competition legislation. Why has the Government all along been willing to tolerate the unreasonable practice of the oil companies to invariably increase fuel prices promptly but lower them tardily to the detriment of the transportation industry? Will the Government seriously consider making legislation to safeguard consumers' interests? Thank you, Madam President.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, the position of the Democratic Alliance for Betterment of Hong Kong (DAB) on the concessionary duty rate for ULSD is very clear. When the setting of duty rate for ULSD was discussed in this Council on 27 June this year, my Honourable colleague, Mr LAU Kong-wah, already pointed out that the effective period for the concessionary duty rate of \$1.11 per litre up to the end of this year was too short. We immediately urged the Government to move another motion before the end of this year to extend the effective period.

Today, I still have no idea whether or not the Government will extend the period. We are indeed a bit worried that officials from the Treasury might insist on saying that our economy has seen a robust growth based on some economic data that are completely detached from the people's livelihood and refuse to accept the fact that many industries in Hong Kong have not improved in the wake of the overall economic growth of the territory. In mid-August this year, a group of representatives from the transportation industry petitioned the Government to retain the duty rate for ULSD. The Secretary for the Treasury responded in a statement issued on the same day that "there is no more good justification for extending the concession for the Government expects to see a marked improvement in the economy by the end of 2000". Through this statement, the Secretary rejected the demand of the industry. At that time, the DAB found it very strange to see the Government indicating hurriedly that it would not change its position instead of listening more to views of the public. The DAB very much hopes that the debate today can allow the Government to solicit more views from this Council.

The "rip-off" by the oil companies has aroused indignation among the public. The DAB protested to the oil companies and demanded them to return the excess to the coffers and cut the diesel price immediately.

Apparently, the Government needs to do more than the oil companies. First, it needs to grasp a better understanding of the fuel industry. The Government's recent expression of its "dissatisfaction" only shows that it has been unable to do anything with respect to the low credibility of the data presented by the oil companies. It is obvious that the Government has failed to find out earlier that the import prices included some additional operating costs already. We have no idea either as to whether the Government has reached any so-called "gentlemen's agreements" with the oil companies to require them to fully return the outstanding amount of duty, after deducting the additional costs incurred as a result of the introduction of the new diesel, to the public, rather



than reaping profits from it.

Secondly, because the oil companies know very well that the Government does not have in-depth knowledge of the industry and is not keen on promoting market competition, so they have been able to "raise prices quickly and reduce prices slowly". For this reason, they are also reluctant to provide low octane petrol to give consumers a more suitable and cheaper choice. They have also declared time and again that they welcome new competitors for they realize that the existing market structure, in terms of fuel storage facilities and erection of more retailing petrol stations, poses hurdles to those who are interested in entering the market. For these reasons, even operators of a relatively small scale have found it difficult to take up a larger market share, not to mention overseas fuel supplies which will find it even harder to fight this battle that they are not confident of winning here in Hong Kong. Of course, the three biggest oil companies in terms of market share are pleased to maintain the status quo. Although they will sometimes try to create a competitive atmosphere by offering short-term concession or fascinating gifts, we have never seen them lowering their retail prices to strive for more business.

Madam President, the problem with the local fuel supply market originates entirely from the fact that the competition is not keen at all. Without competition among petrol filling stations, the public will naturally not be benefited. The Government must not sit with folded arms in face of this situation. It must carefully overcome each obstacle encountered in every segment of the fuel supply market and enhance competition by expanding the number of filling stations and, at the same time, facilitate the emergence of more independent operators in the market.

In our opinion, the oil companies should provide more information on their operation, such as information on import prices, operating costs, and so on, to raise the transparency of pricing so that the Government can enhance its regulation. At the same time, we suggest that additional petrol filling stations be set up in major car parks for the purpose of providing better service to drivers and promote competition in the industry. Furthermore, we suggest the Governments of the Hong Kong Special Administrative Region and Shenzhen to hold discussions on the standardization of the sulphur content of diesels across the boundary. In doing so, it can help upgrade the quality of air in both places, give consumers more choices and boost market competition. We believe only through the introduction of competition into the market can we ensure the stability and rationality of fuel prices, thereby safeguarding the interests of consumers.

Madam President, the DAB has repeatedly recommended the Government to set up an energy authority to regulate various energy businesses effectively. In doing so, the Government can ensure fair competition within the industry and safeguard the interests of consumers. Frankly speaking, the "shelling" of the oil companies by the Secretary for Economic Services should not be allowed to repeat. Otherwise, the Government will impress the public that it is trying to interfere in the market. Furthermore, the credibility of the Government will be seriously undermined if the oil companies do not make any response to the pleas made by government officials to lower fuel prices.

Insofar as today's motion is concerned, the DAB is of the opinion that the Government must try every means possible to prevent oil companies from using any excuses to reap profits by taking advantage of the duty concession. Most importantly, after all, the Government must solve the problem at root by tackling the lack of competition in the market.

With these remarks, Madam President, I support the original motion and the amendment.

**DR RAYMOND HO** (in Cantonese): Madam President, pollution of the environment, particularly air pollution, is very serious in Hong Kong. Apart from having a world-famous dense population, Hong Kong is also well known for its tremendous number of vehicles. While we have only 1 800 km of road, there are 500 000 different types of vehicles running on it. Vehicular emission is one of the important factors causing air pollution in Hong Kong. In order to improve air pollution, the Government introduced ultra low sulphur diesel (ULSD) in May this year. As ULSD contains not more than 0.005% by weight of sulphur, the use of ULSD by a diesel vehicle can reduce its particulate emissions by between 10% and 30% and nitrogen oxide emissions by about 5%. It can also reduce emission of smoke. To encourage the use of ULSD by car owners for the purpose of environmental protection, the Government proposed a concessionary duty rate of \$0.89 for ULSD by reducing the original duty rate of \$2 to \$1.11 in the middle of the year. Madam President, this should have been a very good policy from the angle of environmental protection. Unfortunately, the prices of fuel are still high, and neither the public nor the professional drivers have benefited from the duty concession. If we look into the causes, we will find that this is due to a lack of government monitoring on the oil companies. It

is really necessary for the Government to review the concessionary duty rate currently offered and devise a regulatory mechanism to prevent oil companies from reaping profits through it. In the short term, extending the effective period of the concessionary duty rate for ULSD is an urgent task that can brook no delay. The reasons are as follows:

