

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 29 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 KENNETH TING WOO-SHOU, 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.

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

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

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

THE HONOURABLE NG LEUNG-SING

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 CHOY SO-YUK

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

**MEMBER ABSENT:**

PROF THE HONOURABLE NG CHING-FAI

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

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

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.  
THE SECRETARY FOR JUSTICE

MR CHAU TAK-HAY, J.P.  
SECRETARY FOR COMMERCE AND INDUSTRY

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

MISS DENISE YUE CHUNG-YEE, J.P.  
SECRETARY FOR THE TREASURY

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

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

MRS REGINA IP LAU SUK-YEE, J.P.  
SECRETARY FOR SECURITY

MRS FANNY LAW FAN CHIU-FUN, J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

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

MR PAUL TANG KWOK-WAI, J.P.  
SECRETARY FOR THE ENVIRONMENT AND FOOD

**CLERKS IN ATTENDANCE:**

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

MR LAW KAM-SANG, J.P., DEPUTY SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, 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>
Dangerous Drugs Ordinance (Amendment of First Schedule) (No. 2) Order 2000 .....	329/2000
Dutiable Commodities (Amendment) (No. 2) Regulation 2000 .....	330/2000
Firearms and Ammunition (Amendment) (No. 2) Regulation 2000 .....	331/2000
Firearms and Ammunition (Storage Fees) (Amendment) Order 2000 .....	332/2000
Pawnbrokers (Amendment) Regulation 2000 .....	333/2000
Bills of Sale (Fees) (Amendment) Regulation 2000 .....	334/2000
Fees for Official Signatures and Miscellaneous Services (Amendment) Notice 2000 .....	335/2000
Hong Kong Court of Final Appeal Fees (Amendment) Rules 2000 .....	336/2000
High Court Fees (Amendment) Rules 2000 .....	337/2000
District Court Civil Procedure (Fees) (Amendment) (No. 2) Rules 2000 .....	338/2000
Coroners (Fees) (Amendment) Rules 2000 .....	339/2000
Small Claims Tribunal (Fees) (Amendment) Rules 2000 .....	340/2000

Legal Practitioners (Fees) (Amendment) (No. 2) Rules 2000.....	341/2000
Mandatory Provident Fund Schemes (Compensation Claims) Rules .....	342/2000
Mandatory Provident Fund Schemes (Winding Up) Rules .....	343/2000

#### Other Paper

- No. 34 — The Prince Philip Dental Hospital Hong Kong Report by the Board of Governors for the period 1 April 1999 to 31 March 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 12 to 15 minutes. Supplementaries should be as concise as possible and Members should not make statements when asking supplementaries, and should not ask more than one question.

First question.

#### Admission of Mainland Professionals to Work in Hong Kong

1. **DR LUI MING-WAH** (in Cantonese): *Madam President, regarding the admission of mainland professionals to work in Hong Kong, will the Government inform this Council:*

- (a) *whether it plans to relax the eligibility criteria for admitting such professionals to work in Hong Kong; if so, of the timing of its implementation; and*

- (b) *whether it will consider implementing another admission scheme for mainland talents so as to allow retired professors and engineering and technical experts to work in Hong Kong as consultants, and for the employees to be granted one-year employment visas renewable for up to five consecutive times?*

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

- (a) The Government of the Special Administrative Region (SAR) is keenly aware of the important role of professionals in the knowledge-based economy of the 21st century. Professionals are eagerly sought by many countries and territories all over the world so as to foster their economic and technological developments. Under the existing immigration policy, mainland professionals are generally not allowed to come to Hong Kong to work. The Chief Executive accounted in the policy address this year that the immigration policy on the entry of professionals would be reviewed in a proactive but prudent manner, in order to admit from the Mainland and abroad more professionals who are not readily available in Hong Kong. We are now conducting the review and in the process, we will take fully into account the supply and demand for professionals in the human resources market. The review is guided by our long-standing objective of facilitating economic development, whilst safeguarding job opportunities for the local population. The review is expected to be completed in mid-2001. We have not yet come to a decision at this stage on whether the policy on the entry of professionals for employment should be relaxed, and if so, how best the eligibility criteria for admission should be devised.
- (b) Under the existing immigration policy, persons qualified for entry into Hong Kong for employment must possess skills, knowledge or experience valuable to but not readily available in Hong Kong. The remuneration package offered to them should be broadly comparable to the local market rate. We have followed these principles for years, and they have worked well and are widely accepted by various sectors in the community. We will continue to be guided by these principles in conducting the review. It will not

matter whether applicants are retired professors, or whether they will work as consultants, they will be admitted as long as they satisfy the relevant entry requirements laid down in light of the outcome of the review. Alternatively, they may be admitted for employment if they satisfy the entry requirements under the existing Admission of Talents Scheme (ATS).

**DR LUI MING-WAH** (in Cantonese): *Madam President, we can see that the Admission of Professionals Scheme has failed and the ATS is now being implemented, but I believe that there will not be many applicants. May I ask the Secretary whether those in the trade — such as the industrial or business sector — can participate in the review?*

**SECRETARY FOR SECURITY** (in Cantonese): *Madam President, as I have just said, the main principle of the review is to import professionals who possess skills, knowledge or experience which are not readily available but conducive to promoting the economic development of Hong Kong. We will conduct our study in this direction. After the Government has ascertained what kind of talents should be admitted as a result of the examination, the Legislative Council will then be consulted, and by that time the Government will be very happy to listen to the views of people from all sectors .*

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, Dr the Honourable LUI Ming-wah pointed out just now that there are relatively few applicants for the ATS, has the Government ever tried to find out the reasons? Are the requirements of the Government too stringent, or is it because of the wage factor? As far as I understand it, the wages of imported talents should be broadly comparable to the local rate under the existing policy.*

**SECRETARY FOR SECURITY** (in Cantonese): *Madam President, the ATS selection board has reviewed the progress of this Scheme. As at 18 November this year, the Government received 394 applications in total, and 86 of them have been approved. Though we have only received a relatively small number of applications, we do not think that this Scheme is a failure; we only think this shows that not many companies in Hong Kong are actually engaging in high value-added and high technology activities — especially research and*

development activities. I notice that Mr SIN also agrees with me on this point. Though some companies stated that they were engaged in high-technology research and development activities in their application forms, they also pointed out that these activities had been relocated to the Mainland. We are aware that our requirements on educational qualifications or wages are not so stringent that they have deterred the applicants. For example, as regards the educational qualifications, out of the 86 applications approved, half of the applicants do not possess a doctorate degree; whereas the wages offered are also broadly comparable to the market rate, with 72% of the applicants being offered a monthly salary of \$20,000 to \$50,000, so the wages are not particularly high. Given the assurance we made to Members of the labour sector that we would not admit non-talents into Hong Kong when this Scheme was introduced last year, the Government will strictly adhere to this principle. We think we have been very successful in this respect. However, in order to meet the community's demand for talents in other fields, and that is, the demand for professionals or executives, we have to review our existing policy on the admission of professionals to see how best we can meet the community's demand for professionals at a lower level.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, in the past, when we talked about the admission of professionals or talents, we would usually think about the industrial, commercial or business sectors. May I ask the Secretary whether the Government would consider to add talents from the cultural, sports and arts sectors to the list of professionals when it reviews the definition of professionals and relaxes the Scheme?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I would like to clarify one point. In fact, we have approved applications from universities for three talents to come to Hong Kong under the ATS. As long as the research programmes of universities will directly promote the economic development of Hong Kong, their applications will be approved. However, under the existing immigration policy, our guiding principle on the admission of both talents and professionals is they must possess skills, knowledge or experience valuable to but not readily available in Hong Kong, and such skills, knowledge or experience should also be beneficial to the economic development of Hong Kong. Therefore, we will not lightly admit talents in the sports and cultural sectors, unless it can be proved that they can promote the economic development of Hong Kong.

**MR JAMES TIEN** (in Cantonese): *Madam President, insofar as the admission of talents is concerned, many overseas countries have recruited talents to work in their countries in a proactive manner. However, I think that the Hong Kong Government has been too successful in vetting applications over the years, and as a result, talents are barred from coming to Hong Kong. In part (a) of the Secretary's main reply, it was mentioned that the Chief Executive announced in the policy address this year that the immigration policy on the entry of professionals would be reviewed in a proactive but prudent manner. Is this a long-term policy on the admission of talents in the coming 10 or 20 years, or is this only a short-term policy for reviewing the kind of talents that should be admitted in the coming one or two years and then the policy may be subject to another review and change?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, our immigration policy is, in fact, very liberal. Talents from around the world can take up professional or executive work in Hong Kong as long as they possess skills not available in Hong Kong. According to government statistics, in the recent three years, a total of 14 000 to 16 000 talents in various professional and executive fields have been admitted to Hong Kong. At present, apart from mainland China, talents from most countries in the world can come to work in Hong Kong, and I believe Members are also aware of this long-standing policy. With the exception of those who come to Hong Kong because of their job, under the ATS, having lived in overseas countries and under the supplementary labour scheme (actually very few people have come to Hong Kong through this channel), the professional and executive personnel of the Mainland cannot come to work in Hong Kong. In the long run, we do not think there is any justification to continue to maintain this restriction, and this may be a great loss to Hong Kong. Furthermore, many multinational corporations have complained that they cannot get professionals from the Mainland to work in Hong Kong. We will conduct a proactive review in this direction to see how the restrictions on the admission of mainland professionals can be relaxed.

**MR KENNETH TING** (in Cantonese): *Madam President, as regards the fact that only very few mainland talents are admitted to Hong Kong under the ATS, is it true that even if we are able to find suitable mainland talents, very often the mainland organizations to which they belong are unwilling to "release" them? If so, how can the Government solve this problem?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I believe there are actually cases like those mentioned by the Honourable Member. When I was in Beijing, I mentioned this to our colleagues in the Beijing Office. They told me that some talents living in the north do not wish to work in the south, and those who would like to work in Hong Kong have to be "released" by their respective units. This is really a necessary procedure because under the Basic Law and according to the interpretation of the Standing Committee of the National People's Congress, the relevant authority of the Mainland should be responsible for vetting mainlanders' applications to Hong Kong. People who wish to work or live in Hong Kong, must seek the approval of their units. However, I think the key issue at the moment is that not many Hong Kong companies are engaged in high value-added, high-technology research and development activities at present. But we believe more applications will certainly be received once the Cyberport and Science Park projects have been launched.

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

### **China's Impending Accession to World Trade Organization**

2. **DR DAVID LI:** *Madam President, regarding China's impending accession to the World Trade Organization (WTO), will the Government inform this Council:*

- (a) *of the initiatives that it has taken since last year to promote the trading prospects of Hong Kong companies in the Mainland;*
- (b) *whether there are outstanding issues that it has yet to resolve with the Central Government in order not to hamper the ability of Hong Kong companies to compete with companies from other WTO member states for trading in the Mainland; if so, of the details of these issues and the action it is taking to resolve them; and*
- (c) *whether it is discussing with the Central Government visa-free access to the Mainland for those permanent Hong Kong residents who are foreign nationals and are not eligible to apply for Home Visit Permits but who are trading in the Mainland; if so, of the current status of and the target date for concluding such discussions?*

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

- (a) In view of the Mainland's imminent accession to the WTO, the Government of the Special Administrative Region (SAR) has devoted special efforts to promoting the prospects of the Hong Kong business community in the Mainland. While we strongly believe that the tapping of business opportunities is best left to the business sector, we have assumed the role of an active facilitator by adopting a multi-pronged approach. Measures taken include close monitoring of the Mainland's accession progress, in-depth analysis of the accession's implications for Hong Kong, enhanced contacts and discussions with the relevant mainland authorities, consultation with and dissemination of information to the local business and professional bodies, as well as reflection of their views and concerns on business prospects to the mainland authorities.

And we have done so at different levels and across government bureaux. This includes, for example, efforts through the inter-bureau research group set up in April 1999 and chaired by the Financial Secretary, and the Mainland-Hong Kong Special Administrative Region Government Joint Commission on Commerce and Trade established in November 1999. At the same time, the Commerce and Industry Bureau (CIB), the Trade and Industry Department (TID) and the Office of the Government of the Hong Kong Special Administrative Region in Beijing (Beijing Office) have all stepped up their efforts to perform the tasks described.

In addition to the above, the Hong Kong Trade Development Council (TDC) has also been playing a more active role in promoting the business prospects of Hong Kong enterprises in the Mainland in view of its WTO accession. In particular, a task force has been established to co-ordinate the TDC's strategy and efforts in assisting Hong Kong businesses to reap the benefits arising from China's accession to the WTO. These include more efficient use of the Internet and channels such as newsletters, research reports and seminars to provide the latest news and analyses on the Mainland's trade and economic development. Moreover, the TDC has also been arranging large-scale trade fairs, study missions and

conferences in the Mainland to help Hong Kong businesses explore new opportunities, identify business partners and promote their brand names.

- (b) The answer to part (b) of the question is that there are no such outstanding issues. As a matter of fact, by virtue of the non-discrimination principle enshrined in the WTO's most-favoured-nation clause, Hong Kong companies will enjoy no less favourable treatment than that accorded to companies from other WTO members following China's entry into the WTO.
- (c) As regards part (c) of the question, the answer is that whether or not a visa is required of Hong Kong permanent residents holding foreign passports for visits to the Mainland is a matter entirely between the Central People's Government and the foreign governments which issue such passports. The SAR Government is in no position to discuss any visa-free arrangement in this context as such a matter falls outside our remit.

**DR DAVID LI:** *Madam President, concerning the services offered by the Hong Kong Trade Development Council to promote the trading prospects of Hong Kong companies in the Mainland, what steps have the Government taken to promote such assistance to small and medium enterprises (SMEs), and is the message getting through to the Government's satisfaction?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, the Government's policy on SMEs have all along focused on supporting the development of SMEs and enabling them to enhance their competitiveness in the long run. The services provided by the Government and the various industry and trade support organizations, including the TDC, all seek to help SMEs enhance their competitiveness. The TID, the TDC and the Productivity Council have deployed staff dedicated to providing information on the mainland markets. The CIB and the TID have all along maintained close liaison with the relevant mainland authorities. By making use of its newsletters and the Internet the CIB also strives to keep the industrial and commercial sector, including the SMEs, abreast of the development of China's accession to the WTO as well as information on the various trades.

In addition, news and research reports on China's accession to the WTO are released to the industrial and commercial sector, including the SMEs, by the TDC through its periodical *Business Alert - China* and its website; so far more than 60 analysis articles have been put on the Internet. At the same time, any news and messages that are urgent in nature will also be sent by the TDC to Hong Kong companies via e-mail. Certainly, we understand that apart from the efforts made by the Government and the TDC, the various business associations, professional bodies and the media in Hong Kong have also played an important role in disseminating the relevant information. Hence, we believe the SMEs should not have any problem getting the information they need.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, in addition to an inter-bureau research group the Secretary also mentioned in the second paragraph under part (a) of the main reply that the CIB, the TDC and the Beijing Office had all stepped up their efforts to perform the various tasks concerned. In this connection, may I ask the Secretary whether the various bureaux and departments are working independently of each other, and whether the Government will produce a consolidated study report on this issue?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, the inter-bureau research group chaired by the Financial Secretary is playing the role of a co-ordinator at the central level. As the negotiations relating to China's accession to the WTO are in progress, the research group must keep a close watch on the development of the negotiations, with a view to grasping the latest news and communicating with the relevant trades as soon as possible. The research work in this respect requires continuous follow-up efforts in keeping up with the latest development of events. At present, researches, consultations and analyses conducted by the Financial Secretary and other relevant colleagues are still in progress.

With regard to the progress of China's accession to the WTO, negotiations with the 37 WTO members requesting bilateral negotiations with China have been concluded with the exception of Mexico, the bilateral negotiation with which is still underway. Although the respective bilateral negotiations with the 36 countries concerned have been concluded, so far China has not compiled into a consolidated document the various pledged concessions made in the relevant bilateral agreements signed with those WTO members. This final step will be

done pending a consolidated schedule of service and trade concessions to be published after the WTO headquarters in Geneva have completed all the multilateral procedures. With that schedule, we can have a complete picture of the concessions our country has pledged to give to foreign governments and then we eventually make our final analysis.