Firstly, in my opinion, the contribution of ULSD to promoting environmental protection should not be neglected. This tallies with the original purpose of the duty concession. According to the reports of the Legislative Council Panels on Environmental Affairs and Transport on 7 November, the emissions of taxis, light vans and minibuses have reduced by 32%, 16% and 49% respectively during the past three months after the introduction of ULSD compared to the same period of last year. I believe the air in Hong Kong can be much cleaner if the use of ULSD is more popular.

Secondly, although Hong Kong has been promoting an awareness of environmental protection for many years, little success has been achieved and the public's awareness of environmental protection is still weak. As ULSD is a cleaner fuel, why does the Government not strengthen the drivers' awareness of environmental protection by extending the effective period of the concessionary duty rate for ULSD so that they can really feel its advantages? Madam President, there is one point that should be noted. While ULSD has been introduced from overseas for only six months, a variety of diesel oils are already available in the market. I believe people still have an inadequate knowledge of ULSD. If the Government abolishes the concession before the professional drivers and the general public have gained more knowledge of this kind of diesel oil and experienced its advantages, they will switch to cheaper fuels or other diesel oils. In that case, the \$120 million of revenue foregone by the Government during the concessionary period will just go down the drain and the Government will incur double losses.

Thirdly, fuel is one of the major costs borne by professional drivers. According to Mr WONG Chi-kau, an office bearer of the Hong Kong Kowloon and New Territories Grab-mounted Lorries Association Limited, expenditure on fuels accounts for one third of their revenue. Although some oil companies have lowered the prices of diesel, the adjustment is so marginal that they are still high. If the Government decides to abolish the concessionary duty rate, some professional drivers may try to use illicit diesel oil. Madam President, it is worth noting that, according to some reports, certain illegal filling stations are

set up in shops on the ground floor of some residential buildings in urban areas, thus posing a threat to residents. The purchase of illicit fuels will not only disrupt the operation of the fuel market, it will also indirectly endanger human life. The Government should not ignore this.

As regards the Government's monitoring on oil companies, I think it is grossly inadequate and improvement is required so as to safeguard people's interests. At present, there is neither profit control nor entry barrier in our fuel market. Furthermore, there is a lack of transparency in the costs of oil companies. As the fuel market is now being monopolized by a few oil companies, they can do whatever they like. For instance, when the prices of oil decrease, they will not lower the retail prices even after stalling for a long time. On the contrary, when the import prices of diesel increase, they will raise the retail prices instantly. This has been a subject of severe criticisms by the public. As the Government adopts a free-market strategy for the fuel market, which means that no intervention is imposed, people have no alternative other than accepting the decision of oil companies and reluctantly pay a higher price.

In my opinion, although Hong Kong is a free economy, the Government must formulate relevant strategies and make timely responses when public interest is seriously injured. Why did the Government come to know that oil companies had reaped profits through the concessionary duty rate of \$0.89 provided for inducing people to use ULSD only a few weeks ago? Why did the authorities fail to make immediate response when they had realized it? Why does the Government remain indifferent to the situation of the fuel market while there has already been a regulatory system for the financial market? I am really puzzled, and find the situation regrettable.

Madam President, in view of the recent incident that oil companies have reaped profits through the concessionary duty rate, I urge the authorities to set up a relevant committee for devising a regulatory mechanism that will prevent them from reaping profits through the concessionary duty rate.

Madam President, I so submit.

**DR TANG SIU-TONG** (in Cantonese): Madam President, the recent wrestling between the Government and the oil companies in respect of the prices of ULSD has aroused great repercussions in the community. The oil companies are

suspected of "lining their own pockets", and people — in particular the transportation industry — are extremely furious. In fact, the incessant rising fuel prices over the past two years have added to the already heavy burden of the people, especially the transportation industry. However, under the existing Dutiable Goods Ordinance, the authorities may increase the diesel duty from \$1.11 per litre now to \$2 per litre with effect from 1 January 2001. The Hong Kong Progressive Alliance (HKPA) is of the view that in order to support environmental protection, ameliorate air pollution, assist our recovering economy and ease the plight of the transportation industry, the Government should extend the effective period of the concessionary duty rate for ULSD. Although this may reduce the revenue of the Treasury, the resultant loss of public revenue can be offset by the environmental and economic gains.

First, I think we will agree that over the past few years, the air quality of Hong Kong has been deteriorating steadily. To be fair, the Government of the Special Administrative Region has already done quite a lot to improve our air quality, one example being the introduction of taxis running on liquefied petroleum gas. In his policy address this year, the Chief Executive points out that the offer of a concessionary duty rate for ULSD is meant to encourage owners of different types of diesels to switch to fuels that are more environmentally friendly. In fact, since the Government first introduced ULSD in May this year, satisfactory results in terms of environmental protection have been achieved. Over the past three months, the number of taxis, light goods vehicles and minibuses caught emitting excessive black smoke has dropped by as much as 16% to 50% compared with the figures of last year. The Government expects that in addition to reducing vehicle emissions, ULSD may also reduce the amounts of suspended particulates emitted by diesel vehicles by 10% to 30% and nitrogen oxide by 5%. This shows that the decision of the Government to introduce this type of environmentally friendly fuel is indeed a wise one.

However, it should also be noted that most of the diesel vehicles now are commercial vehicles, and fuel expenses account for about 20% to 50% of their operating costs. The retail prices of ULSD before tax is higher than that of ordinary diesel, so if the Government does not provide adequate financial incentive for the owners of these vehicles, their operating costs will immediately go up by about 15%. Given the current market situation, and because of pure commercial considerations, it will be very difficult to convince these vehicle owners that they should continue to use ULSD. In this way, all the efforts made by the Government to improve air quality through the introduction of

environmentally friendly fuels will be wasted eventually. Moreover, while improvements to our air quality will benefit all in Hong Kong, there is always a price to pay for that. If professional drivers or vehicle owners alone are made to pay the price, it will not be fair. Therefore, I urge the Government to uphold public interest and the principle of fairness and continue to offer a concessionary duty rate for ULSD, so as to give "fuel support" to drivers who support the environmental protection cause.

Lastly, the HKPA is also of the view that while it continues to offer the duty concession, the Government must at the same time step up its regulation of the oil companies, so as to ensure that the concession will benefit the general public, not the oil companies. To this end, in addition to requesting the oil companies to honestly reflect the duty concession in their oil prices, the Government must also learn from its experience — while offering the concession, it must reach binding agreements with the oil companies, so as to avoid any repetition of its mistakes. "Verbal coercion" or public opinions will not be effective enough in forcing the oil companies to comply. In a way, all is just like asking a kite for a feather. Besides, such attempts may well be misinterpreted as intervention, and so, we should not do this frequently. In the long run, the Government should actively respond to the recommendations of the Consumer Council and introduce more competition into the fuel market to eliminate the cartel formed by the oil companies. It is only in this way that people can buy environmentally friendly fuels at the real market prices.

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

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I have listened to the views of Honourable colleagues in today's debate. In fact, we share more or less the same views as all of us are aiming at areas nothing more than the following: firstly, the Government is duty-bound to protect of our environment, thus it should take necessary actions; secondly, the Government should not turn a blind eye to the oil companies "pocketing the price difference" as a result of the duty concession; and thirdly, it is ridiculous to shirk the responsibilities of all environmental problems and shift the blame onto professional drivers. I believe we all share the same opinion in respect of these three areas.

Madam President, we should look into the matter from the three perspectives aforementioned. Today, air quality concerns the overall interest of

society. We have been constantly discussing issues about air quality and environmental protection. However, what the Government can do is very limited, that is why we have been persistently urging the Government to make greater efforts and to put in time and energy and to inject more resources into improving the air quality of Hong Kong. Eventually, the Government has introduced a concessionary duty rate for ultra low sulphur diesel (ULSD), so that professional drivers may enjoy certain fuel duty concessions. Much to our disappointment, the money did not go into the pockets of the people as anticipated. On the contrary, it ended up in the pockets of certain consortia and companies. Is this acceptable to the community at large? I feel that the remarks made by Mr LAU Chin-shek a while ago were correct. We should no longer turn a blind eye to the problem now. In order to deal with the problem, we should draw up legislation. However, it does not mean that we should simply introduce regulatory measures by way of legislation. The most important thing is that we should facilitate more fair competition, so as to give ourselves more choices. Therefore, Madam President, I agree with the opinions of Mr LAU Chin-shek.

The issue under discussion today is the ULSD duty. However, I would like to bring up a more important issue. Why does the Government not help the drivers in the sourcing of some more environmental friendly fuels, so that they can make a choice by themselves? The Government has not been doing much work in this area all along, as it only leaves the matter to some companies to introduce new fuels on their own initiatives, only after that drivers can have a chance to make a choice. Conversely, governments of other countries are ceaselessly looking for some better environmental friendly fuels for their people. Insofar as this issue is concerned, and in order to show that we are not just making empty talks, can the Government not reconsider the matter and take pragmatic actions when we are discussing an environmental protection issue today?

Madam President, whenever the Government talked about the issue of environmental protection in the past, I felt that it was simply shirking its responsibilities. For example, the smoke emission problem is undoubtedly a problem of enormous import as it is seriously affecting the environment. However, the only measure taken by the Government is the imposition of penalties. Professional drivers have no objection to the measure. Nevertheless, they have only one request, that is, the Government should provide the matching facilities. In fact, they have been reiterating their

willingness to co-operate with the Government in order to ameliorate the environment pollution problem. Yet, to date, the Government still fails to respond to this request and help them to tackle the smoke emission problem. As a result, I feel that the Government is saying some fine words on the one hand, and it is unable to help at all on the other, other than shirking the responsibilities, denying its responsibility and putting the blame on drivers. I feel that it is utterly unfair.

Some colleagues have mentioned earlier in the debate that if we do not address the "pocketing of price difference" issue squarely, the illicit oil problem will worsen. We have no intention to encourage the public to use illicit oil, but considering the hardship of their livelihood, people are compelled to use illicit oil against their will as they have no better alternatives. Of course, we urge all professional drivers not to use illicit oil because it is indeed not in public interest to do so, especially when most illicit oil depots are situated in close proximity to residential buildings. Just now some colleagues have also mentioned that if the use of illicit oil is allowed to continue, the hazard to the community at large will become more acute. Nonetheless, we are so disappointed that the Government only cries out "fighting against it", but has never thought of the root of the problem. If we do not tackle the problem at root, we will not help rectify the situation in the end.

Now I would like to talk about the "pocketing of price difference" issue. Madam President, when the Government tabled the resolution under the Dutiable Commodities Ordinance (Cap. 109) to this Council in June this year, it clearly stated that oil companies would transfer onto consumers the full amount of duty concession. A lot of colleagues have mentioned the outcome, so I will not repeat that. Nevertheless, I just want to ask the Government how it can make a plausible defense, as it told us on that day that consumers would be benefited, when the outcome has been so different. I feel that the most ridiculous point about this is that when the Government made the decision, it had not thought of any system or measure to ensure that the duty concession would really go to consumers.