**MR JAMES TO** (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that visits to the Mainland of Hong Kong permanent residents holding foreign passports was a matter entirely between the Central People's Government and the foreign governments which issued such passports, and it appears Hong Kong is in no position to discuss the matter. In this connection, may I ask the Government whether we can express our view on the matter? We are not seeking to interfere in the affairs of the Mainland. We wish to express that it would possibly be in the interest of Hong Kong if the mainland authorities could offer visa-free entry or multiple entry visa to Hong Kong permanent residents holding foreign passports who are trading in the Mainland for their convenience. Could the Secretary inform this Council whether we are not allowed to express our view in this respect, or the Government has already reflected the relevant view before?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, certainly we can express our views. Nevertheless, so far the message has never been reflected by the Government because nobody requested us to do so. If we should receive requests from any Honourable Members, foreign businessmen or foreign business associations, naturally we would be most ready to reflect their opinions or suggestions to the Central Government. Ultimately, however, the governments of the countries to which these people belong respectively must make formal requests to the Central Government before both sides could enter into any discussions. Throughout the entire process, the SAR Government is in no position to interfere on its own initiative or meddle in the matter.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, in speaking in response to the Motion of Thanks, the Administration indicated that it would consider the proposal put forward by the business sector for establishing official trade liaison bodies in mainland provinces and cities to provide assistance to the*

*Hong Kong investors there. May I ask the Secretary what the relevant development is?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, I believe Honourable Members are also aware that the Beijing Office set up some two years ago is the only office the SAR Government currently has in the Mainland. After the reunification, we need to study many situations before making decisions on the preparatory work we should take. The CIB and the TID are currently keeping a close watch on the trade and economic development in the Mainland. At the same time, they are also examining into the need or otherwise for offices to be established in other places on the Mainland to provide services for Hong Kong investors doing business there. When the need arises, we will certainly take the issue into further consideration in accordance with the principle of "one country, two systems" and the provisions under the Basic Law. Naturally, before setting up any such offices, we must first obtain approval from both the Central Government and the relevant local authorities.

**MR HENRY WU** (in Cantonese): *Madam President, the Secretary pointed out in part (a) of the main reply that the SAR Government has devoted special efforts to promoting the prospects of the Hong Kong business community in the Mainland. With regard to the financial services sector, could the Secretary inform this Council of the efforts the Government has made or is planning to make to promote the mainland business prospects for Hong Kong enterprises dealing in securities, futures and, in particular, gold?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, since I am not the Bureau Secretary responsible for this portfolio, I will provide the answer to this supplementary in a written reply. (Annex I)

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, in the third paragraph under part (a) of the main reply, the Secretary mentioned a number of services provided by the TDC for Hong Kong businesses. May I ask the Secretary whether the local businessmen have made full use of such services, and which of such services have been under-utilized?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, we all know that the TDC is one of the most successful institutions among its counterparts worldwide. The services provided by it are welcomed by most users; one good example is the Small and Medium Enterprises Office established by it. As regards the question of how many people have used the services provided by the TDC, or which kinds or fields of services are most popular, we need to consult the TDC before providing an answer in writing. (Annex II)

**MR JAMES TIEN** (in Cantonese): *Madam President, in part (c) of the main reply and in answering a supplementary raised by the Honourable James TO on the visits to the Mainland made by Hong Kong permanent residents holding foreign passports, the Secretary mentioned that the issue should be discussed directly between the Central Government and the foreign governments concerned. Even though they are foreign nationals holding foreign passports, these people all have a very special status, that is, they are permanent residents of Hong Kong. If anything should happen to these people while they were in the Mainland, the mainland authorities would send them back to Hong Kong instead of the foreign countries concerned. In view of the fact that they are permanent Hong Kong residents, could the Secretary inform this Council whether the SAR Government would give consideration to our request and directly discuss with the mainland authorities the possibility of making visa-free arrangements for these people?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): Madam President, as I said earlier, we would be most ready to reflect to the Central Government the views raised by Hong Kong businessmen or Honourable Members in this respect. However, it is certainly not within the remit of the SAR Government to formally request the Central Government to make visa-free arrangements for these Hong Kong permanent residents holding foreign passports to facilitate their visits to the Mainland. As I pointed out before, it is not appropriate of Hong Kong to meddle in this matter.

**MR JAMES TO** (in Cantonese): *Madam President, this is the second time I seek to raise a supplementary.*

**PRESIDENT** (in Cantonese): Yes, but that does not matter. You may ask a second supplementary. *(Laughter)*

**MR JAMES TO** (in Cantonese): *Madam President, I should like to follow up the supplementary raised by the Honourable James TIEN just now. Certainly, foreign nationals entering or leaving any countries must be subject to the immigration requirements of the country concerned. However, in view of these people's Hong Kong permanent resident status, could some comparatively more creative policies be devised to enable the SAR Government to discuss with the Central Government measures to facilitate these people's visits to China? I believe this would be helpful to the economic development of Hong Kong. Could the Secretary inform this Council whether the Government would do some thinking in this respect?*

**SECRETARY FOR COMMERCE AND INDUSTRY** (in Cantonese): *Madam President, the Government always has some thinking to do. (Laughter) I am afraid I cannot undertake to make considerations in this respect on behalf of the Secretary for Security, but since the Secretary is also present in this Chamber and has heard the Honourable Member's request, I believe she will look into the matter later on.*

**PRESIDENT** (in Cantonese): *Council will now proceed to the third question seeking an oral reply.*

### **Reduction of Bachelor's Degree Places in Medicine**

3. **DR LO WING-LOK** (in Cantonese): *Madam President, it was reported that the University Grants Committee (UGC) has decided to reduce the bachelor degree places in medicine in the next three years. In this connection, will the Government inform this Council:*

- (a) *how the decision respectively affects the annual allocation of funds for the bachelor degree course in medicine offered by the two universities and the number of their degree places;*
- (b) *whether any assessment has been conducted on the effects of the decision on the quality and quantity of teaching and research in the faculties of medicine concerned; and*

- (c) *whether the UGC has also reviewed the number of bachelor degree places in dentistry; if so, of its result; if not, the expected timing to undertake the review?*

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

- (a) Having assessed the employment prospect of graduates in medicine, the Government and the UGC plan to gradually reduce the annual intake of undergraduates in medicine from 330 to 280 in the 2001-02 to 2003-04 triennium. The UGC plans to allocate the intake places equally to the two faculties of medicine.

The above reduction rate represents about 5.7% of the total undergraduate places of the two medical faculties or 0.5% of the overall undergraduate places of the two universities, and the funds involved only account for approximately 1% of the block grants to the two universities. Currently, the UGC provides funding to institutions in block grants, and the institutions have a high degree of autonomy in allocating funds to different faculties. Therefore, the actual amount of funds received by the two medical faculties in the next triennium will depend on the internal allocation by the two universities.

- (b) The above figures show that the planned reduction in medical undergraduate intakes only represents a small percentage of the overall places, and will take place gradually over a span of three years. On the other hand, both the two universities plan to substantially increase the places for medical research postgraduates from 273 in 2000-01 to 358 in 2003-04, which represents an increase by more than 30%. Besides, universities have in place a sound mechanism to ensure the quality of teaching and research. Therefore, we believe that a modest reduction in medical undergraduate intakes should not affect the quality of teaching and research of the two medical faculties.
- (c) The Dental Sub-Committee of the Health and Medical Development Advisory Committee conducted a manpower review on dentists in

1998. Based on the Sub-Committee's projection, there will not be significant discrepancy between the demand and supply of dentists from 1998 to 2007 if the student number of dentistry is maintained at the present level and other relevant factors remain stable. Employment surveys on dentistry graduates in the past three years showed that 100% of the respondents obtained full-time employment. The planned intake of undergraduates in dentistry in the next triennium will be the same as that in the current triennium.

**DR LO WING-LOK** (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply that the faculties of medicine of the two universities plan to substantially increase the places for medical research postgraduates in the coming triennium by more than 30%. May I ask the Government whether additional resources will be provided for this increase in places, or whether the Government will allow the two universities to use the resources allocated to increase the places for medical research postgraduates when the bachelor degree places in medicine have been reduced, given the resources to the universities remaining unchanged?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): *Madam President, funding is provided to the universities according to the student population in the universities. Therefore, if a university increases its places for postgraduates, more funding will be provided naturally. However, having been given their block grants, the universities have complete autonomy in deciding on the internal allocation of these provisions.*

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that the institutions have a high degree of autonomy in allocating funds to different faculties. May I ask the Government whether it has issued any guidelines to the universities in this respect, so that they will be able to know how funds can be allocated to best suit the needs of society? If the answer is in the negative, how will the Government address a situation whereby the university concerned has allocated funds to its faculties in such a way that falls far short of the expectation of the Government?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, we will provide guidelines on student intake in respect of a certain number of faculties in the universities, as for the intake of students in other faculties, it is determined by the respective advisory committee of the individual discipline concerned in consultation with the relevant trades. As a matter of fact, the institution concerned can decide on the annual unit cost of the students in a particular faculty by itself. Therefore, I believe when the universities make their internal allocation of funds, reference will be made to these unit costs for different faculties.

**MISS EMILY LAU** (in Cantonese): *Madam President, May I ask the Secretary why the UGC has decided to reduce the bachelor degree places in medicine in the next three years? Is it because of the fact that we have too many medical doctors in Hong Kong as compared to other places? Or is the decision related to the teaching objective that graduates in medicine should only practise medicine and that they cannot take up other occupations? Or may they have other career options?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, when we decide on the annual intake of undergraduates in medicine, we would consider many factors and they include our population growth, age distribution, vacancies for medical doctors in the medical institutions in both the public and private sectors and the employment situation of medical graduates in the past. Other factors are the possible impact of changes in the health care system on the demand for doctors, trends in the demand for both practitioners in Chinese and Western medicine, and the effects of manpower needs in other fields on the allocation of places in different faculties, and so on. For example, when there is a demand for information technology personnel, adjustments have to be made to meet such demand as the annual intake for the institutions is fixed at 14 500. We will impose requirements on the annual student intake in a few faculties such as those which offer teacher training, medicine, nursing and paramedical studies. As for other faculties, there are no requirements on student intake.

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

**MISS EMILY LAU** (in Cantonese): *Madam President, it appears to me that the Secretary did not understand my supplementary question at all. I asked whether the number of medical doctors in Hong Kong is too many compared to other places. That is a question on the proportion of doctors against the population. Also, I asked should medical graduates only practise medicine and can they not find other jobs. It is because some medical graduates may ask the Government to reduce the intake of medical undergraduates since they are unable to find a job as a doctor upon their graduation. Has this been the case?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, when we undertake manpower forecasts on medical doctors, we will take into account the supply and demand situation. In terms of supply, apart from graduates in medicine from the local universities, about 50 to 70 overseas graduates in medicine will come to Hong Kong to practise medicine each year. We have a qualifying examination for medical practitioners organized by the Medical Council of Hong Kong and so an average of 20 to 30 foreign medical graduates will come to Hong Kong to practise medicine each year. So we would expect about 400 to 420 medical doctors will go into practice each year.

As for the demand for medical doctors, we would also consider many factors. First, growth in population. Second, demographic structure. Third, developments in the local health care system and technology and the role played by doctors. We would expect that in the coming five to 10 years, we may not need so many graduates in medicine practice. Notwithstanding our decision to reduce the number of the annual intake of undergraduates in medicine by 50, there are still about 370 new doctors going into practice in the territory each year. In 10 years from now, there will be an increase of about 2 000 doctors in the medical profession according to our estimation.

Comparing Hong Kong to other places, I think it is very difficult to make a comparison between the proportion of doctors against the population in different places, due to the reasons cited by me just now. First, differences in demographic structure. Second, differences in the duties performed by doctors in different places. Third, differences in methods of treatment used. Therefore, the situation in other places can serve as reference only. Compared to Western countries, our doctors-to-population ratio is lower. In Southeast Asia, our ratio is lower than that of Singapore, but as compared to other places in the region, our ratio is not low at all.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, the Secretary said in part (a) of the main reply that it is after having assessed the employment prospects of graduates in medicine that the Government and the UGC plan to gradually reduce the annual intake of undergraduates in medicine. May I ask the Government whether it has assessed the employment rates of graduates in medicine over the past three years and whether any change will take place in the next three years on the employment rates of graduates in medicine?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, when we were making the forecasts, we did take into account the employment prospects of graduates in medicine over the past few years. In addition, we would study into the existing health care system in Hong Kong. We also have plans to train up specialist doctors. Most of these specialists receive their training in public sector hospitals or clinics. We think that we should also offer some opportunities of specialist training to doctors who have recently joined the profession. Both the Hospital Authority (HA) and the Department of Health (DH) already have plans in place to train up specialist doctors. In the future, it is expected that most of the fresh graduates in medicine would be able to receive specialist training. On completion of such training, they may choose to work in the HA, the DH, or in private sector institutions. From past figures available, about half of the medical graduates practise in the private sector, while the other half in the public sector.

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

**MR NG LEUNG-SING** (in Cantonese): *Madam President, the Secretary has not answered the part of my question on the employment rates at all.*

**PRESIDENT** (in Cantonese): Secretary, it is about the part on employment rates.

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, on the question of employment rates, I can say that about 90% to 95% of the graduates in medicine practise and work in the public sector each year. It remains, however, that not every medical graduate would prefer working in public sector institutions. After the HA and the DH have completed their recruitment exercise this year, there are still some vacancies in the DH for which no applications have been received.

**DR LUI MING-WAH** (in Cantonese): *Madam President, the supplementary question which I would like to ask is almost identical to that asked by the Honourable NG Leung-sing. I just wish to make a point, and that is, since the Government has based its decision to reduce 15% of the supply of medical doctors according to the prevailing employment situation, and the Secretary has just now mentioned figures on the situation in the public hospitals, then could he also inform the Council of the situation in private hospitals by giving us the relevant figures?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, as a matter of fact, when we were making the manpower forecasts, we were not only concerned about the employment prospects, though it was one of the factors considered by us. What we were mostly concerned about was the demand and supply situation in the medical profession. As I have explained in detail earlier, our forecasts are based on the overall supply and demand of doctors in Hong Kong. For example, on the basis of the information on the demand and supply of doctors we have collected, adjustment has been made to the intake of medical students in our universities. However, in the next decade, we shall be having about 2 000 more doctors despite the reductions made.

**DR LO WING-LOK** (in Cantonese): *Madam President, thank you for allowing me to raise a second supplementary question.*

*The Secretary for Education and Manpower mentioned in part (c) of the main reply that dentistry graduates in the past three years obtained full employment. Is the Secretary aware of the fact that the income of dentistry graduates in recent years has been falling and that the number of patients seeking consultation from dentists is also falling? That shows that the supply of dentists has almost reached saturation. May I ask the Secretary whether he had taken into account the situation which I have mentioned before he reached the conclusion that the status quo should not be changed?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, the Health and Medical Development Advisory Committee makes manpower forecasts on dentists. The way in which the Committee makes such forecasts is to study the supply and demand of dentists. In terms of demand, we will look at the frequency of the public in using dental services. In Hong Kong, such frequency is on the low side. The Committee also adopts a different method in making the assessment. For example, if the prevailing frequency of using dental services remains unchanged, then in seven years' time, we will need more than 200 dentists. Should this behavioural pattern of the public and their frequency of using dental services change, say by an increase of 10%, then more than 400 dentists will be needed. The present number of dentistry places in university is about 50, and if the frequency of using dental services increases by 10%, the supply of dentists will still be able to meet the demand.

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

**MISS EMILY LAU** (in Cantonese): *Madam President, the Secretary did not answer the second part of my supplementary question earlier, that is: Should graduates in medicine only practise medicine? Have many graduates in medicine failed to find jobs as doctors? That may be due to problems in the HA. And so there is a need to reduce the intake of medical students. Besides, can graduates in medicine also engage in other occupations?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, a graduate in medicine can take up any job that he or she likes and he or she will not necessarily have to become a doctor. However, we certainly hope that medical students will become doctors after receiving the training into which we have invested so many resources. But we have not laid any restrictions that they must become doctors. I think most of the graduates in medicine will practise as medical doctors. In the course of their practice, some of them may take up other occupations, such as in business or engage in administrative or decision-making work, and so on. They may not choose medicine as their lifelong career.

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

#### **Foundation Strengthening Works to Tin Chung Court**

4. **DR TANG SIU-TONG** (in Cantonese): *Madam President, tilting occurred in Blocks K and L of Tin Chung Court, a Home Ownership Scheme (HOS) estate last year. The Housing Authority (HA) and the Housing Department (HD) indicated that strengthening works to the foundation of the two buildings would be carried out. In this connection, will the Government inform this Council:*

- (a) *of the implementation plan, estimated cost and implementation timetable of the foundation strengthening works, as well as the anticipated date of occupation of the two buildings;*
- (b) *of the name of the company awarded the contract for the works, the tender price and the types of works it will undertake; and*
- (c) *whether it has assessed if such foundation strengthening works can completely solve the structural safety problems of the buildings and examined if it is the HA, the HD, the engineering consultant firm or the company carrying out such works that should be held responsible for any future structural problems of the two buildings?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, following the discovery of excessive foundation settlement of Blocks K and L of Tin Chung Court last year, the HA commissioned an engineering consultant to prepare a technical plan for remedial works. The technical plan is now ready. Tenders have been invited, and the HA will award a contract for the works soon. The estimated expenditure is \$140 million, which represents about 13% of the original project cost. Remedial works will start in January 2001 and will be completed by phases within 22 months. Occupation will commence soon afterwards.

As selection of tenders is at an advanced stage, the name of the company undertaking the remedial works and the tender price are not yet available. The successful contractor will be responsible for works to restore and strengthen the foundations of the two blocks.

As regards part (c) of the question, the HA has indicated previously that the two blocks are structurally safe. The HA believes that after the proposed remedial works, both blocks will comply with the original specification, which ensures a high safety standard.

Responsibility for future structural problems, if any, depends on the nature of these problems. As a responsible developer, the HA is ultimately responsible, and has offered a 20-year structural guarantee for all its housing blocks in Tin Shui Wai.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, at a special meeting of the HA last year, the Government said that the remedial scheme recommended by the consultant (the CM WONG and Associates Limited and the Hsin Yieh Architects and Associates Limited) was feasible. It further said that the works could be completed within 12 months, and as three months are required for examination and invitation to tender, the whole project could be completed by October 2000. The HD even invited the University of Hong Kong (HKU) to offer third-party opinion on the remedial scheme, with the obvious intention of giving the "green light" to the scheme by resorting to the independence and credibility of the Civil Engineering Department of the HKU. The Civil Engineering Department of the HKU has now withdrawn from the relevant work, and it is also unwilling to confirm the feasibility of the remedial scheme. That being the case, can it be said that the Government actually pulled wool over the*

*eyes of the Legislative Council and the public at that time? In the absence of any strong and convincing third-party opinion, how is the Government going to handle these two dangerous buildings? Will it abandon the remedial scheme and demolish these two dangerous buildings in the interest of public safety?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, initially, a team was actually assigned to study the investigation conducted by the consultant on the foundation settlement of the two buildings, and the HKU was well aware of that. However, when the consultant proposed a remedial scheme later, the work of inviting tenders was already underway. While the invitation to tenders was in progress, the HA also invited a group of lawyers to examine the related legal issues, because lawsuits relating to the construction works concerned were being instigated. And, while the group of lawyers were studying the related legal issues, it so happened that a new machine that could assist in piling works came to our notice. There was thus a lot of confusion. But since remedial works must be conducted, the consultant naturally wanted to identify the best method, which was why the new machine was also included in the remedial scheme. This led to a need for conducting a new round of invitation to tenders. Therefore, there was indeed some kind of delay, but as I pointed in the main reply, tenders have been invited; the process has reached the final stage, and the relevant contracts will be awarded very soon. I hope there will not be any further delay.

Regarding the point on the HKU mentioned by the Honourable Member, I wish to say that the HA did invite the HKU to conduct a technical assessment on the foundation settlement problem. However, the HKU thought that it was just an academic institution, and so, it was worried that if its advice was really followed, it would be held responsible in one way or another once anything went wrong, and in that case, it might be unable to pay the compensation required, because as an academic institution, it could not take out an insurance policy so easily. That was why it subsequently withdrew from the work of its own accord. The HA has now commissioned another famous consultancy in the field of geotechnical engineering, Binnie Black, to conduct the assessment required. The HA has very great confidence in their work.

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

**MR TANG SIU-TONG** (in Cantonese): *Madam President, at the beginning they said that .....*

**PRESIDENT** (in Cantonese): Dr TANG, you need only follow up the part of your supplementary question that has not been answered.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, that is the part on the HKU. At the beginning, the Secretary said that the HKU was invited to support the remedial scheme as an independent party. However, following the withdrawal of the HKU, the Government has commissioned another consultancy. Does this mean that the HKU is not prepared to confirm the scheme?*

**PRESIDENT** (in Cantonese): Secretary, you have just talked about the reasons for the withdrawal of the HKU. Do you have anything to add?

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, what the Honourable Member said just now is actually wrong. The HKU did not find any particular problems with the work of investigation.

**MR LAU PING-CHEUNG** (in Cantonese): *Madam President, Binnie Black has been commissioned to conduct an assessment, but may I ask the Secretary whether an independent third party will be commissioned to take charge of final checking and acceptance so as to ensure impartiality?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, the consultant which I mentioned, that is, Binnie Black, will be responsible for monitoring the entire process, and it will also be responsible for final checking and acceptance so as to ensure that the project can proceed smoothly as originally scheduled.

**MR TAM YIU-CHUNG** (in Cantonese): *Madam President, the prospective owners of Blocks K and L of Tin Chung Court were first told that they could move*

*in early next year, but now, when the time draws near, they are told that the date of occupation will have to be deferred for another 22 months. May I ask the Secretary whether this is fair to them? Can the authorities concerned offer any explanation?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, not all the blocks in Tin Chung Court are affected by the problems in question. The HA will continue to sell those several blocks not affected by these problems. In regard to Blocks K and L where problems are found, the date of occupation has to be deferred because of the need for remedial works. For this reason, as compensation, the HA has already allowed the prospective purchasers of the two blocks to decide whether they would cancel their purchases or have their deposits refunded. For those who do not want to cancel their purchases, those who wish to retain their right of buying the units in the two blocks, the HA would certainly comply with their wish, but the number of such people is very small.

**MR ALBERT HO** (in Cantonese): *Madam President, as I listened to the Secretary just now, I noticed that they learned that there was a better way to remedy the foundation works of the blocks only very recently, when they studied the legal liabilities involved. He then said that since the HKU had withdrawn, they had to commission a better consultant (Binnie Black) as a replacement. This gives us the impression that after a whole year of development, no progress has actually been made. Indeed, how much progress have the authorities made so far? Have they grasped the whole situation? Having conducted a comprehensive assessment, can the Government tell us confidently that the blocks are still structurally safe? Having spent so much money, can the Government assure us that it will not be necessary to demolish these two blocks in the future? Or, can it assure us that the money has been well spent, as the future upkeep and maintenance of the structure of these two blocks will not be very high?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, the information given to me by the HA can confirm that the answers to these questions are "yes". There are two reasons. First, if we look only at the remedial works required, we will see that the initial scheme, as I pointed out earlier, might not be able to offer an ultimate solution. But they have now found a new machine that can be used for foundation strengthening. This

means that the remedies now in use are technically the best. That is why the HA is very confident. Second, in respect of monitoring, the HA has commissioned Binnie Black, which is a very prestigious and experienced consultant in the field. So, given the remedies and the monitoring body, the result should be satisfactory. That is why the answer from the HA should be in the affirmative.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, the HA offers a five-year buy-back period for HOS flats in general, and in the case of Tin Chung Court, the HA even offers a 20-year structural guarantee. In respect of the buy-back period for similar flats, will the HA consider lengthening it to six or seven years, as a special treatment not accorded to ordinary HOS flats, so that the owners concerned can enjoy better protection?*

**SECRETARY FOR HOUSING** (in Cantonese): *Madam President, in this regard, the HA has not made any relaxation, because it has already promised that all its buildings in Tin Shui Wai will be offered a 20-year structural guarantee. Besides, it is also considered that once the strengthening and remedial works for these two blocks have been completed, they should be no different from any other structurally safe buildings. In view of this, the HA is of the view that no other forms of special, additional treatment should be required.*

**MR ALBERT CHAN** (in Cantonese): *Madam President, what has gone wrong with Tin Chung Court is that the vacant blocks have to undergo foundation remedial works, and that the Government has revised the modes of remedial works over and over again. Since even the Government itself does not have any confidence in its original scheme, how can those residents who have moved in have any confidence in it? Besides, many residents who have moved in have spotted as many as 100 cracks in their units. But the Government still claims that these blocks are structurally safe. This in a way shows that the Government does not think that it should be held responsible to any great extent. Since even the Government itself has no confidence in its own plans, may I ask the Secretary whether the Government will allow those residents who have moved into blocks other than K and L in Tin Chung Court to surrender their units and buy other HOS flats if they so desire?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, I think the Honourable Member should be referring to all the buildings constructed by the HA. Actually, the HA does have full confidence, not least because since problems have been found with a small number of blocks in Tin Shui Wai, it has strengthened its monitoring procedure in many ways. Besides, the structural guarantee offered by the HA has also been lengthened from 10 years to 20 years. This is already an assurance to the public. The HA has made it clear that all its completed buildings are structurally sound. As for the 105 construction projects now underway, the HA has also commissioned a special consultant to conduct fresh investigations and studies to ascertain their structural safety, and the findings are positive. In other words, all buildings of the HA, whether still under construction or already completed, are structurally sound.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, in the third paragraph of his main reply, the Secretary mentioned that "after the proposed remedial works, both blocks will comply with the original specification, which ensures a high safety standard." Does this mean that the Secretary also agrees that the existing conditions of the two blocks are really very bad, so bad that the Government has to make sure that they can attain the high safety standard referred to? And, what is meant by "a high safety standard"?*

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, the original specification is already of a very high safety standard, but since the two blocks have developed problems, remedial works have to be carried out. If the remedial works can enable the two blocks to meet the original specification, that is, in total compliance with the original standards of the HA, then their safety standard will be very high.

**PRESIDENT** (in Cantonese): The Council has spent more than 17 minutes on this question. Since many Members are still waiting for their turn, I shall take one more supplementary question.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I also wish to ask a follow-up question on the third paragraph of the main reply. According to the Secretary, the structural guarantee of Tin Chung Court has been lengthened from 10 years to 20 years. However, I am sure the Secretary is also aware that besides structural problems, similar arguments over the problems with buildings constructed by the Government in the past also involved some non-structural aspects, On Ning Garden in Tseung Kwan O being a good example. May I ask the Government whether it will offer any non-structural guarantees other than a 20-year structural guarantee?*

**SECRETARY FOR HOUSING** (in Cantonese): *Madam President, as far as I know, the guarantee offered by the HA is for structural safety only. It does not offer any other additional guarantee.*

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

### **Restricting Operating Hours of Bars in Yuen Long District**

5. **MR TOMMY CHEUNG** (in Cantonese): *Madam President, in a paper submitted to the Yuen Long District Council (YLDC), the police stated that bars in the district are closely related to triad members and proposed that the bars stop operating at 1 am. In this connection, will the Government inform this Council:*

- (a) *of the evidence the police has to support the statements in its paper that "many customers of the bars are triads" and that "almost all of the bars have known or suspected triad involvement in their management and/or bouncership"; whether it has assessed if the statements are fair to the bar owners and customers alike; if the statements are assessed to be unfair, whether the police will make a public apology to the people concerned; and*
- (b) *whether it has assessed if there are sufficient justifications for restricting the operating hours of bars on the grounds of maintaining law and order; if it has, of the details of the assessment; if not, the reasons for that?*

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

- (a) The District Commander (Yuen Long) presented a paper to the YLDC on 24 May 2000 to consult its members on the operation hours of bars in the Yuen Long Town Centre. During the briefing to the YLDC, the police's observation regarding the relations between these bars and triad was mentioned.

The observation is based on intelligence gathered by the police, information obtained during enforcement actions, and the analyses of intelligence and information from various sources by police officers exercising their professional judgement. For example, police officers of the Yuen Long Division, upon receipt of complaints, conduct inspections of the bars concerned in the area covered by the Division. The police often found the presence of known or suspected triad members in the bars during such inspections. Intelligence gathered by the police also indicates that most of the bars in Yuen Long Division have provided protection fees to triads. Since owners or managers of these bars are afraid of retaliation, they seldom report the cases to the police. Instead, they treat the money extorted as part of the operating costs of their bars. The police also believe that quite a number of the bars in the Division are owned or managed by triads or persons closely affiliated to triads.

- (b) During the briefing to the YLDC by the District Commander (Yuen Long), it was mentioned that in 1999, there were 30 criminal cases directly related to the bars and 100 criminal cases happened in the vicinity of the bars. The police have reasons to suspect that most of the latter cases are related to customers of the bars. In order to handle these cases and other nuisances caused by drunkenness, the police have to deploy considerable resources in the bar areas. Given the fact that the area covered by the Yuen Long District is very large and the police have limited manpower resources, such deployment to a certain extent affects the deployment of police resources in other areas of the District. The police consider their resources can be better deployed to handle other more serious crimes such as robbery, burglary and vehicles crimes if the bars in Yuen Long could be closed at 1 am.

Apart from the above problem, the police also receive many complaints of nuisances and noisiness caused by bars after midnight. These complaints mainly come from nearby residents and mutual aid committees, particularly those living in commercial-cum-residential buildings in which bars operate.

The police had given detailed consideration to whether the suggestion to stop the operation of bars at 1 am would help improve law and order in the district. The police consider that the suggestion would allow the redeployment of police resources in the district and that this would strengthen actions against other serious crimes in addition to those related to drunkenness, and thus help maintain the overall law and order of the district. In addition, most of the bars in Yuen Long are situated in commercial-cum-residential buildings, the police on the one hand have to safeguard the bar operators' right to do businesses, and on the other hand have to minimize the nuisances and inconvenience brought to nearby residents by the bars' operations late at night. The police have no intention to interfere with the legal commercial activities of the bars operators. However, when criminal cases occur in a bar, or when mismanagement of the bars has caused nuisances to nearby residents, the police have to take appropriate measures to tackle the problem.

The proposal of restricting the operation hours of the bars in Yuen Long Division is supported by the YLDC and the Yuen Long District Fight Crime Committee. However, as the Liquor Licensing Board holds a different view on the matter, the proposal has not been implemented in the district.

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, the Secretary has not answered part (a) of the main question. According to the Secretary, the police have, solely on basis of their professional judgement, made their observation and smeared customers, owners and managers of all the bars in the district, saying that a vast majority of customers are triad members and a vast majority of owners and managers have triad background. Will the police make a public apology to these people for having smeared them as a result of the judgement made by the police from their observation? In addition, in the main reply given by the Secretary earlier, it was mentioned that there were 30 criminal cases .....*

**PRESIDENT** (in Cantonese): Mr CHEUNG, Members can only raise one question in raising their supplementary questions. If you have more than one question, please wait for another turn after a reply has been given to this supplementary question.

**MR TOMMY CHEUNG** (in Cantonese): *Thank you, Madam President.*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I have talked to the District Commander (Yuen Long) in connection with the wordings used in the paper presented to the YLDC by the police. The District Commander has provided me with clarification in connection with the third paragraph, the paragraph with which Mr CHEUNG is not satisfied. It was particularly mentioned in the paragraph that "many customers of the bars are triads" and that "almost all of the bars have known or suspected triad involvement in their management and/or bouncership". The District Commander admitted that he should be more cautious and accurate with the wordings used. The point concerning "almost all" has not been rendered in the most accurate manner. Nevertheless, based on intelligence gathered by the police, their experience and professional judgement, the police insist that many bars in Yuen Long, or even a substantial number of bars in the District have known or suspected triad involvement in their management and bouncership.

The District Commander explained to me that one characteristic of the bars in Yuen Long is that they are concentrated in the town centre, which has now become the centre of night life in the North District of the New Territories. If we compare Yuen Long to other districts like Tsim Sha Tsui, we will find that most customers of bars in Tsim Sha Tsui are tourists and professionals. Therefore, the operating hours of these bars will not be too late. However, the characteristic of the bars in Yuen Long is that there will still be customers in the bars after 1 am, or even 5 am or 6 am. According to police observation, the licensees of these bars definitely have no triad background because they will not be issued liquor licences if they have triad background. However, local police officers know which bars have connection with which triad groups as a result of their observation. Many customers affiliated to triads frequently gathered and visited the bars. There were even fighting outside the bars too. The District Commander (Yuen Long) therefore holds the view that, being the officer responsible for police affairs in the District, he is obliged to tell the truth in presenting the information paper to the YLDC.