Many colleagues have expressed the hope that the Government can make improvement in the future after learning from this lesson. Certainly, all of us have the same aspiration. However, I am afraid that the lesson it has learnt this time is different from what I have just said, that is, to give the public more choices in the market, and to make it more difficult for oil companies to line their pockets with the duty concession.



Madam President, I would like to stress that environmental protection is a matter of public interest, thus the Government should not shirk its responsibilities on the issue of improving of air quality. I hope the Government will consider that cautiously.

**MR DAVID CHU** (in Cantonese): Madam President, the air pollution problem in Hong Kong is caused mainly by diesel-driven commercial vehicles. Since the Government introduced ultra low sulphur diesel (ULSD) at a concessionary duty rate of \$1.11 per litre in July this year, ULSD has successfully replaced ordinary diesel almost completely and there have been signs of improvement in the problem of vehicular emission. In the last three months, the number of commercial vehicles being prosecuted for excessive emission of black smoke dropped significantly compared to the same period in last year. This has further proved that incentives are needed to facilitate environmental protection and duty concession is an effective way to induce consumers to support environmental protection.

While the duty concession for ULSD will lead to a reduction in revenue, this measure, being a major initiative to improve air quality, will bring immeasurable economic benefits to the living and working environments of Hong Kong, and they include reducing the medical expenses and productivity losses caused by air pollution. In view of this, and coupled with significant improvement in the Government's financial position compared to the last two years, why does the Government still have to be so calculating over a possible reduction of \$600 million in revenue should the duty concession continue? If this duty concession ceased, the public might have the misconception that the determination of the Government to improve air quality is but transient.

The Government must indeed adjust its perception of wealth. Apart from the quantifiable revenue of the Treasury, fresh air and a quality living environment are also the property of taxpayers. I have lived abroad for 20 years and I am well aware that people, especially professionals, in foreign countries attach great importance to the living environment. The lack of such intangible asset as fresh air will certainly put Hong Kong in a disadvantageous position in attracting overseas talents, thus undermining the ability of Hong Kong to create wealth continuously. In fact, without this duty concession, people in the freight forwarding industry who have long been facing a difficult business environment might be forced to use illegal diesel which is detrimental to the

environment. This would indirectly affect the business of oil companies and the Government would still suffer losses in revenue in the end.

Madam President, the Hong Kong Progressive Alliance (HKPA) hopes that the Government will appropriately extend the effective period of the concessionary duty rate for ULSD. Certainly, we also hope that this concession can be fully transferred onto consumers, rather than ending in the pockets of the oil companies that seize the opportunity for a rip-off. This is not the first time oil companies deliberately or unintentionally conceal details of their operation and keep consumers in the dark. Early this year, I already pointed out that the oil companies did not allow consumers choices of petrol with different levels of octane, thus making consumers to pay more for their fuel consumption unnecessarily. This shows that the oil companies do not have regard for the rights and interests of consumers.

The HKPA considers that being commercial enterprises, the oil companies certainly have the right to determine on their own the level of oil prices in the light of the needs of the market, and that the Government cannot hastily intervene in the process unless the market has failed to work. But on the other hand, the oil business is also a major public utility and it is, therefore, necessary to enhance the transparency of the operation of oil companies by, among other things, requiring them to provide consumers, the Legislative Council and the Government with information that is clear and easy to understand on a regular basis, and allowing various sectors of the community to effectively monitor the operation of oil companies.

With these remarks, Madam President, I support the original motion and the amendment.

**MR MICHAEL MAK** (in Cantonese): Madam President, today, I hope Members will consider this motion on extending the effective period of concessionary duty rate for ULSD from the perspective of environmental protection and people's health. As we all know, the air in Hong Kong has been seriously polluted in recent years. A newspaper report the other day referred to a recent survey conducted by the University of Hong Kong and the survey revealed that whenever the suspended particulate in each cubic metre of air increases by 10 mg, the number of hospitalization cases of asthma increases by 3%. This conclusion is similar to that of similar surveys conducted by The

Chinese University of Hong Kong a year ago and it reflects that there has been little improvement in air quality in the past year.

The statistics of the Hospital Authority show that the number of hospitalization cases for chronic obstructive pulmonary disease such as chronic bronchitis and emphysema has rapidly increased from 16 000 before 1996 to 20 000 last year, at a rate of 25% and air pollution is also the major cause of respiratory diseases. If the Government can encourage professional drivers to use this kind of diesel that is more environmental friendly, people can avoid inhaling toxic substances which may endanger their health.

As diesel is refined from petroleum containing sulphur, when the sulphur dioxide emitted by a car dissolves in rain or water, it becomes acid rain which affects our respiratory organs and causes inflammation of the micro-cells in our thorax.

There are now 300 000 employees in the transportation industry, if the Government decides to abolish this concession with effect from the beginning of next year, oil companies may transfer the duty for diesel onto the oil price, then, the sale price of a litre of ULSD will at least increase by \$0.89. Thus, the attraction of environmental friendly diesel will disappear and there may be even more contraband diesel in the market.

Concerning the suspected "rip-off" by oil companies, the original intent of the Government in introducing the environmental friendly diesel was to reduce the costs of the transportation industry. In mid-1998 and July this year, the Government respectively lowered the duty for diesel and ULSD, but the oil companies were suspected of "pocketing" part of the concessionary duty, and it was said that they "ripped" dozens of cents per litre. After this incident was brought to light by some colleagues in this Council, public opinion criticized the action and Ms Sandra LEE, Secretary for Economic Services, openly pressurized oil companies, claiming that there was room for price reduction and oil prices should be immediately reduced. Therefore, some oil companies were forced to reduce the oil price by \$0.1.

This incident precisely exposes a loophole, and that is, the Government has not fully grasped the information on the cost calculation of oil companies. In fact, in the policy address last year, the Government strongly promoted environmental protection and proposed some relevant initiatives. It also

estimated that the particulate and nitrogen oxide emissions by vehicles would respectively be reduced to 80% and 30% five years later. Mrs Lily YAM, Secretary for the Environment and Food, also said at a meeting of the Council in May this year that the Government had established an inter-departmental task group to look into measures for reducing vehicle exhaust. The Government has evidently made great efforts in environmental protection and air quality improvement.

Yet, it is a pity that the Government has failed to put similarly strong efforts into monitoring, resulting in the concession originally intended for the general public having turned into an opportunity open to capitalization by oil companies to make exorbitant profits. Therefore, I hereby urge the Government to set up an inter-departmental task group as soon as possible to study an effective monitoring mechanism and require oil traders to increase the transparency of price determination.

Although the Government claims that the Treasury has lost \$1.8 billion in recurrent revenue as a result of the concessionary duty rate for diesel in the past two and a half years and it will further lose \$0.6 billion if the effective period of concessionary duty rate is extended to the end of next year, \$0.6 billion only accounts for 0.3% of the total expenditure of the Government. I hope that the Government will not sacrifice the health and welfare of the public for \$0.6 billion.

With these remarks, Madam President, I support the original motion and the amendment.

**DR LO WING-LOK** (in Cantonese): Madam President, I would like to approach the subject from the health perspective. At the same time, I hope the Government can incorporate health considerations in every policy area. There is a close relationship between lung cancer and sulphur dioxide in the air, and sulphur dioxide in the air comes mainly from sulphur in diesel. The World Health Organization has classified exhaust gases from diesel engines as carcinogens.

Before Hong Kong can achieve a drastic reduction in the number of diesel vehicles on the roads, I think the Government should adopt measures to ensure such vehicles use high quality diesel. Duty concessions are certainly one of the feasible ways.

Madam President, environmental protection measures may involve enormous resources, from which our people, not commercial organizations including oil companies, should be the biggest beneficiaries. Thus, the Government must ensure the benefits from duty concession on ULSD must not be devoured by certain commercial organizations.

With these remarks, Madam President, I support the original motion and the amendment.

**PROF NG CHING-FAI** (in Cantonese): Madam President, in an attempt to improve our air quality and reduce the amount of suspended particulates in the air as quickly as possible, the Government took the initiative of introducing ULSD on a large scale after negotiations with the oil companies. It also provided a duty concession of \$0.89 per litre as a compensation for the price difference between ULSD and ordinary diesel, so as to achieve the aim of encouraging people to use this type of diesel. This should have been something very good. However, as revealed by recent statistics, and as many colleagues have also mentioned, the price per litre of ULSD is higher than that of ordinary diesel by just about \$0.44 to \$0.46. And, despite this, the oil companies have not adjusted their prices accordingly, thus making it entirely impossible for people to benefit from the concession. This has obviously defeated the original intent of the concession. Besides, the oil companies' practice of computing part of the duty concession as their operating costs is also unacceptable.

Although a number of oil companies have recently lowered the prices of ULSD a little bit under public pressure and as a result of the Government's stern position, can people thus really benefit from the duty concession? I think Honourable Members all have an answer in their minds.

Many Honourable Members have spoken for an extension of the effective period of the duty concession. I do not object to any appropriate adjustment of the diesel duty to take account of diesel vehicle drivers' business conditions. However, the premise remains that diesel vehicle drivers, not any oil companies trying to line their own pockets, must be the genuine beneficiaries. Therefore when considering any extension of the concession period, or when finalizing any concession period after a review, we must at the same time work out a monitoring mechanism to prevent the oil companies from setting prices

secretively to reap excessive profits. This is because if they are allowed to do so, people will never benefit from any duty concession.

What frustrates me most is that, as pointed out by many colleagues, the Government has so far failed to grasp the information required for monitoring the oil companies. That being the case, why do we still have to consider extending the concession period? Instead of talking about monitoring after introducing an extension, why do we not consider other alternatives, such as the tax rebate for tourists in other countries, so that diesel vehicle drivers can claim tax rebate from the Government by presenting their refilling receipts? If this is implemented, all proceeds from the duty concession will go into the pocket of drivers, and only by this can we really reduce the possibility of oil companies using the duty concession to subsidize their operating costs. This can reduce the incentive for drivers to use illicit fuels and also protect government revenue.

Madam President, attempts by the oil companies to "line their own pockets" have once again highlighted the problem that it is very difficult for the Government to monitor the pricing of oil companies. However, fuel prices are an important factor contributing to social stability and economic development. So, the Government should quickly put in place a pricing monitoring mechanism on the one hand, and, more importantly, seek to introduce more competitors on the other. We are of the view that whether the oil companies are going to reduce their prices or not, the Government should create the conditions for introducing new operators as an ultimate solution. Only this can ensure fair competition and provide against the emergence of any cartel. Only this can make prices reasonable and serve as a long-term solution.

I so submit.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, I recall that two years ago, the Government proposed to reduce the duty on ordinary motor diesel from \$2.8 per litre to \$2 per litre, to show solicitude with the condition of the transportation industry which was suffering from the financial turmoil. At that time, the reduction won the unanimous applause by the industry. The Government then provided a duty concession of \$0.89 per litre for ultra low sulphur diesel (ULSD) to make its retail price competitive with that of ordinary motor diesel. This is meant to encourage diesel vehicles to switch to ULSD as

soon as possible and reduce pollution caused by diesel to the environment. It was supported by the transportation industry.

The diesel duty concession will be abolished with effect from 1 January next year, and by that time the duty rate for ordinary motor diesel will be restored to the normal level of \$2.8 per litre and \$2 for ULSD. The transportation industry is therefore worried that their income will be affected by the increased diesel price. The Financial Secretary and Secretary for the Treasury have repeatedly stated that even if the duty rate for ULSD is restored to \$2 per litre, the duty rate in Hong Kong is still lower than that of other countries. Therefore, they have no intention to extend the concessionary period.