**MRS SELINA CHOW** (in Cantonese): *Madam President, at the end of part (a) of the main reply, the Secretary mentioned that according to intelligence gathered by the police, most of the bars in Yuen Long Division have provided protection fees to triad and since owners or managers of these bars are afraid of retaliation, they seldom report the cases to the police. However, the Secretary went on to say that quite a number of the bars in the Division are owned or managed by triads or persons closely affiliated to triads. I am a bit confused about this point. Will the Secretary inform this Council whether these owners paid protection fees to their own triad societies or owners/managers closely affiliated to triads? Are those owners closely affiliated to triad societies and if so, why should they pay protection fees and be afraid of reporting the cases to the police? What logic is this?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, this case is like this. The police explained to me that the licensees of the bars definitely have no triad background because they will not be issued licences if they have triad background. However, if the bars are to survive in a certain area, they usually need to seek permission or protection from triads. Therefore, many bars are affiliated to triads. For instance, bar owners need to pay protection fees to ensure the survival of their bars. As police officers of the Yuen Long Division even know what triad members will frequent what bars, the police have reasons to believe that bar owners, albeit having no triad background, pay protection fees. Their bars can survive because they are closely affiliated to certain triad members. Nevertheless, as Mr CHEUNG mentioned earlier, have the police got sufficient evidence to prosecute these people? Under the circumstances, it is difficult for the police to gather evidence to prosecute because the relevant persons of such relations are usually reluctant to give evidence. As the police cannot gather sufficient evidence to initiate prosecutions, they can only provide information relevant to these circumstances as background information for the consideration of the YLDC.

**PRESIDENT** (in Cantonese): Mr Tommy CHEUNG, I know you want to raise another supplementary question. However, you must first press the button before arrangements can be made for you to raise your question again.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, it seems that the Yuen Long District is particularly plagued with such problems. In 1999, 30 criminal cases related to bars took place in Yuen Long. Will the Secretary inform this Council whether there are many such cases in the other 17 districts?*

**SECRETARY FOR SECURITY** (In Cantonese): Madam President, I have raised this issue with the District Commander (Yuen Long) before. In examining the number of cases, he said consideration should not be made to the number of cases occurring in the bars only for the number of cases happening in the vicinity of the bars should be taken into account too. According to the police's experience, after fighting occurs in a bar, continuous fighting between one or two groups of people will ensue outside the bar too. Or when some people create disturbance in a bar that has the means to protect itself, they will be taught a lesson by some other people outside the bar afterwards.

I do not have detailed information about other police districts on hand. I have consulted the New Territories North Region and the Criminal Investigation Department of the Police Headquarters. They both agreed that the situation in Yuen Long District is more serious.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, the Secretary mentioned in the last part of the main reply that the proposal of restricting the operation hours of the bars in Yuen Long Division to 1 am was supported by the YLDC and the Yuen Long District Fight Crime Committee. However, as the Liquor Licensing Board held a different view on the matter, the proposal had not been implemented in the District. Will the Secretary inform this Council what different view was held by the Liquor Licensing Board? Does it involve the right to operation, a matter of great concern to operators?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the Yuen Long Division has proposed all bars cease operation at 1 am. To the police, this is the easiest solution and the simplest way insofar as enforcement is concerned. However, the Liquor Licensing Board has refused to accept the general proposal of requiring all bars to cease operation at 1 am and was only willing to give consideration on the merit of individual cases. Actually, this is the usual practice of the Board. I was told by the Yuen Long Division that in

considering each application, the Board will take into account the views of the police and the residents, such as whether complaints have been lodged by residents and the legitimate commercial interests of the operators. Judgement will only be made after balancing all these elements. According to the information acquired, although the Board has not required all bars to cease operation at 1 am, it has imposed the condition of "operating till 1 am" to two recent applications. Other applications will still be considered on the merits of individual cases.

**MR HENRY WU** (in Cantonese): *Madam President, the main question raised today can be divided into two parts, with one of which being a relatively serious issue. The Secretary pointed out clearly in the main reply that most of the bars in the Yuen Long District have provided protection fees to triad. It is very obvious that triad activities are rampant in this district. Members should realize from the question raised this time that bars are one of the places where triad activities can be found. I believe even if such bars do not exist, triad activities might still be found in other places. The proposal raised earlier is just a stopgap measure. The problem is actually related to triads. Just now, the Secretary said as the Liquor Licensing Board held a different view on the matter, the proposal had not been implemented. However, she stated just now that the proposal might be implemented in two bars. Has the present situation worsen because of the police's failure to implement the proposal or is it just the same as what happened before? What practical solutions can the Government or the police offer to solve the triad problem?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, the District Commander (Yuen Long) explained to me that the problems facing the Yuen Long Division are harder to handle when compared to other Divisions because of the comparatively large area covered by the Yuen Long District. For example, it is larger than the Wan Chai and Tsim Sha Tsui Districts. What is more, other crimes such as car theft, trailer theft, burglary, theft and even robbery of taxi drivers have been found to occur in the Yuen Long District. Over the past one year and a half, the crime growth rate of the District was higher than the overall crime growth rate of the territory. The District Commander (Yuen Long) faces extra difficulty in dealing with crimes related to bars.

As it is impossible to require the bars to cease operation at 1 am, the solution considered by the police to be the simplest, the police can only make constant efforts to deploy its manpower. There are several ways of deployment: First, to strengthen undercover work by the Anti-triad Unit; second, to increase the patrolling frequency of mobile patrol cars and the Emergency Unit; third, to step up patrolling of problematic bars immediately after receiving complaints from residents. These are the various ways adopted by the police in dealing with crime.

**MR ALBERT CHAN** (in Cantonese): *Madam President, I would like to raise a question related to legitimate economic activities and triad societies as well as the priorities of the Government. Some legitimate businessmen wished to operate legitimate businesses but were threatened by triad societies. Because of the triad problem, these businessmen were disallowed by the Government to engage in legitimate acts. How can the Government ensure that legitimate businessmen can invest in Hong Kong and that in providing services to the public, their normal operation will not be undermined because of triad influence? Can the Secretary build up confidence in the general public, particularly investors, to let them know triad societies cannot act against the law in Hong Kong?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, our message is actually very simple. The police are obliged to weed out the bad elements and let law-abiding citizens live in peace as well as ensuring that legitimate businessmen can engage in lawful commercial activities. If they receive any extortion demands from triad elements, the best thing they should do is to report to the police. Otherwise, it will be very difficult for the police to take appropriate action.

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

**MR TOMMY CHEUNG** (in Cantonese): *Madam President, the police have often cited the occurrence of crimes in premises where commercial activities are carried out or in its vicinity as the reason for their failure to deal with other crimes. Does it mean that if a bank or goldsmith's shop has been robbed or a crime has taken place in the vicinity, all the banks and goldsmith's shops must*

*come under control so that they can only operate at a specified time when the whole district is crime-free or they should be ordered to stop operating to allow the police to deal with other problems related to law and order?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, as I pointed out earlier, the police's proposal is just an opinion. The police were obliged to provide their professional opinion and recommendation since the YLDC had requested to discuss the issue. Whether the police's opinion and recommendation will be accepted shall depend on the decision of the Liquor Licensing Board. The Board will, depending on individual circumstances, summarize all factors, including the commercial interest of lawful operators, before making a balanced decision. The police definitely have no power to ask banks or goldsmiths to cease operation earlier. Nor can the police do so to make it easier for them to deal with their cases. The police can definitely not do something like this for they are obliged to safeguard as far as possible the lawful operation of legitimate businessmen. However, in light of the situation in different places, the police will sometimes put forward proposals that suit the local environment.

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

### **Oil Companies Infringing upon Consumers' Interests**

6. **MR KENNETH TING** (in Cantonese): *Madam President, regarding oil companies which allegedly reap unreasonable profits by not passing on to consumers the full benefit of the duty concessions made by the Government on ultra low sulphur diesel (ULSD), thereby infringing upon the latter's interests, will the Government inform this Council whether legislation exists, or agreements have been made by these oil companies, on the basis of which these companies can be held criminally or civilly liable; if so, of the follow-up action it will take; if not, whether it will enact relevant legislation or sign such agreements with these companies?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, when we set the concessionary duty for ULSD in July this year, there

was no regional market price available for reference since ULSD was not used in Asia at that time. To set an appropriate concessionary duty rate, we obtained information on ULSD from individual oil companies operating local petrol filling stations. According to the information we obtained from these companies, ULSD had to be imported from Europe initially since no oil refinery in the region produced that type of fuel then. The oil companies estimated that the incremental costs of bringing in ULSD, comprising its higher import price and additional associated costs, could be offset by a concessionary duty of around \$0.80 per litre for ULSD. This would allow the pump price of ULSD be set at the same level as that of regular motor diesel. In order to encourage an early switch to ULSD, we decided to provide a time-limited concessionary duty rate of \$1.11 per litre to make ULSD cheaper than regular motor diesel at the pump, that is, this concessionary duty rate for ULSD is \$0.89 lower than that of the current duty rate for regular motor diesel.

To ensure that the objective for providing the concessionary duty could be met, we reached a verbal agreement with five oil companies whereby they would pass on the full benefit of the concessionary duty to their customers. Even though the verbal agreement, according to legal advice, was not legally binding, the key point is that the oil companies had agreed to pass on the full benefit of the concessionary duty to the consumers. This agreement has been reaffirmed by the oil companies concerned.

The Administration is discussing with the oil companies with a view to working out an appropriate mechanism which would demonstrate in a transparent manner that the oil companies have passed and would continue to pass on the full benefit of the concessionary duty to their customers throughout the period during which the concessionary duty remains valid. The Administration believes that it would not be appropriate to legislate for such a mechanism. We will consider how best the mechanism should be implemented, once we have concluded our discussions with the oil companies.

**MR KENNETH TING** (in Cantonese): *Madam President, the oil companies have not passed on the full benefit of the duty concession to consumers. Will the Secretary inform this Council whether we have to wait till the Government has concluded its discussions with the oil companies and worked out a transparent mechanism before the oil companies can pass on the full benefit of the duty concession to consumers? Approximately when will that take place?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, the Government has in fact been holding discussions with the oil companies on the extent to which the mechanism is implemented and on the standards against which the relevant data should be referenced. At the beginning of this month, several oil companies held a closed-door meeting with the Panel on Economic Services and submitted some data. At the meeting, the oil companies submitted the import price of ULSD and the additional cost incurred to convert it to ULSD at the pump, together with the number of months over which cost may be set off. The oil companies also provided information on the rising trend of import prices of ULSD in the past few months. Therefore, the oil companies have submitted the relevant data to the Panel to explain how the \$0.89 concessionary duty is set off. We are continuing our discussions with the oil companies on the future mechanism, which we hope to implement and announce to the public as soon as possible.

**MRS MIRIAM LAU** (in Cantonese): *Madam President, though the oil companies have submitted some data to the Panel on Economic Services, the Government has never indicated a clear stance on the practice employed by the oil companies in respect of ULSD. In the second paragraph of the main reply, the Secretary said the oil companies had agreed to pass on the full benefit of the duty concession to the consumers, which they have reaffirmed. Will the Secretary inform this Council whether the Government thinks the oil companies have actually done that? I hope the Secretary can answer "yes" or "no" because the Government has never given any clear indication on this.*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, as I said in my reply to the Honourable Kenneth TING's question, when the Government introduced ULSD at the end of July this year, data on some items reflected some monthly fluctuations. Therefore, we are still requiring that the oil companies provide data to us to the effect that, under the \$0.89 concessionary duty and a price reduction by the oil companies, the numbers tally. We are holding discussions with the oil companies on this.

**MR FRED LI** (in Cantonese): *Madam President, I originally wanted to raise the question asked by Mrs Miriam LAU but now I would like to raise another. The Government indicated in the main reply that it had reached a verbal agreement*

*with five oil companies whereby they would pass on the full benefit of the concessionary duty to their customers. However, the concessionary duty was set at a flat rate of \$0.8. Given that the operating costs and the cost structure of the five oil companies are different, a flat rate would render it vulnerable to a "rip-off" by some companies which do not need to utilize all the \$0.8. Why did the Government not take this possibility into account then, now that the oil companies rip off their customers the Government cannot say anything about the matter?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, we do know the data submitted by the oil companies may not necessarily be the same. Hence, we are conducting separate discussions with each of them, requiring them to provide the monthly changes in operating costs and the cost structure. Thus, in future, the mechanism will cater to the operation of each oil company.

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

**MR FRED LI** (in Cantonese): *Madam President, the Secretary has not answered my question. I asked why the Government had not taken into account the different operating costs of the five oil companies in giving them a flat rate of \$0.8 as concessionary duty when they first made the verbal agreement?*

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

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, first of all, I need to clarify — I have indeed pointed out in my main reply — that when we discussed the introduction of ULSD with the oil companies, we were not sure of the difference in import price for ULSD mainly because we believed Hong Kong needed to rely on import from Europe. We also did not know how much time it would take Hong Kong to switch to the new fuel. If the sales volume of ULSD was high, the cost would hopefully be reduced. Thus it was not possible at that time to set a fixed price for ULSD. To achieve a quick

introduction of ULSD and an improvement in our air quality, we believed we had made a decision on the best available information. We knew at that time that each oil company might import ULSD in future in lots of different prices.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, in the last paragraph of the main reply, it was said that the Administration was discussing with the oil companies with a view to working out an appropriate and transparent mechanism. As we all know, oil companies are quick to increase the prices of their products but slow to reduce them. Adhering to the principles of a free market, the Government can only request and urge the oil companies to reduce prices, but the oil companies have the final say. Will the Secretary inform this Council whether the Government has other measures to make oil companies set oil prices at reasonable levels?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): *Madam President, I wish to take this opportunity to clarify that the Government has no intention whatsoever of controlling oil prices. In the past few months, we have been holding discussions with oil companies on how best to deal with the \$0.89 concessionary duty, because the oil companies have made an agreement to pass on the full benefit of the concessionary duty to their customers. On other occasions, I have also mentioned that, in the long run, the best method is to introduce competition so that there are more operators in the market. The Economic Services Bureau is conducting a study in this regard. It is discussing with other Policy Bureaux on ways to bring in competition so that more oil companies can operate in Hong Kong.*

**MRS SELINA CHOW** (in Cantonese): *Madam President, I wish to ask a follow-up question on Mrs Miriam LAU's question because I do not think the Secretary has answered Mrs LAU's question. In the second paragraph of the main reply, the Secretary said that the Administration had reached a verbal agreement with the oil companies. Will the Government inform this Council whether it thinks the oil companies have agreed to pass on the full benefit of the concessionary duty to their customers? If so, and given the legal advice the Government has obtained, will the Government institute necessary legal proceedings to require oil companies to discharge the verbal agreement so that the money which should belong to the public will be returned to the public?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, the first question from Mrs Selina CHOW was about whether the oil companies have passed on the full benefit of the concessionary duty to their customers. As I said, we are still studying the data provided by each oil company.

The second question was about whether the Government could take legal action. The legal advice we have obtained is that the verbal agreement is not legally binding, and so the Government cannot take legal action. In addition, Mrs CHOW also .....

**MRS SELINA CHOW** (in Cantonese): *Secretary, please help yourself to some water first.*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Thank you. Mrs Selina CHOW's question implies the oil companies have breached a contract. I must clarify here that the Government did not accuse the oil companies of having acted in breach of a contract. We are talking about a verbal agreement and so apparently we do not have evidence to institute legal proceedings.

**MRS SELINA CHOW** (in Cantonese): *Madam President, the Secretary has not answered my question. My question is simple. As far as the Government is concerned, either the oil companies have passed on the full benefit of the concessionary duty to their customers or they have not. Many months have passed now. We have been talking about "full benefit". Did any party indicate at an early stage it was not "full benefit" but benefit from which cost has been deducted, or were there other means of calculation? According to the Government's understanding, have the oil companies passed on the full benefit of the concessionary duty to their customers?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, the Government has not any conclusion yet according to the data now available.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary indicated that, in order to set an appropriate concessionary duty, the Government had obtained information on ULSD from individual oil companies operating petrol filling stations. Will the Government inform this Council whether it was incapable of obtaining the information through independent channels from other relevant organizations and therefore had to obtain the same from the oil companies operating in Hong Kong?*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, my understanding is that in June this year, it was the quickest way to obtain the information.