In fact, the transportation industry and professional drivers are still experiencing great difficulties in their operations currently. Once the duty rate for ULSD is increased from \$1.11 to \$2 per litre next year, it is anticipated that the retail price of diesel will go up by about 15%. This will really add to the burden of the industry and professional drivers and will also make their operations even more difficult.

On the other hand, the Government has cut the duty rate for ULSD by \$0.89 per litre with the intention of encouraging drivers to switch to a more environmentally friendly diesel. However, according to statistics, the import price of ULSD has dropped since July, and there is only a difference of \$0.44 per litre between the import prices of ULSD and ordinary motor diesel, which is far lower than the duty concession of \$0.89 per litre. This made the Secretary for Economic Services very angry and she queried whether the oil companies have pocketed the duty concession of \$0.45 per litre. According to statistics provided by the Economic Services Bureau, a total of 130-odd million litres of duty-paid ULSD have been imported by oil companies during the period from July to October. If the Government continues to offer this duty concession to oil companies, then these companies will "pocket" about \$60 million. The Treasury has not only lost this amount in revenue for no good reason, but consumers are also forced to use expensive diesel.

Under such circumstances, the Government should no longer act like a "toothless tiger" to allow oil companies to profit from its duty concession. It should no longer allow oil companies to withhold information on oil prices, operation costs and the rate of return under the excuse of "commercial secrets". The transportation industry generally thinks that the Government must urge the

oil companies to enhance its transparency, so as to convince the public that the oil prices are reasonable, and that the retail prices of diesel are proximate to costs. However, to date, the oil companies still have no intention to enhance its transparency and disclose its costs structure. Therefore, I think that the Government should strengthen its regulation on oil companies, so as to prevent them from increasing oil prices and bullying the consumers.

Furthermore, competition should be introduced into the fuel market as soon as possible so that oil prices would be set at a reasonable level. Ever since the oil companies' "pocketing" activities have been brought to light, they have all cut down their prices by \$0.1. This shows that an oligarchy has long been formed among oil companies and that their oil prices are fixed by mutual agreement. The Government should learn from this lesson and turn its passive position into an active one by fully liberalizing the oil market, in order to facilitate the entry of more competitors and reduce oil prices, and to enhance the quality of the oil companies' services.

To ameliorate the air pollution problem and improve public health, the Government has introduced a series of measures, including offering duty concessions for ULSD, and helping the transportation industry to solve the problem of smoky vehicles. It also offers financial assistance for car owners to install particulate traps, and encourages the use of liquefied petroleum gas (LPG) taxis, so as to reduce black smoke emission and improve our air quality. However, before an adequate number of LPG filling stations are built and other matching facilities are in place, and before adequate facilities are provided to help the industry to reduce black smoke emission, oil prices are bound to go up once the duty concession for ULSD is abolished on 1 January next year. Moreover, the operating costs of the industry will certainly go up and the livelihood of drivers will be seriously affected. The transportation industry therefore totally supports an extension of the concessionary period.

Madam President, I so submit.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

(No Member responded)



**PRESIDENT** (in Cantonese): Mrs Miriam LAU, you may now speak on Mr Fred LI's amendment. You have up to five minutes to speak.

**MRS MIRIAM LAU** (in Cantonese): Madam President, some people in the community have recently expressed the opinion that we must first find out where the money of the taxpayers has gone, or who have pocketed the money, before we decide whether or not to continue to offer any concessionary duty rate for ULSD. I think people holding this opinion are simply trying to "trim the toes to fit the shoes".

It is wishful thinking for anyone to think that once the Government withdraws the concessionary rate, the oil companies will never again be able to "line their own pockets".

If the oil companies are really bent on "lining their own pockets", then even if the Government withdraws the duty concession and restore the ULSD duty from \$1.11 per litre to \$2, it will still be impossible to prevent the oil companies from "lining their own pockets". The oil companies have made it very clear that if the Government withdraws the concessionary rate, they will increase their fuel prices immediately. Even if the duty concession of \$0.89 per litre is added to the pump price, the oil companies can still put forward many beautiful excuses, such as rising import prices, to justify their action of increasing the price of ULSD. In other words, what we will see will change from burglary to outright looting, with consumers being forced to pay unreasonable prices. The transportation industry will suffer even more, and when this happens, I am sure that the Government cannot become a winner, as the industry will certainly lash out at it for adding to their burden by withdrawing the duty concession. Moreover, the transportation industry will also be a loser, because they will have to pay exorbitant diesel prices. Therefore, the only winner will still be the oil companies.

Actually, we should not "trim the toes to fit the shoes". If we wish to retain the duty concession while ensuring that no one can line his own pocket in the process, we must then direct our efforts at the crux of the problem. By this, I mean we must put in place an effective mechanism to monitor the oil companies, to increase their transparency, to prevent them from profiteering and to ensure that they cannot overcharge consumers by setting unreasonable prices. I think the recent row over the oil companies' attempts to line their own pockets has

actually been caused by the oversight of the Government at the beginning, for it simply believed all the information provided by the oil companies. At that time, the oil companies said that the import price of ULSD was higher than that of ordinary diesel by \$0.8 per litre, and the Government believed them. The oil companies also said that the duty concession of \$0.89 per litre would be reflected in the pump price to benefit consumers, and, again, the Government believed them. However, the Government did not try to verify the information provided by the oil companies, and it never tried to check whether they had honoured their promise either. This gave the oil companies an opportunity to line their own pockets. When formulating any mechanism for monitoring the oil companies in the future, the Government must learn a lesson from its recent experience. If the Government cannot set up a satisfactory monitoring mechanism, I would agree with Prof NG Ching-fai that we can consider the idea of tax rebate. This is also a feasible alternative. However, we must not say that since there is a need for a monitoring mechanism, we should not extend the effective period of the duty concession. If we do so, the Government and the transportation industry will become the losers, and the oil companies will be the only winner. I hope that the Government can note this advice.

With these remarks, Madam President, I support the amendment of Mr Fred LI.

**SECRETARY FOR THE TREASURY** (in Cantonese): Madam President, first of all, I would like to thank Honourable Members for their views on the duty rate and price of ultra low sulphur diesel (ULSD). We will carefully consider their views and integrate them with the information and views we collected from the transportation industry for reference when we make a decision in future. Like Honourable Members, the Government is concerned about the diesel price and we have kept the relevant development in view. The other day, the relevant government department met the representatives of the transportation industry. At this meeting, we listened carefully to the request of the industry for an extension of the effective period of the existing duty rate for ULSD. The Government made a clear undertaking to the industry at the meeting that we would consider this proposal and other relevant factors and we would make a decision in December.

A number of Members have stressed in their speeches that the fuel prices are an important element of the business costs of the transportation industry that

is an important segment of our economy. The Government totally agrees with them and precisely for this reason, it had substantially lowered the duty rate for motor diesel in the past two and a half years so as to relieve the difficulty encountered by the industry under the current economic circumstances. Since June 1998, we have lowered the duty rate for motor diesel from the original \$2.89 per litre to \$2 per litre, at a rate of 30%. This concessionary duty rate will be maintained until the end of this year as planned. It is estimated that the Government will lose around \$1.53 billion in revenue over more than two years when the concessionary duty rate is effective.

Moreover, in order to assist the transport sector in switching to ULSD, since July this year, we have further provided a concessionary duty rate for ULSD on top of the reduced motor diesel duty rate. We have set the duty rate for ULSD at \$1.11 per litre, so that the duty rate for ULSD is \$0.89 less than that for ordinary diesel. This is a special measure the purpose of which is to offset the additional costs borne by oil companies for the introduction of ULSD, and to make the pump price of ULSD competitive *vis-a-vis* ordinary diesel, thus encouraging the transportation industry to switch to ULSD soon. In accordance with the existing legislation, this special measure will be maintained until the end of next year, that is, 2001. During this period, the duty rate of ULSD will be maintained at \$0.89 less than that of ordinary diesel. If the duty rate for ordinary diesel is reverted to the original level of \$2.89 per litre as planned on 1 January 2001, the duty rate for ULSD will automatically be adjusted to \$2 per litre. It is estimated that the Government will lose an additional \$0.9 billion in revenue during this period of concessionary duty rate that lasts for more than one and a half years. And to encourage the owners of diesel taxis to switch to liquefied petroleum gas (LPG) taxis, we have exempted the duty on automobile LPG.

Although the existing concessionary duty rate of \$1.11 per litre for ULSD is not the lowest in the world in terms of amount or the percentage of the amount of duty in the pump price, it is definitely far lower than that in other countries, including Britain, Belgium, Japan, France, Holland and Germany that of a similar economic development to that of Hong Kong. The duty rate in these countries accounts for 40% to 70% of the pump price while our present duty rate accounts for less than 18% of the pump price. Even if the duty rate for ULSD is adjusted to \$2 per litre as scheduled on 1 January 2001, our duty rate is still lower than that in these countries.

It is projected that the series of concessionary diesel duty measures just mentioned will lead to a loss of around \$2.4 billion in recurrent public revenue. If the Government accepts the proposal of today's motion and extends the effective period of the existing duty rate for ULSD for one year, it is estimated that the Government will lose an additional \$0.6 billion in recurrent revenue. Diesel duty is an important and stable source of recurrent public revenue and we must carefully consider every proposal that will cause a reduction in public revenue, especially a reduction in recurrent revenue. Therefore, while we have full understanding of and sympathy for the business of the transportation industry, we cannot but carefully consider the effect of extending the effective period of concessionary duty rate for ULSD on the overall revenue of the Government.

As we promised the industry the other day, we would consider this proposal prudently and make a decision within next month. In the course of making the decision, we will consider all the relevant factors, including the change in the world crude oil prices and the local diesel pump price, the business of the industry and the overall financial situation of the Government.

Mrs LAU's motion also urges the Government to expeditiously conduct a review before deciding an appropriate duty level for ULSD in 2002. When the Government submitted to the Legislative Council the proposal on introducing a concessionary duty rate for ULSD in June this year, it explicitly promised to decide, on the basis of the import price of ULSD, whether to maintain or revise the concessionary duty rate for ULSD in 2001. Our promise remains unchanged so far and we will pay close attention to changes in the import price of ULSD before deciding an appropriate duty level for ULSD in 2002.

A Member has asked about the Government's commitment in respect of environmental protection. The various duty concessions mentioned by me just now precisely illustrate the Government's commitment in this respect. Actually, apart from these taxation measures, we will adopt other measures and we have already implemented some other measures. For example, earlier on, the Finance Committee approved of a project with a total value of more than \$0.7 billion for assisting 18 000 diesel taxis in Hong Kong in switching to LPG taxis as soon as possible. The Government has set an objective to provide sufficient LPG filling stations by the end of 2001 to encourage the switching of all 18 000 diesel taxis to LPG taxis. Moreover, it also launched a pilot scheme for electric and LPG minibuses in June this year and it is studying the feasibility of gradually

replacing diesel minibuses. Furthermore, the Environmental Protection Department will implement a pilot scheme on the use of bio-diesel in vehicles in Hong Kong. The scheme will initially be implemented for six months in order to test the emission level and roadworthiness of vehicles using this kind of fuel. We will also pay close attention to the development of other advanced and less polluting technologies such as natural gas vehicles, hybrid vehicles and fuel cell technologies. We will implement the relevant pilot scheme when these vehicles using alternative fuels can be used in Hong Kong.