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

**DR RAYMOND HO** (in Cantonese): *Madam President, my question was about whether the Government was capable of obtaining the information through other independent channels.*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, some temporal problems may arise if we did that. I would like to add that at the moment, not many countries use ULSD of 0.005 sulphur content.

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

**MISS EMILY LAU** (in Cantonese): *Madam President, I understand the Secretary has indicated there is insufficient evidence to prove that the oil companies have breached the verbal agreement. I hope the Government can obtain the results of investigation as soon as possible. We are losing our patience because the results have not been available yet. Madam President, even if the results of investigation show that the oil companies did rip off their customers, the Secretary said it was difficult to take any action because the legal advice indicated that the verbal agreement was not legally binding. But I can*

*recall that in some litigation cases, verbal agreements were legally effective. Should the Government seek more legal advice from other sources? If it is found that legal action may be taken, the Government should then deal with the matter with all its might.*

**SECRETARY FOR ECONOMIC SERVICES** (in Cantonese): Madam President, we have not come to that stage yet. It all depends on whether there are cases requiring follow-up action.

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

## **WRITTEN ANSWERS TO QUESTIONS**

### **Survey on Need of Domestic Services**

7. **MR LEUNG FU-WAH** (in Chinese): *Madam President, according to the Policy Objectives in the 2000 policy address, the Administration will conduct a survey to gauge the type of domestic services required by households that employ foreign domestic helpers. In this connection, will the Government inform this Council:*

- (a) *of the specific ideas for conducting the survey, such as its timetable, scale, and the funds and manpower required; and*
- (b) *whether the survey will include inquiring about the demand of local households for local domestic helpers and the types of domestic services they provide, should a restriction be imposed on the number of foreign domestic helpers?*

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

- (a) The Education and Manpower Bureau has commissioned a consultant with the assistance of the Census and Statistics Department to conduct a sampling survey on about 4 000

households to study the supply of and demand for local domestic helpers in Hong Kong. The survey was launched in late October and preliminary results are expected in January 2001. The cost of the survey is about \$150,000.

- (b) The survey mainly covers the types of domestic services required by households that are now employing or intend to employ domestic helpers, and the willingness of such households to employ or switch to employ local domestic helpers (full-time or part-time). The survey also assesses people's inclination to work as domestic helpers as well as their expectations on employment terms. The survey has no presumptions, hence will not collect opinions on the feasibility of restricting the importation of foreign domestic helpers.

### **Insurance Coverage for Students**

8. **MR BERNARD CHAN:** *Madam President, regarding the insurance cover for students of aided and caput schools who suffer injuries within school premises or whilst participating in school activities, will the Government inform this Council:*

- (a) *of the number of students who claimed compensation and the amount claimed under the insurance policy in each of the past five years;*
- (b) *whether it has assessed if students are given sufficient coverage under the existing insurance policy; if so, of the results of the assessment; and*
- (c) *whether there are plans to extend the insurance coverage for students; if so, of the details of the plans?*

**SECRETARY FOR EDUCATION AND MANPOWER:** Madam President,

- (a), (b) and (c)

The Education Department (ED) arranges a Block Insurance Policy (BIP) for all aided and caput schools. The existing BIP covers

three school years from 1999-2000 to 2001-02, and provides insurance coverage for:

(i) *Public Liability*

This covers compensation under the Common Law for any injury to any persons (other than employees of the school), or any loss of or damage to property of any persons (other than employees of the school), due to negligence of the school.

(ii) *Employees' Compensation*

This covers compensation to a school's employees who suffer from death or injury arising out of and in the course of employment under the Employees' Compensation Ordinance (which does not require any proof of negligence of a school) and/or under the Common Law (which requires proof of negligence of a school).

(iii) *Group Personal Accident*

If students of a school suffer from death or permanent disablement during school activities, the families involved may make claims under "Group Personal Accident" irrespective of whether the death or permanent disablement is due to negligence of the school. This is in addition to any Common Law compensation that they may obtain and is meant to be a financial consolation to the students' families.

Members will note from the above that the BIP does not cover injuries or losses sustained by students under all circumstances. In brief, students are covered under the "Public Liability" category of the BIP if schools' negligence can be established. If schools' negligence cannot be established, the students' families may also make claims under the "Group Personal Accident" category for some financial consolation. The ED has been advising schools that they may, on behalf of parents, arrange separate additional cover for students with any insurance company. Parents wishing to have comprehensive personal insurance coverage for their children may also acquire it separately from any insurance company to meet their individual needs.

The current BIP will expire by the end of the 2001-02 school year. Before taking out the next BIP, the ED will consult schools on the terms and coverage, including, for example, coverage of students suffering from injuries or losses when performing duties assigned by schools or teachers.

The number of students who made claims and the amounts awarded under each of the two categories of "Public Liability" and "Group Personal Accident" in the past five years are set out below:

*Public Liability*

		1995	1996	1997	1998	1999
Number of students who made claims	of	1	11	4	10	6
Number of valid claims	of	1	11	0	0	4
Amount awarded		\$754,580	\$7,814,232	0	0	\$88,425

*Group Personal Accident*

		1995	1996	1997	1998	1999
Number of students who made claims	of	42	94	67	126	166
Number of valid claims	of	1	10	6	4	1
Number of pending cases	of	0	0	5	4	2
Amount awarded		\$10,000	\$230,000	\$2,500	0	\$5,000

**Block Insurance Policy Taken out by Education Department**

9. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, regarding the Block Insurance Policy (BIP) which the Education Department (ED) took out for aided and caput schools last year, will the Government inform this Council:*

- (a) *of the respective amounts of annual premium and related costs payable by the Administration;*
- (b) *whether the ED has consulted the relevant parties of the education sector about the coverage of the BIP and the terms of compensation before deciding to take out such policy; if it has, of the details of such consultation; if it has not, how it can ensure that the protection provided by the BIP meets the needs of the schools and the students;*
- (c) *of the numbers of claims since the BIP has taken effect, according to the items covered in the policy; among the cases in which compensation was awarded, of the type of claimants, occurrences and the amounts of compensation; and how the compensation award compares to that made out under the previous insurance policy during its two-year period of valid coverage;*
- (d) *as the public liability insurance included in the BIP is to protect a school in respect of its legal liability regarding persons injured or suffering any loss due to the school's negligence, whether such persons, who include non-students, can be awarded compensation where sufficient evidence to prove the school's negligence is not available; and the definition of the school's negligence; and*
- (e) *whether it will consult the relevant parties of the education sector about the extension of the coverage and relaxation of the terms of compensation?*

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

- (a) and (b)

The ED arranges a BIP for aided and caput schools. Before the last BIP (for the 1997-98 and 1998-99 school years) ended, the ED commissioned an independent insurance consultant in September 1998 to advise the Department, *inter alia*, on the coverage and terms of the new BIP. To safeguard the independence of the study, the consultant was not allowed to bid for the new BIP contract.

The insurance consultant conducted three briefings for all aided and caput schools in late 1998 to collect views on the coverage and terms of compensation of the new BIP. However, there is no record on the number of schools which actually attended.

On the basis of the advice of the insurance consultant, the ED took out a new BIP for a three-year period from the 1999-2000 to 2001-02 school years. The total premium is about \$40 million, payable in three installments over three years.

The independent insurance consultant continued to assume the role of advising the ED and schools on all matters relating to the BIP until August 2000. The total cost for retaining the consultant from September 1998 to August 2000 is \$100,000.

A new independent insurance consultant was commissioned in September 2000 for a three-year period to August 2003. This consultant will perform a similar role, that is, to advise the ED and schools on all matters relating to the current BIP, and to review the BIP before its expiry by the end of the 2001-02 school year. The total consultancy fee is about \$110,000.

- (c) The current BIP for the 1999-2000 to 2001-02 school years covers the following three categories:

(i) *Public Liability*

This covers compensation under the Common Law for any injury to any persons (other than employees of the school), or any loss of or damage to property of any persons (other than employees of the school), due to negligence of the school.

*(ii) Employees' Compensation*

This covers compensation to a school's employees who suffer from death or injury arising out of and in the course of employment under the Employees' Compensation Ordinance (which does not require any proof of negligence of a school) and/or under the Common Law (which requires proof of negligence of a school).

*(iii) Group Personal Accident*

If students of a school suffer from death or permanent disablement during school activities, the families involved may make claims under "Group Personal Accident" irrespective of whether the death or permanent disablement is due to negligence of the school. This is in addition to any Common Law compensation they may obtain and is meant to be a financial consolation to the students' families.

The figures and information requested in part (c) of the question are set out below:

*Public Liability*

	<i>Previous BIP (for the 1997-98 and 1998-99 school years)</i>	<i>Existing BIP (up to 20 November 2000)</i>
Number of claims	12	8
Number of valid claims	0	4
Amount awarded	0	\$88,425
Type of claimants		Students
Grounds for making claims		Personal injury

*Employees' Compensation*

	<i>Previous BIP (for the 1997-98 and 1998-99 school years)</i>	<i>Existing BIP (up to 20 November 2000)</i>
Number of claims	559	365
Number of valid claims	559	365
Amount awarded	10.3 million	2.6 million
Number of pending cases	70	161
Type of claimants	Employees of schools (for example, teachers)	
Grounds for making claims	Personal injury	

*Group Personal Accident*

	<i>Previous BIP (for the 1997-98 and 1998-99 school years)</i>	<i>Existing BIP (up to 20 November 2000)</i>
Number of claims	203	305
Number of valid claims	1	1
Number of pending cases	9	2
Amount awarded	\$2,500	\$5,000
Type of claimants	Students	
Grounds for making claims	Death or permanent disablement	

- (d) Legal advice is that "negligence of a school" means damages caused by the breach of a duty of care owed by the school to another. As explained in part (c) above, the category of "Public Liability" of the BIP does not cover cases where no proof of negligence of a school can be produced. Nonetheless, if a person suffers from injury or loss not because of negligence of a school, he may, depending on the cause of the injury or loss, make claims under the categories of "Employees' Compensation" or "Group Personal Accident" of the BIP.

- (e) The current BIP will expire by the end of the 2001-02 school year. Before taking out the next BIP, the Department will consult schools on the terms and coverage, including for example coverage of students suffering from injuries or losses when performing duties assigned by schools or teachers.

### **E-mail Subscribers Receiving Spam Messages**

10. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the number of complaints received by the relevant authorities each month in the past year concerning e-mail subscribers receiving spam messages; whether it has analysed the source of these e-mails according to their originating regions, the categories of sender accounts or any other classification;*
- (b) *whether it knows the actions taken by Internet service providers (ISPs) against spamming; the number and details of these actions; whether they include rejecting e-mails from specific websites;*
- (c) *whether complaints have been received from e-mail subscribers about their account information being stolen for the purpose of sending spam messages; if so, of the number of such complaints;*
- (d) *whether it has reviewed, in conjunction with the Hong Kong Internet Service Providers Association (HKISPA), the effectiveness of the Anti-SPAM initiatives, which was launched by the Association early this year; if it has, of the results of the review; and*
- (e) *of the actions it will take to combat spamming for the protection of e-mail subscribers?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Chinese): Madam President,

- (a) Between November last year and October this year, the Office of the Telecommunications Authority (OFTA) received a total of nine

complaints on e-mail spamming; one of them was lodged by an overseas user and the remaining eight by local users.

- (b) As far as we know, almost all ISPs operating in Hong Kong have included in their service agreements provisions to prohibit users from abusing their services for the purpose of e-mail spamming. Spammers will face warnings or even suspension or termination of services without forewarnings.

Furthermore, ISPs commonly adopt technical measures to combat the spamming problem. For example, their e-mail servers may refuse the transmission of e-mails not composed by the sender (such as rejecting to forward an e-mail received by the subscriber to the third party); or they may maintain a blacklist of e-mail servers (that is rejecting to take in e-mails sent from blacklisted servers); or they may limit the quantity of e-mails sent from prepaid accounts. As these measures are implemented by individual ISPs, the OFTA does not have the exact figures for such combating actions.

- (c) The OFTA and the Office of the Privacy Commissioner for Personal Data (OPCPD) have so far received no complaint of such nature.
- (d) The HKISPA published a code of practice on 15 February this year and the code has gained the general support of the industry. The OFTA is actively and closely liaising with the Association on the implementation of the code and it plans to review the relevant measures with the OPCPD, the industry and the community around early next year after the code has been put in place for some time.
- (e) Further to assisting the HKISPA in the preparation of the code, the OFTA will keep close contact with the Association to encourage the industry to exercise self-discipline, observe the relevant industry code and take precautionary measures to curb e-mail spamming. In addition, the OFTA will enhance publicity efforts to educate Internet service users on how to avoid spam messages and lodge their complaints.

**Complaints about Unpleasant Smell in Toilets of New Airport**

11. **MISS EMILY LAU** (in Chinese): *Madam President, will the executive authorities inform this Council whether they know:*

- (a) *the number of complaints about the unpleasant smell in toilets received by the Airport Authority (AA) each month; since the opening of the Hong Kong International Airport at Chek Lap Kok;*
- (b) *the means employed and the amount of money spent by the AA to tackle the problem;*
- (c) *if the AA has considered installing fresh air units in the toilets; if it has not, of the reasons for that;*
- (d) *if the AA plans to carry out toilet improvement works; if it has, of the relevant details and the budget involved; and*
- (e) *when the problem is expected to be fully solved?*

**SECRETARY FOR ECONOMIC SERVICES** (in Chinese): *Madam President, having consulted the AA on the question asked by the Honourable Emily LAU, my reply is as follows:*

- (a) In the first two months after the opening of the Hong Kong International Airport (that is, July and August 1998), the AA received respectively seven and 14 complaints about unpleasant smell in toilets. In nine out of the subsequent 27 months, no complaint was received. In the remaining months, the number of complaints received each month varied between one and four.
- (b) The unpleasant smell in some toilets in the airport is caused by heavy usage resulting in inadequate ventilation, as well as the materials used for the fixtures and flooring, which have reduced the effectiveness of cleansing work. The AA is carrying out modification works to the toilets, in order to address the matter.

Improvement works to toilets in the Passenger Terminal Building have been carried out since 1999. Works conducted so far include:

- improving ventilation by modifying the duct work and adding booster fans;
- adding air-conditioners to dehumidify toilet areas;
- installing larger urinals;
- increasing the volume and flow of flushing water; and
- using higher density granite flooring beneath the urinals for more effective cleansing.

The Phase 1 improvement works, covering 19 most heavily used public toilets, have been completed at a total cost of \$3.5 million.

- (c) The AA has conducted trials in one of the toilets to assess the effectiveness of three different types of air purifiers. It has also conducted a survey before and after the installation of the air purifiers, and found that their effectiveness had not been apparent.
- (d) With the completion of the Phase 1 improvement works, Phase 2 is currently under way to modify 34 less heavily used public toilets and office toilets. Phase 2 is scheduled for completion in the first quarter of 2001 and is estimated to cost \$4.1 million. Works to be covered are similar to those covered under Phase 1.
- (e) The improvement works being undertaken will rectify most of the current shortcomings in the toilets. Nevertheless, having regard to the relatively small size of some of the toilets, the AA is looking into the feasibility of enlarging or providing additional toilets to meet demand in selected areas (particularly in the arrival public area). The works will be carried out in phases and are expected to be completed within the next two years.

**Drug Abuse Among Adolescents**

12. **MR LAU KONG-WAH** (in Chinese): *Madam President, according to the latest information from the Narcotics Division of the Security Bureau, the number of adolescent psychotropic drug abusers has increased by 38% over last year. In this connection, will the Government inform this Council:*

- (a) *in terms of quantity, of the five most popular types of psychotropic drugs abused by adolescents last year and their respective side effects;*
- (b) *of the measures in place to help adolescents know more about the composition and side effects of the drugs, and whether such measures include distributing information pamphlets or holding talks both inside and outside schools; and*
- (c) *whether, in order to assist front-line social workers in counselling adolescent abusers, it has regularly provided them with comprehensive and up-to-date information on psychotropic drugs as well as other forms of support from time to time?*

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

- (a) According to the information provided by the Central Registry of Drug Abuse, the five most commonly abused psychotropic substances, in order of extent of abuse by adolescents during the 12 months from the second half of 1999 to the first half of 2000 are ecstasy, cannabis, ketamine, "ice" (methamphetamine) and cough medicine.

The side effects of these drugs are as follows:

ecstasy:                   dehydration, exhaustion, muscle breakdown, overheating, convulsion, collapse.

Cannabis:               disoriented behaviour, impaired judgement, bronchitis, conjunctivitis, endocrine disorders.

Ketamine: drowsiness, dizziness, sedation, depression, loss of memory, impaired cognitive functioning.

"Ice": insomnia, depression, toxic psychosis loss of appetite, heart and kidney failure

Cough Medicine: dependence, respiratory depression, toxic psychosis, constipation, loss of appetite, dizziness.

- (b) The Narcotics Division produces and regularly updates information materials on drugs, including publicity posters disseminating anti-drug messages, a drug wall chart setting down the properties as well as side effects of different kinds of commonly abused drugs with pictures of the drugs described, and leaflets on drug refusal skills. In view of the recent rising trend of psychotropic drug abuse, the Narcotics Division has produced a series of detailed information leaflets on individual psychotropic substances, which are distributed to adolescents, teachers and parents at various preventive education and publicity activities. With high-risk youth as the target, post cards on the properties and harmful side effects of commonly abused drugs are also being produced. It is planned that such materials would be displayed in places where adolescents love to linger such as party venues, bars and music stores for distribution.

Educational activities in schools include drug talks held by the Narcotics Division and non-government organizations to students ranging from Primary Five to secondary. The message focuses on dispelling the common misconceptions about drugs, refusal skills and the side effects of drug abuse. In recent years, the Narcotics Division has further strengthened the contents of these talks by integrating more information on the harmful effects of commonly abused psychotropic substances. In 1999, the programmes organized and co-organized by the Division amounted to 1 017, reaching out to over 85 000 students and parents.

The Education Department has integrated drug education topics into various subjects through the formal school curricula such as the teaching of General Studies at primary level. A cross-curricular approach is adopted for secondary schools in which drug education is implemented through the teaching of various subjects. A set of display panels with anti-drug messages are produced for school programmes and are available on loan for use by schools and other organizations.

In view of the popularity of the Internet among young people, the Narcotics Division has updated its homepage and introduced interactive games to attract the attention of young people. Promotional activities involving schools were also organized, such as Essay and Drawing Competitions and an inter-school quiz for primary schools. The Division's work is also enhanced through the expansion of the Anti-drug Volunteer Group and increased recruitment of young volunteers. Drug education programmes are also co-organized with youth organizations such as at the Scout Association of Hong Kong and Hong Kong Girl Guides Association to disseminate the harmful effects of psychotropic substances through the "train-the "trainer" approach.

In June this year, a drug information resources centre was opened. Its facilities include a library, a multi-purpose room and also a computerized on-line system to encourage young people to know more about the harmful effects of drug abuse. Drug talks and other activities are held to support workers in the anti-drug field. From its opening in June until now, over 1 000 people including students and adolescents have visited the centre. More than 150 people have joined as volunteers and offered help in the centre's operation and organization of anti-drug activities.

- (c) A drug seminar is conducted annually for front-line social workers to update them on the latest trend in drug abuse and information on the types of drug commonly abused. The Government Laboratory

has enhanced its communication with social workers through regular publications to brief them on the analytical information of newly seized drugs. Furthermore, the Social Welfare Department (the Department) organizes training programmes for front-line social workers regularly to equip them with relevant counselling skills and updated information on their work. In 1999-2000, the Department organized 11 training courses and seminars with a total attendance of over 400. The Department also produced a video tape on "How to Help Your Children to be Drug-free" with user guide to facilitate social workers in rendering counselling effectively. The aforementioned drug information resource centre also provides support for front-line social workers in implementing anti-drug youth activities.

### **Promotion of Research and Development in Science and Technology**

13. **MR KENNETH TING** (in Chinese): *Madam President, it was reported that, according to the study of the Organization for Economic Co-operation and Development, Hong Kong's expenditure on research and development (R&D) in science and technology, which accounts for only 0.25% of its Gross Domestic Product, ranks 40th among the 47 major territories in the world. Moreover, it is estimated that on average, only 1.5 in 1 000 persons in the territory are engaged in R&D in science and technology. This ratio is lower than those of its major competitors such as Taiwan and Singapore. In this connection, will the Government inform this Council:*

- (a) *of the measures to encourage more people to join the science and technology sector, and to strengthen the training provided to them in order to enhance their quality; and*
- (b) *whether it will allocate more resources for researches in science and technology and consider establishing an agency, which consists of scientists and technologists, responsible for formulating policies on science and technology and co-ordinating the work of the relevant research institutions and government departments?*

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

- (a) The Government of the Hong Kong Special Administrative Region actively promotes innovation and research and application of technology after the handover. At the same time, the economy of Hong Kong has undergone a fundamental change in the light of the age of information technology. Both the community and enterprises now accept that Hong Kong must strive to become a knowledge-based new economy. Such change in the atmosphere of the community as well as the culture and strategy of enterprises has increased market demand for technology, in particular demand for talents in the information technology sector and for development of technology-based products.

On the other hand, the Government has introduced a number of direct measures to encourage people to engage in the science and technology sectors. The Innovation and Technology Fund (ITF), launched at the end of last year, aims at facilitating universities and enterprises to carry out more applied R&D activities. Apart from contributing to technology upgrading, these projects will increase the demand for researchers and in turn encourage more people to engage in the science and technology sectors, either directly or indirectly. Besides, the newly established Applied Science and Technology Research Institute will provide more opportunities for aspiring graduates to obtain industrial research training, thus encouraging them to engage in the technology sectors.

As for promoting technological entrepreneurship, the Small Entrepreneurship Research Assistance Programme under the ITF provides pre-venture capital funding on a matching basis to small, technology-based and entrepreneurship driven companies to undertake projects with innovative and technology content, thereby increasing their chance of successful development of new products, new processes or new services. The Programme has provided funding support to 34 companies since its launch at the end of last year. In addition, the Hong Kong Industrial Technology Centre Corporation operates an incubation programme to nurture technology start-ups by providing them with support in

infrastructure, finance, management and marketing in their critical initial years of operation.

As regards training, the University Grants Committee (UGC) will increase the number of places for research graduates by 20% in the triennium from 2001-02 to 2003-04. Institutes funded by the UGC will establish close linkage with the industry through their respective consultative committees which comprise industry representatives. Taking into account the needs of the industry and the community, the institutes will adjust the content and the number of places for individual courses to ensure that both the quality and the number of graduates can address the needs of Hong Kong's economic development. At the same time, the New Technology Training Scheme administered by the Vocational Training Council provides financial assistance to employers to train their staff in a new technology that would be useful to their businesses. Up to end October, the Scheme has approved over 9 000 applications involving a total of \$42 million.

- (b) The \$5 billion ITF was launched at the end of last year to support applied R&D activities in Hong Kong. We shall constantly review the operation of the ITF to ensure that sufficient resources is available to support applied R&D activities.

We have also strengthened the institutional framework within the Government for better support of innovation and technology development in Hong Kong. The Innovation and Technology Commission within the Commerce and Industry Bureau is dedicated to promoting applied R&D, technology transfer and application. An inter-bureau committee, chaired by the Financial Secretary, was set up in April to steer and to ensure co-ordination among relevant government bureaux and departments in formulating and implementing policies to support innovation and technology development. At the strategic level, the Chief Executive has appointed the Council of Advisors on Innovation and Technology in April to advise and to make recommendations on matters related to innovation and technology so as to optimize their contribution to Hong Kong's economic development. The Council comprises leading figures, either locally or from overseas, in their respective

fields which cover the academia, finance, economics, electronic engineering, telecommunications and biomedical engineering.

### **Provision of Double Taxation Relief for Financial Services**

14. **DR DAVID LI:** *Madam President, regarding the Government's efforts to reach agreement with Hong Kong's trading partners for relief from double taxation on financial services, so as to promote Hong Kong as an international financial centre, will the Government inform this Council:*

- (a) of the countries or territories with which it has reached agreement; and*
- (b) of the countries or territories with which it is currently undergoing negotiations and the status thereof?*

**SECRETARY FOR THE TREASURY:** President, in the 1999-2000 Budget speech, the Financial Secretary has announced, as one of the helping business initiatives, to negotiate double taxation agreements (DTAs) with trade and economic partners with a view to minimizing exposure of the respective residents to double taxation. We have, since mid 1998, approached 19 countries through their respective consulates in Hong Kong, inviting them to consider negotiating a comprehensive DTA with Hong Kong. In line with our objective of maintaining a non-discriminatory tax regime for businesses, we are proposing to conclude a comprehensive DTA, which covers double taxation relief provisions for all types of businesses, including financial services.

The countries which we have approached include Australia, Bahrain, Bangladesh, Belgium, Canada, Chile, Denmark, Germany, Hungary, Japan, Malaysia, the Netherlands, the Philippines, Russia, Singapore, South Africa, Thailand, the United Kingdom and the United States. Most countries which we approached on our own initiative are important trading entities in the world with good economic and trade relations with Hong Kong, while the others are those which we approached in response to their request to have a DTA with Hong Kong.

Of these countries, Denmark, Hungary, Russia, South Africa and Thailand have expressed interest in having a comprehensive DTA with Hong Kong. We have scheduled to have the first round of meeting with Denmark on a comprehensive DTA in early 2001. Negotiations with the other countries will be scheduled once we have analysed our respective DTA texts and agreed on mutually convenient meeting arrangements.

Apart from these countries, a few of the governments we have approached, such as Malaysia and Singapore, have only indicated interest in a limited DTA on shipping and airline profits. For some others like Germany, the Netherlands and the United Kingdom whose air services agreements with us already include avoidance of DTAs on airline profits, the negotiations would be confined to shipping profits only. We have been negotiating with these countries on such basis, with the Economic Services Bureau taking the lead. In fact, free-standing DTAs on shipping profits were signed with the Netherlands and the United Kingdom earlier this year.

The response to our invitation for negotiation of a comprehensive DTA from most of our major trading partners, especially those belonging to the Organization for Economic Co-operation and Development, has not been very enthusiastic. As we understand, it is mainly because, most of them do not consider it imminently important to have a DTA with Hong Kong, since our low tax rates, as well as our simple, predictable and territorial-based tax regime are considered sufficiently conducive to the mutual flows of investments even without a DTA.

We believe that a comprehensive DTA will provide certainty to investors on their potential tax liabilities and help investors to better assess their cost of doing business. For Hong Kong investors abroad, a DTA can provide some relief from withholding taxes. A DTA will also strengthen our economic ties with the agreement partners. We will, therefore, continue with our efforts in persuading our trading partners to consider having a DTA with Hong Kong.

### **Regulation of Health Food Products**

15. **DR LO WING-LOK** (in Chinese): *Madam President, will the Government inform this Council of the following in each of the past five years:*

- (a) *the quantities of imported food products claiming to be "health" food and their major places of origin;*
- (b) *the amount spent by the public on various kinds of "health" food products; and*
- (c) *whether, in respect of "health" food products with untrue efficacy claims and other related problems, it has instituted prosecution against persons acting as agents or responsible for the import, export, sale and promotion of those products; if it has, of the details of the prosecuted cases?*

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

- (a) The Government does not have such data.
- (b) The Government does not have such data.
- (c) The Public Health and Municipal Services Ordinance (Cap. 132) stipulates that the manufacturers and sellers of food must ensure that their products are fit for human consumption. The Food and Environmental Hygiene Department (FEHD) will issue a warning or advisory letter to any trader of a health food product suspected of carrying descriptions which are false or misleading in terms of the nature, substance, or quality of the food product. If the trader does not take any action to rectify the problematic descriptions, the FEHD will consider prosecuting the trader. Since 1 January 2000, the FEHD has issued 20 warning or advisory letters. All the traders concerned withdrew the product from the market and rectified the problematic descriptions.

To address public concerns over the many claims now advertised in the market, the Health and Welfare Bureau will study in 2001 the feasibility of developing a statutory framework to monitor and regulate health claims.

**Calculation Method for Workdays Lost Due to Labour Disputes**

16. **MR LEUNG FU-WAH** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the calculation method in respect of the number of days lost through work stoppage due to labour disputes; and*
- (b) *whether the figure includes the number of days of work stoppage relating to labour disputes not handled by the Labour Department?*

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

- (a) In calculating the "total number of days lost due to work stoppage", the Labour Department will take the number of employees affected by each of the labour dispute cases involving work stoppage due to strikes or lockouts (that is, workplaces closed down or employees suspended from employment as a result of labour disputes) and multiply it by the number of working days lost in each case (work stoppage of less than one day will be calculated on a pro rata basis), and then add up the numbers of days lost in all these cases to obtain the "total number of days lost due to work stoppage". This method of calculation is commonly adopted in other places.

In the 12 months between September 1999 and August 2000, the total number of days lost through work stoppage was only 1 071 or 0.35 working days per 1 000 wage earners and salaried employees. The figure is among the lowest in the world.

- (b) Generally speaking, most employers and employees would approach the Labour Department for conciliation service in labour dispute cases involving strikes or lockouts. In addition, when the Labour Department learns that a labour dispute has occurred or is developing, it will take the initiative to approach the employer and employees concerned to help them resolve the problem they

encounter. Hence, the majority of the labour disputes involving strikes or lockouts are handled by the Labour Department and the figure of "working days lost due to work stoppage" as recorded by the Department should be an accurate reflection of the general labour relations scene.

### **Search for Missing Teenager YU Man-hon**

17. **MISS EMILY LAU** (in Chinese): *Madam President, regarding the search for the missing teenager YU Man-hon, will the executive authorities inform this Council whether:*

- (a) *they will consider allocating funds for buying air time of mainland television stations to broadcast search messages for YU Man-hon;*
- (b) *they will consider allocating additional funds for the same purpose after the \$200,000 earmarked for placing search notices in the mainland printed media is used up; and*
- (c) *they will make public the names of officers of the Immigration Department who have been found at fault?*

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

- (a) Ever since we learned that YU Man-hon was removed to the Mainland, we have endeavoured to appeal for reports on the whereabouts of Man-hon through various media and means. Newspapers, radio and television stations in Shenzhen and Guangdong have given wide coverage on the disappearance of Man-hon. The China National Radio has agreed to broadcast another round of appeals in its South China channels, which cover the Guangdong and Fujian Provinces, the Guangxi Zhuang Autonomous Region, the Hong Kong and Macau Special Administrative Regions as well as areas south of the Changjiang River. ATV has been broadcasting appeal messages which can be

seen by viewers in Hong Kong and the South China region. Paging services and mobile phone companies in Hong Kong/the Mainland have also been requested to disseminate messages on the search for Man-hon. The Immigration Department has assisted in providing Man-hon's family with more than 350 000 appeal posters. It is our aim to widely disseminate the news through the most effective means.

There is no precedent or established practice for the Government to allocate funds for buying air time in local, overseas or mainland television stations to broadcast search messages; or for placing search notices in the print media. In view of the exceptional circumstances in YU Man-hon's case, and in the light of the request of Mrs YU and the views and support given by members at the Panel on Security meeting on 24 October, we have earmarked a sum of \$200,000 for placing search notice in the mainland media. As to whether there is a need to buy air time of mainland television stations to broadcast the search news, or whether part of the reserved funds should be used for such purpose, we will consider the matter after seeking the views of Man-hon's family.

- (b) The current allocation was made under very exceptional circumstances. We do not have any plan to allocate additional funds for the purpose. With regard to the course of actions to be taken after the fund is used up, we will discuss with the YU family before making appropriate arrangements.
- (c) In his reply to a question raised by the Honourable Miss Emily LAU on 22 November, the Secretary for the Civil Service has already explained the reasons for not disclosing the names of the civil servants who are subject to disciplinary actions.

Disciplinary proceedings in the Civil Service are conducted in accordance with the principles of natural justice (including the rule against bias and the right to a fair hearing) and with due respect for an individual's rights as enshrined in the Bill of Rights Ordinance. The system has been designed to ensure that management actions

and punishment are commensurate with the gravity of the misconduct, and appropriate to achieve the desired deterrent effect. In line with these principles and as the long-standing practice in the Civil Service, we do not, as a general rule, disclose the personal data of officers subject to disciplinary actions to the public. The administration of disciplinary actions is an internal matter. Disclosing the names of the concerned persons may lead to a public trial of the officers and will prejudice the disciplinary proceedings by depriving them of their right to a fair hearing. The Government, as any other data user, must comply with the provisions of the Personal Data (Privacy) Ordinance. Under normal circumstances, without the prior consent of the data subject, it is against the law to disclose the personal data of the officers subject to disciplinary actions for use other than for the purposes for which the data are collected.