The amendment proposed by Mr Fred LI suggests that the Government should devise a mechanism to prevent oil companies from reaping profits through the concessionary duty. Several Members have also expressed extensive views and made suggestions on the matter. The Government will carefully study these views and suggestions. Before the implementation of the concessionary duty rate in June this year for the purpose of introducing ULSD into Hong Kong, the Government has actually obtained the consent of oil companies to fully transfer the concessionary duty rate of \$0.89 per litre onto the customers. To allow oil companies to fulfil this promise more effectively, the Government is considering different proposals and negotiating with oil companies to devise an appropriate and feasible mechanism, so that oil companies can requite to consumers the concessionary duty rate for ULSD according to their varying operational situations.

Concerning the introduction of competition, the Government set up the Fair Competition Subcommittee under the Energy Advisory Committee in February this year for focused discussions on issues related to competition in the fuel market. In the light of the recommendations made by this Subcommittee, the Government has adopted a series of measures to promote competition in the fuel market, facilitate the market entry of new operators and increase the transparency of the market. These measures include relaxing the tender requirements for sites of petrol filling stations and inviting tenders for petrol filling stations after the expiry of tenancy of existing ones, stepping up efforts to look for sites for the erection of petrol filling stations and flexibly handling applications for lease modifications for the siting of petrol filling stations as far as possible without affecting public safety and planning standards. The Government will continue to join other relevant parties in studying other measures that can increase the competition and transparency of the fuel market.

Lastly, I would like to reiterate that the Government has been keeping an interest in the effect of the duty rate for diesel on the transportation industry. Precisely for this reason and pinpointing at the difficult business environment of the industry under the present economic circumstances, we have implemented various concessionary measures. But when we determine the duty rate for diesel in the long run, we must take into account the overall financial situation of the Government and the need to maintain an appropriate balance between public revenue from diesel duty and other taxes in order to safeguard the overall interest of the community.

Madam President, we have promised that we will prudently consider the existing proposal to extend the effective period of concessionary duty rate for ULSD and we will make a decision within next month. Honourable Members and people from various sectors are welcome to continue to present to us their views on this issue to facilitate the making of a comprehensive decision by us.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Fred LI to Mrs Miriam LAU's motion, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the amendment passed.

**PRESIDENT** (in Cantonese): Mrs Miriam LAU, you may now reply but you only have nine seconds. (*Laughter*)

**MRS MIRIAM LAU** (in Cantonese): Madam President, supporting this motion is tantamount to supporting environmental protection, which will subsequently benefit the transportation industry and members of the public. I therefore appeal to Honourable Members to vote in support of the motion. Thank you.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mrs Miriam LAU, as amended by Mr Fred LI, be passed.

Will those in favour please raise their hands?

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 22 November 2000.

*Adjourned accordingly at two minutes to Eight o'clock.*

**WRITTEN ANSWER****Translation of written answer by the Secretary for Economic Services to Mr LAU Kong-wah's supplementary question to Question 6**

After consulting the Civil Aviation Department, I hereby provide the following information:

*Incident No. 1*

On 20 January this year, an aircraft experienced a low oil pressure warning on No. 1 Engine five minutes after commencing descent to Beijing. The engine was shut down. Investigation confirmed that the cause of the incident was due to a design shortfall in engine software. The engine manufacturer has subsequently modified the software. All affected aircraft have undergone the modification and since then there has been no further incident of the same nature.

*Incident No. 2*

On 30 April this year, during the climb of an aircraft en route to Taipei, a loud bang was heard from No. 2 Engine when the aircraft reached at altitude of some 28 500 ft. The engine was shut down and the aircraft was diverted to Kaoshiung. Investigation confirmed that one of the bearings inside the engine Step-aside Gearbox was incorrectly assembled during maintenance. Subsequent to the incident, the operator carried out a comprehensive inspection to ensure that engines of the same type are correctly assembled. Also, the engine manufacturer has amended the engine manual and the engine maintenance organization has revised the staff worksheet to prevent recurrence.

*Incident No. 3*

On 3 May this year, on approach to Kuala Lumpur, the No. 2 Engine of an aircraft experienced an exhaust over-temperature problem. The engine was shut down. Investigation found that the engine Variable Stator Vanes attachment pin was broken too early, causing the engine to surge.



**WRITTEN ANSWER** — *Continued*

The engine manufacturer confirmed that this incident was an isolated case, and the same component in other engines should not be affected. Nevertheless, the airline has started to conduct regular inspections of the attachment pins as a preventive measure.

*Incident No. 4*

On 17 July this year, an aircraft's No. 1 Engine experienced vibration whilst en route to Dubai. The engine was shut down and the aircraft was diverted to Kunming. Investigation confirmed that one Intermediate Pressure Turbine blade was released, causing secondary damage to nearby engine components. The engine manufacturer determined that the blade release was attributed to the complete loss of blade tip shroud dust cap. Blade modification has been completed.

In all the above four cases, aircrew took immediate actions and the aircraft continued to operate and land safely.

**WRITTEN ANSWER****Translation of written answer by the Secretary for Economic Services to Dr LUI Ming-wah's supplementary question to Question 6**

According to the Airworthiness Technical Document of the International Civil Aviation Organization and the European Joint Aviation Requirements, the certification requirements regarding engine inoperative flight conditions are as follows:

- (a) For a twin-engine aircraft, if one engine fails while en route to destination, the aircraft is still safe to fly. However, the aircraft must land at the nearest suitable aerodrome within a maximum of 180 minutes flying time, if it is under Extended Range Twin Operations (ETOPS). For non-ETOPS twin-engine aircraft, the corresponding standard is 60 minutes.
- (b) For an aircraft with three engines, if one engine fails while en route to destination, aircrew has to consider landing the aircraft at a suitable aerodrome. However, if two engines fail at the same time, the aircraft must land at the nearest suitable aerodrome.
- (c) For an aircraft with four engines, if one engine fails whilst en route, the aircraft can still fly to the destination provided it is within the aircraft's operating range. If two engines fail at the same time, aircrew has to consider landing the aircraft at a suitable aerodrome. However, if three engines fail at the same time, the aircraft must land at the nearest suitable aerodrome.