Due to the above reasons, we will not disclose the personal information of the officers who have been proved to be at fault in the YU Man-hon incident. This however will not affect the public's understanding of the incident. On 21 September 2000, the Security Bureau released the investigation reports of the Immigration Department and the police, together with the recommended improvement measures. The Security Bureau and the two departments gave a full briefing to the Legislative Council Panel on Security on the follow-up actions taken at the Panel meeting held on 24 October.

### **Safety of Drugs Containing Phenylpropanolamine**

18. **MR LAU KONG-WAH** (in Chinese): *Madam President, it was reported that the Food and Drug Administration (FDA) of the United States had decided to legislate against the use of phenylpropanolamine (PPA) in drugs. In this connection, will the Government inform this Council:*

- (a) *of the drugs containing PPA which are being sold in Hong Kong; the side effects of such drugs on people, and whether relevant indications are marked on the package of such drugs;*

- (b) *whether any reports have been received over the past three years concerning the side effects of these drugs on people; and*
- (c) *whether the Administration will make reference to the relevant study report of the FDA and consider legislating against the sale of such drugs; if not, of the reasons for that?*

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

- (a) Pharmaceutical products containing PPA have been in use for more than 20 years. There are currently about 200 registered pharmaceutical products containing PPA. Given in significant doses, PPA has been known to cause a rise in blood pressure. In a recent study conducted by United States scientists, an increased risk of haemorrhagic stroke (internal bleeding of the brain) among women using PPA was detected. PPA is currently controlled as a Part I poison (that is, Part I of the Poisons List of the Poisons List Regulations) under the Pharmacy and Poisons Ordinance (Cap. 138), which means that all pharmaceutical products containing it must be sold by authorized sellers of poisons (that is, dispensaries) under the supervision of a registered pharmacist. Products containing PPA are required to provide information on its side effects in the package insert. Moreover, products containing PPA on sale in Hong Kong must carry the statement, in both English and Chinese, on the label or in the package insert that "If you are under the care of your doctor or receiving continual prescribed medication or are pregnant then consult your doctor."
- (b) The Department of Health (DH) has not received any report of adverse reactions arising from the use of pharmaceutical products containing PPA in the past three years.
- (c) The Registration Committee of the Pharmacy and Poisons Board (PPB) considered the latest reports on the side effects of PPA, including the findings of the United States study, at its meeting on 24 November 2000. The Committee concluded that the association of PPA with haemorrhagic stroke is significant only when PPA is

used in appetite suppressant products, the use of which is often on a long-term basis. Accordingly, the Committee decided to deregister all such products, namely:

Bolarmine Capsule

Diet-B Capsule

Slimonin Capsule

The DH has informed the manufacturers of the three products of the Committee's decision, which will take effect on 23 December 2000 (at the lapse of the four-week statutory period for the lodgement of an appeal against the decision, if any). Meanwhile, these manufacturers are requested to immediately recall the three products from dispensaries and doctors' clinics, and the public is advised to cease using them and to consult their doctors or pharmacists for alternative treatment.

The Registration Committee has also recommended to the PPB that the control of cough-and-cold remedies containing PPA should be tightened by including them in the First Schedule of the Pharmacy and Poisons Regulations. This means that every time a pharmacist sells such products, he must make a record of the sale, sign it and also require the customer to sign. Subject to the PPB's decision, the relevant amendment regulation providing these additional control measures will be submitted to the Legislative Council for approval.

The Registration Committee has also decided that labelling of these remedies should be revised to limit the dosage to no more than 100 mg of PPA daily. Manufacturers are also required to strengthen the warning section in the product literature, including a warning not to use the product as an appetite suppressant. Manufacturers are given a grace period of two months to effect the necessary changes.

The DH has individually informed all registered doctors, pharmacists, dentists and dispensaries of the above. They are also advised to supply or use pharmaceutical products containing PPA with caution.

**Rental Policy for Commercial Premises in PRH Estates**

19. **DR TANG SIU-TONG** (in Chinese): *Madam President, regarding commercial premises in public rental housing (PRH) estates, will the Government inform this Council whether it knows:*

- (a) *the respective vacancy rates of commercial premises in PRH estates of the Housing Authority (HA) and the Housing Society (HS), and how such vacancy rates compare to those for the past two years;*
- (b) *the criteria adopted by the HA and the HS for determining the rent of commercial premises, as well as the considerations and their respective weightings in the formulation of such criteria;*
- (c) *if the HA's new rent policy, which is based on its recent decision to peg the rent of commercial premises in new PRH estates to the occupancy rate in these estates, applies to the tenants of commercial premises in existing PRH estates; and*
- (d) *as tenants of nearby PRH estates may also patronize the commercial premises in new PRH estates, the HA's reasons for not taking into account the number of existing households in nearby estates in calculating the rent of commercial premises in new PRH estates?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, the average vacancy rates of commercial premises in PRH estates of the HA and the HS in the past three years are shown at Annex.

Both the HA and the HS adopt prudent commercial principles in determining the rents of commercial premises. Factors including location, size, layout and trade designation of the premises, together with pedestrian flow and facilities in estates, are considered. No specific weighting is attached to each factor.

Under the HA's new rent policy, during the first three years of the first letting of a commercial unit in a new estate, the rents of all commercial premises in that estate may be adjusted downwards if the intake of residential flats is slower than originally indicated. This policy also applies to existing estates.

As pointed out in the second paragraph, pedestrian flow is a factor in determining rents of commercial premises. As the number of households in nearby estates affects the pedestrian flow, it is also taken into account in rent determination.

Annex

Vacancy rates of commercial premises in  
PRH estates of the Housing Authority and the Housing Society

	1998	1999	2000 (January to September)
Housing Authority	4.4%	4.1%	4.8%
Housing Society	4.8%	5.2%	4.8%

**Public Processions and Demonstrations**

20. **MRS SOPHIE LEUNG** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the number of processions and demonstrations held by members of the community in public places in each of the past five years and, among them, the number of those held without prior notice being given to the police as required by law; and*
- (b) *the annual expenditure incurred by the Government in maintaining order during public processions and demonstrations?*

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

- (a) According to police records, the number of public meetings and public processions held in the past five years and, among them, the number of those held without giving prior notice to the police in accordance with the law are as follows:

	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000 (up to October)</i>
Total number of public meetings and processions held	1 008	1 190	2 247	2 326	1 691

	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000 (up to October)</i>
Total number of public meetings and processions held without giving prior notice to the police in accordance with the law	not available	not available	126	183	107

- (b) The police do not keep a separate account for the expenditure incurred in maintaining order during public meetings and public processions. The cost is included in the total expenditure for maintaining law and order in the districts concerned. As the number and rank of officers to be deployed for each event will depend on the circumstances of each case including the nature and location of the event, the number and mood of the participants and any other relevant factors, it is impossible for the police to make any meaningful estimation for the annual cost incurred for manning these activities.

## **BILLS**

### **First Reading of Bills**

**PRESIDENT:** Bills: First Reading.

**SECURITIES AND FUTURES BILL****BANKING (AMENDMENT) BILL 2000**

**CLERK** (in Cantonese): Securities and Futures Bill  
Banking (amendment) Bill 2000.

*Bills read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.*

**Second Reading of Bills**

**PRESIDENT** (in Cantonese): Bills: Second Reading.

**SECURITIES AND FUTURES BILL**

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I move the Second Reading of the Securities and Futures Bill.

Today I am glad to introduce the Securities and Futures Bill into the Legislative Council. The Bill is important as it represents a new milestone for our work to reform the securities and futures market.

The Financial Secretary announced in his Budget speech in March 1999 that the Administration would implement a three-pronged reform for the securities and futures market of Hong Kong. As at today, the merger of the exchanges and clearing houses and the listing of the new company so merged has been completed. Various proposals relating to the establishment of the financial infrastructure in Hong Kong and the establishment of a fully electronic securities and futures market are currently underway. After a year-long consultation, the part of the reform involving changes to the legislative reform is now enshrined in the Securities and Futures Bill. I hope Members would accord priority to scrutinizing the Bill so that the overall reform could be accomplished as soon as possible.

There are currently 10 ordinances governing the securities and futures market, as follows:

- Securities and Futures Commission Ordinance;
- Commodities Trading Ordinance;
- Securities Ordinance;
- Protection of Investors Ordinance;
- Stock Exchanges Unification Ordinance;
- Securities (Insider Dealing) Ordinance;
- Securities (Disclosure of Interests) Ordinance;
- Securities and Futures (Clearing Houses) Ordinance;
- Leveraged Foreign Exchange Trading Ordinance; and
- Exchange and Clearing Houses (Merger) Ordinance.

The purpose of the Securities and Futures Bill is to consolidate and modernize the above legislation relating to financial and investment products, regulation of the securities and futures market, and the protection of investors.

The main objective of the Bill is to set up an effective regulatory regime for the development of a fair, orderly and transparent market to promote market confidence, secure appropriate investor protection, reduce market malpractice and financial crimes, and facilitate innovation and competition.

In finalizing the relevant proposals and drafting the provisions, we have followed the following principles: first, the new regime should be on par with international standards and compatible with international practices, with necessary adjustments to address local characteristics; second, a reasonable balance should be struck between protecting investors and facilitating market development; third, procedures and processes should be simplified and made user-friendly wherever possible to minimize the regulatory burden; fourth, the exercise of regulatory powers should be subject to adequate checks and balances; lastly, there should be a smooth transition from the existing to the new regulatory framework.

The Securities and Futures Bill is divided into 17 Parts. It establishes the regulatory objectives, functions and the constitutional framework of the Securities and Futures Commission (SFC); stipulates the regulatory and investigative powers and operational procedures of the SFC; specifies the regulatory framework covering, among other things, the exchanges, clearing houses, investment products and intermediaries. The Bill also empowers the SFC to take disciplinary actions against licensees and exempt persons; establishes the Securities and Futures Appeals Tribunal; set up a framework for investor compensation; establishes a Market Misconduct Tribunal and criminalizes market misconduct; and upgrades the regime for disclosure of securities interests.

We have published the Securities and Futures Bill in the form of a White Bill in April for public consultation. The response has been most positive. Respondents generally recognize the need for reform and support its broad direction, including:

- the introduce of a single licensing regime to streamline the regulatory framework for intermediaries and to upgrade the quality of intermediary services for better protection of investors;
- levelling the playing field for SFC-licensed brokers and the securities arms of exempt banking institutions;
- establishing the Market Misconduct Tribunal to maintain the order of the financial market; and
- upgrading the regime for disclosure of securities interests to enhance the quality of information disclosed and market transparency.

Respondents also welcome the proposed safeguards, including the establishment of the Securities and Futures Appeals Tribunal and the Process Review Panel.

The Bill sets up a single licensing regime, under which an intermediary will need only one single licence to engage in activities concerning securities, future contracts and other investment products regulated by the SFC. This proposal will help reduce administrative costs and burdens, and meet the needs of future market developments. Existing registered persons will have two years to migrate to the new licensing regime on commencement of the new legislation.

Furthermore, to enhance investor protection, we have introduced into the Bill a "management responsibility" concept and specified the persons who are required to apply to the SFC to become "responsible officers". Without affecting the overall effectiveness of the regulatory regime, we have adjusted the penalty maxima for a number of offences under the licensing regime. In the light of practical constraints faced by intermediaries, we have also extended the statutory time limits for compliance with certain licensing requirements.

Furthermore, the Bill empowers the SFC to impose civil fines to punish improper conduct by intermediaries to reflect in a more proportionate manner the severity of the misconduct. The maximum fines will be \$10 million or three times the amount gained or loss avoided.

Madam President, at present, authorized institutions such as banks, which conduct securities businesses, are already supervised by the Hong Kong Monetary Authority (HKMA) under the Banking Ordinance. Under the Bill, the SFC will act on the advice of the HKMA in deciding whether or not to continue to grant the exempt status to these authorized institutions. The HKMA will also introduce new measures to strengthen the regulation of the securities arms of banks. This will better protect investors, minimize regulatory overlap thereby reducing unnecessary regulatory costs, and level the playing field between the securities arms of banks and SFC licensees.

The HKMA will remain the front-line regulator and will perform its regulatory functions, in relation to the securities arms of banks, in a manner and according to standards that are consistent with those applied by the SFC to its licensees. In this respect, the Bill vests in the HKMA necessary powers for the day-to-day supervision of the securities arms of banks. Necessary amendments will also be made to the Banking Ordinance to enable the HKMA to perform relevant regulatory functions. When I move the Second Reading of the Banking (Amendment) Bill later, I will highlight its major provisions.

The new regulatory framework will be underpinned by a revised Memorandum of Understanding to be drawn up between the SFC and the HKMA.

The Bill creates an alternative civil route to the existing criminal route for dealing with certain forms of market misconduct. It will build on the strength of the Insider Dealing Tribunal which already provides a means of dealing with

insider dealing, and expand it into a Market Misconduct Tribunal (MMT) to handle, in addition to insider dealing, five other types of market misconduct, including price rigging in securities or futures contracts and stock market manipulation, on the civil standard of proof and using civil procedures. The MMT may, by way of civil sanctions, order payment of the profit gained or loss avoided, restrict a person's access to the markets, and disqualify a person from being a director or other officer of any corporation, and so on.

As an increased deterrent and to punish market misconduct, the Bill will retain, modernize and expand the existing criminal regime to deal with market misconduct where there is sufficient evidence that a criminal offence has been committed by an identifiable person, that there is a reasonable prospect of a conviction, and that it is in the public interest to bring a prosecution. Insider dealing and five other types of market misconduct will be made criminal offences. The Bill sets the maximum penalty for criminal offences of market misconduct at a fine of \$10 million and 10 years' imprisonment. In response to comments from the Legislative Council Subcommittee on the White Bill, we have, where appropriate, extended the civil sanctions to the criminal regime to better protect investors and market participants.

The Bill seeks to enhance market transparency by promoting timely and accurate disclosure by listed corporations of price sensitive information to assist investors in assessing risks and returns and making informed investment decisions.

Specifically, to bring Hong Kong in line with international standards, the Bill will lower the initial shareholding disclosure threshold for persons other than directors and chief executives from 10% to 5%; and shorten the disclosure notification period in most cases from five days to three business days. These proposals are welcomed by the market.

In response to calls from listed corporations in the light of their past market experience and to cater for local characteristics, the Bill also proposes to extend certain disclosure requirements to short positions, unissued shares and cash-settled derivative products to provide investors with more complete market information.

Through in-depth discussions with market participants, we have struck a reasonable balance between enhancing market transparency and facilitating

market development. The Bill compresses the level of details to be disclosed and provides exemptions under certain circumstances, but preserves the requirements to disclose essential data to enable investors to have a clearer picture of the major shareholding positions in listed corporations.

The existing compensation funds for the Stock Exchange of Hong Kong and the Hong Kong Futures Exchange respectively are derived partly from deposits paid by the exchange participants and partly from statutory transaction levies. The compensation ceilings are set at a per broker level. Individual investors are not certain of the level of protection for them.

We have included in the Bill a flexible framework for the establishment of a new investor compensation scheme. The SFC has commissioned a consultancy study and will put forward detailed proposals for public consultation. Detailed rules for the operation of the new compensation scheme, including the per investor compensation ceiling, will be stipulated in subsidiary legislation.

The Bill has preserved all existing accountability arrangements and created additional checks and balances to guard against possible abuse of powers. One notable measure of accountability is the inclusion of the SFC's regulatory objectives in the Bill, which will serve as benchmarks by which the public and the industry will be able to measure the SFC's performance.

Other safeguard measures include the establishment of a Securities and Futures Appeals Tribunal and a Process Review Panel. In particular, the Process Review Panel was established earlier this month. Membership of the Panel is drawn from experienced brokers, listed companies, the academia, banks, and the legal and accountancy professions. We believe that the Panel is broadly represented and is well placed to review the operational procedures of the SFC.

The Bill provides for a framework of regulatory arrangements that are flexible enough to meet changing market needs. Relevant subsidiary legislation, codes and guidelines are being prepared in parallel and will be released for public consultation while the Bill is being examined by this Council in order that the Bill can be implemented as soon as possible.

With the globalization of financial services, there is an imminent need for reform to meet the challenges brought by increasing competition. We have indeed travelled a long way here:

- in 1996, the SFC published a draft bill for public consultation, but there was then no market consensus;
- in mid-1999, we started a new round of consultation on the major policy proposals of the Bill; and
- in early April this year, we published the Securities and Futures Bill as a White Bill to consult the market on the detailed provisions of the Bill. The intensive consultation exercise has proven to be very useful as it helps ensure that the proposals in the Bill are practical and would not impose a heavy compliance burden on market practitioners.

Discussions on the legislative reform are now rather advanced. We will continue our dialogue with the market on the detailed provisions of the Bill. The Administration is determined to proceed with the reform and there is general consensus in the market. I look forward to Members' support for the Bill so that the reform proposals could be put into operation as soon as possible.

Madam President, early enactment of the Securities and Futures Bill would help the securities and futures market to fully perform its capital markets function, and consolidate Hong Kong's position as an international financial centre and the premier capital formation centre for mainland China. To maintain Hong Kong's competitiveness as an international financial centre and to better protect investors, I sincerely appeal for Members' support to pass the Bill as quickly as possible.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Securities and Futures Bill be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

**BANKING (AMENDMENT) BILL 2000**

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I move the Second Reading of the Banking (Amendment) Bill 2000 (the Bill).

As I pointed out in moving the Second Reading of the Securities and Futures Bill a moment ago, with the introduction of a new licensing regime for intermediaries regulated by the Securities and Futures Commission (SFC), it is necessary to make corresponding changes to the Banking Ordinance to enhance the regulatory functions of the Hong Kong Monetary Authority (HKMA) in relation to the securities business of authorized institutions that are exempt under the Securities and Futures Bill.

Our guiding principles in developing this new regulatory framework are to provide, as far as possible, adequate protection to investors, minimize regulatory overlap thus reducing unnecessary regulatory costs, and level the playing field between exempt authorized institutions and SFC licensees.

Under the scheme of co-operative supervision agreed by the HKMA and the SFC, the HKMA will remain the front-line regulator in respect of exempt authorized institutions. The HKMA will perform its regulatory functions in a manner and according to standards that are consistent with those applied by the SFC to its licensees.

The main provisions of the Bill include:

- (a) specify that the Monetary Authority's (MA) supervisory powers cover the whole of exempt authorized institutions, businesses, that is, not simply banking and deposit-taking businesses. The amendment seeks to put the MA's supervisory powers over exempt authorized institutions' "regulated activities" beyond doubt;
- (b) allow the MA to share supervisory information in relation to exempt authorized institutions' "regulated activities" with the SFC;

- (c) empower the MA to publicly or privately reprimand exempt authorized institutions which have committed misconduct. This will enable investors to better assess the quality of the "regulated activities" of the institutions with which they are dealing. As any such reprimand is specific to the related "regulated activities", depositors and other market participants are not expected to mix up the quality of the "regulated activities" of an authorized institution with its other businesses, quality of its operation and its financial soundness. The Bill also provides that the channel of appeal by authorized institutions to the Chief Executive in Council now under the Banking Ordinance will be applicable to the above reprimands;
- (d) in line with the Securities and Futures Bill, introduce a "management responsibility" concept whereby each exempt authorized institution has to appoint at least two executive officers to be responsible for directly supervising its "regulated activities". A person can become an executive officer only with the consent of the MA; and
- (e) require the MA to keep for public inspection a register of persons employed by exempt authorized institutions to act for them in respect of their "regulated activities".

The Bill seeks to strengthen the regulatory functions of the MA corresponding to the introduction of the regulatory regime by the Securities and Futures Bill, to ensure that regulation of the securities business of exempt authorized institutions is carried out in a more effective and fair manner. This will be conducive to enhancing Hong Kong's status as an international financial centre. I hope that Members will support the Bill.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Banking (Amendment) Bill 2000 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

**MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. Two proposed resolutions under the Interpretation and General Clauses Ordinance.

First motion.

**PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

**MRS MIRIAM LAU** (in Cantonese): Madam President, I move that the first motion under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed. Madam President, today I propose that the effective date of the new penalty for smoky vehicles be postponed for one year because two questions raised by me in speaking to oppose the increase of fines for smoky vehicles on 31 May 2000 are still not answered. At that time, I asked two questions: Should the transport industry be singled out to bear the responsibility of air pollution alone; and is it fair of the Government to pinpoint at this particular industry in proposing to increase the fines for smoky vehicles?

However, the slogan that "increasing the fines for smoky vehicles can solve the problem of smoky vehicles" seems to have stricken root in the minds of people. Many people blindly believe that continuously increasing the fines for smoky vehicles can continuously reduce air pollution. These last few weeks, I have received a number of e-mails of similar contents coming from different senders though. The gist of the them was that there was serious air pollution in Hong Kong and Members should never postpone the effective date of the new penalty. I believe these e-mails have put much pressure on Members. The views of these people were consistent with that of the Government but I would like to ask a question. Can an imposition of heavy fines on vehicle owners can really solve the problem of smoky vehicles?

For many years, the transport industry has been haunted by the problem of smoky vehicles. I have received many complaints that people were unreasonably issued fixed penalty tickets for smoky vehicles and spotted by smoky vehicle spotters. One example was that a diesel vehicle manufactured in 1993 had been maintained at least twice a year by a major dealer on a regular basis since rolling off the assembly line but it still had been issued fixed penalty

tickets. Another example was that a new vehicle which had been running for only three years had been issued fixed penalty tickets a few months after leaving the factory, but it had also been maintained by a major dealer's workshop. Yet another example was that a diesel vehicle was maintained by a small repair garage but it continued to emit excessive smoke despite having replaced the engine. Finally, the source of the problem was only found only upon testing by a chassis dynamometer, commonly known as a treadmill. Of course, that is also a problem with the LC3 diesel van often mentioned by Mr LEUNG Yiu-chung.

Members may find it strange why the transport industry should propose heavily penalizing users of illicit fuel by suspension of licence and responded so strongly and persisted in opposing the increase in the fine by a few hundred dollars. It is simply because many owners are not confident of resolving the smoky vehicle problem and they think that the problem is beyond their control. Therefore, they feel extremely helpless at being heavily penalized for a problem beyond their control.

However, we disregard the difficulty encountered by the transport industry and insist on penalizing it and even heavily penalizing it because we think that the existing penalty fails to achieve a deterrent effect on professional drivers and owners. As we all know, besides paying the \$450 fine, owners actually have to repair their vehicles after they have been prosecuted and they have to send the vehicles to the Environmental Protection Department (EPD) for inspection. In the meantime, the drivers and owners will not have any income and they will incur losses that are far more than \$450. Certainly, owners and drivers will not readily accept heavier penalty for they are not confident of solving the smoky vehicle problem.

I cannot help asking again if heavily penalizing the transport industry can solve the problem. We should have noted that, although the new penalty has not yet come into effect, the number of smoky taxis, light goods vehicles and minibuses have respectively reduced by 32%, 6% and 49% in the last three months compared to the same period last year. The dramatic drop in the number of smoky vehicles is definitely not caused by the fine suddenly because we have not yet increased the fine. Nor is it due to a reduced number of smoky vehicle spotters, or lazy spotters, or the police have applied a lenient hand. But why?

The answer is very simple. It is because diesel vehicles have switched to ultra low sulphur diesel and since diesel vehicles not exceeding 5.5 tonnes have been subject to chassis dynamometer tests, mechanics at vehicle repair garages who repair light diesel vehicles have gradually mastered the techniques of reducing smoke emission, and light diesel vehicles have gradually been installed with particulate traps. With a series of multi-pronged measures, this difficult problem that has long been haunting drivers and detested by the public has at long last started to ameliorate. Nevertheless, only the problem of light diesel vehicles not exceeding 5.5 tonnes has been solved.

We can see from the above examples that the long-standing problem of smoky vehicles can be attributed to the Government's failure to properly identify the source of the problem or suit the remedy to the case. But it only penalized people, thinking that penalty could be a solution to the problem. That is why the number of smoky vehicles has maintained at a high level to the detriment of public health. Today, drivers have to bear all the responsibilities because of the dereliction of duty on the part of the Government and the EPD. More importantly, the transport industry and the automobile repairs and servicing industry pointed out long ago that the quality of the automobile repairs and servicing industry varied and requested the Government to diagnose the case before it was too late so as to enhance the quality of the automobile repairs and servicing industry. Yet, the Government only evaded the problem and even gloss over its incompetence by citing a lot of figures.

In the middle of 1999, the Government introduced the chassis dynamometer test for light diesel vehicles. Initially, the compliance rate was very low, revealing that the quality of automobile repairs technicians varied and quite a number of them failed to master the techniques of vehicle tuning. Although the transport industry and I said that the quality of the repairs industry varied, nobody believed us and people even turned a deaf ear to our views and allowed the problem to persist.

An objective and strong piece of evidence is the survey conducted by the Hong Kong Productivity Council on automobile repairs garages and mechanics. The report states that the automobile repairs and servicing industry is facing a lot of difficulties and the quality of repairs technicians and automobile repairs garages vary, and they lack knowledge in complying with environmental protection laws and regulations. This objective and strong piece of evidence is not made up by me or the transport industry.

Actually, the crux of the problem has been exposed, and it is most frustrating that the Government not only tries to turn round the lens and gloss over the problem, but it also moves the lens away and diverts people's attention. The Government has even said that although the repairs technicians may not possess the formal qualifications, many of them have over 10 years' experience in automobile repairs. Thus the Government has made light of the problem to the neglect of the actual situation of the repairs industry. If there is no problem with the automobile repairs industry, I believe responsible representatives of the automobile repairs industry who boldly bear responsibilities would not have to spend time lobbying the Government time and again in the past few years, urging the Government to assist in enhancing the quality of the industry and to regulate the industry through licensing.

I believe the Government can recall that three groups representing the automobile repairs industry attended a meeting of the relevant panel of the Council. I asked the representatives whether they could assure us that vehicles that had been repaired would not emit excessive smoke within a certain period of time, even a short period of one week or one month. The representatives of two of these groups were unwilling to give such assurance while the representative of a major dealer's workshop indicated that the company was willing to give that assurance conditionally. However, he could only represent his workshop but not other major dealers. Some in the repairs industry have told me in private that the industry will only give an assurance on the vehicles passing the EPD test, but it will not guarantee that the vehicles will not emit smoke after the test. This is precisely the problem confronting owners of diesel vehicles.

I understand that these representatives of the repairs industry cannot give owners a quality assurance because they cannot practically give it. Members need only spend some time to go through the report of the Hong Kong Productivity Council to know where the problem lies. Among about 1 500 repairs garages interviewed, over 80% are small garages with less than five workers. Over 60% of the garages lack suitable instruments and over 60% of the garage technicians have not received formal training. As a matter of practice over the past decades, repairs technicians need not receive formal training and there are no objective and uniform assessment standards. How can the technicians achieve good quality? Yet, the poor quality of the services provided by them will directly affect the overall quality of repairs services.

Moreover, without suitable supervision of repairs garages by way of a licensing regime, customers will not be given quality assurance and they can only try their luck everywhere. I do not deny that there are quality workers in the industry. But how can owners identify them and make a choice? Does it mean that garages that are in magnificent shops and charge more are better? Or, as the Government has said, if one finds that a garage is not good, he should try another one until he has found the best? Hard luck if he is issued a fixed penalty ticket for excessive emission in the meantime! While plumbers, electricians, watchmen and drivers are required to apply for licences, a licensing system for the automobile repairs industry which is closely linked with safety and environmental protection has been lacking for decades.

The Government claims that it has spared no efforts against smoky vehicles, but it has been indifferent to a problem that has existed for decades. If the Government is not negligent of its duties, who is negligent of its duties? Although the Government is evidently negligent of its duties, it knows how to shirk its responsibilities and shirked them onto the transport industry. Certainly, the Government can say that it has done everything possible to help and it has already granted the industry a grace period. However, can a problem that has existed for decades be rectified immediately within a short period of time?

The greatest frustration lies in the Government's persistent evasion of the problem and attempts to mislead the public. It is an indisputable fact that the repairs standard of light diesel vehicles has been gradually improving. But has the repairs standard of heavy vehicles reached a satisfactory level as stated by the Government? According to the Government, since 99% of the heavy vehicles that have undergone smoke emission test passed the test eventually, it showed that the automobile repairs industry had more or less mastered the techniques of repairing smoky vehicles. I think the Government knows perfectly well that the so-called test for heavy vehicles are no more than stomping on the throttle pedal for three times which cannot effectively reflect the repairs standard of vehicles at all. I recall that light vehicles had a fairly high passing rate during the years of stomping on the throttle pedal for three times, but we know very well the standard of such repairs. Need I say more?

However, I would like to stress that while the problem of light diesel vehicles not exceeding 5.5 tonnes has been solved gradually, there is still no

solution for heavy diesel vehicles exceeding 5.5 tonnes because the trial use of chassis dynamometers for heavy vehicles will only begin at the end of the year. We will then know whether the technicians who repair heavy vehicles have mastered the techniques of reducing vehicle smoke. If they fail to master such techniques, just like the case of the introduction of chassis dynamometers for light diesel vehicles, the Government needs to spend some time running training courses to train up repairs personnel and organizing workshops so that all technicians can receive training. It will take at least a year for the job to be completed.

Moreover, the Government has emphasized time and again that the installation of particulate traps and catalytic converters cannot replace repairs and maintenance. This I agree. But the crux of the problem is how we can reduce vehicle smoke. This is also the thrust of levying penalty on smoky vehicles. It has been proved upon testing by the Hong Kong Polytechnic University that particulate traps can really reduce vehicle smoke by 21% to 35%, depending on the vehicle types, and particulates will at least be reduced by 30%. Furthermore, the result of preliminary testing also shows that the catalytic converters of heavy vehicles can reduce vehicle smoke by at least 20%. Pre-Euro diesel vehicles certainly need repairs and maintenance, but particulate traps and catalytic converters can really make up for the congenital deficiencies. If particulate traps and catalytic converters are not related to smoke emission as the Government has said, the Government will not have spent public money to subsidize the installation of particulate traps by pre-Euro diesel vehicles. Light diesel vehicles have gradually been installed with particulate traps and it is estimated that the installation work of all diesel vehicles will be completed by October next year. But the catalytic converters for heavy vehicles are still under testing and it is still unknown whether suitable catalytic converters can be identified for installation in dozens of different types of heavy vehicles. We need at least another year to comprehensively solve the smoke emission problem of light and heavy vehicles, I have therefore proposed postponing the implementation date of the new penalty for smoky vehicles for one year.

There are criticisms that any person who supports postponing the implementation of an increase in the fine for smoky vehicles supports pollution. I hope those who made these criticisms can do more than chanting slogans. They should also make some practical proposals that can really solve the problem. In the past few years, especially in the past year or so, the automobile repairs and servicing industry, the transport industry and some environmentalists have been

making persistent efforts in this respect. They started from a practical perspective, suited the remedy to the case, and avoided being caught in a debate over the penalty. Thanks to their effort, the problem has gradually been rectified and we have already seen the effects.

Madam President, I raised two questions at the beginning of my speech. I hope Members will consider again whether the transport industry should be singled out to bear the responsibility of air pollution alone and whether it is fair of the Government to pinpoint at the industry in proposing to increase the fine for smoky vehicles. If Members are not perfectly sure about the answers to these two questions, I urge them to give the transport industry some more time and room.

With these remarks, Madam President, I beg to move.

**Mrs Miriam LAU moved the following motion:**

"That the Resolution of the Legislative Council (L.N. 206 of 2000) (Commencement) Notice 2000, published as Legal Notice No. 286 of 2000 and laid on the table of the Legislative Council on 25 October 2000, be amended, by repealing "1 December 2000" and substituting "1 December 2001"."

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

**MR JAMES TIEN:** Madam President, firstly, I would like to speak in my capacity as Chairman of the Subcommittee formed to study the Resolution of the Legislative Council (L.N. 206 of 2000) (Commencement Notice) 2000 and the Fixed Penalty (Criminal Proceedings) (Amendment) (No. 3) Regulation. I would like to briefly report on the deliberations of the Subcommittee.

The Resolution of the Legislative Council (L.N. 206 of 2000) (Commencement Notice) 2000 is to appoint 1 December 2000 as the day on which the increase in fixed penalty for smoky vehicles from \$450 to \$1,000 shall come into operation.

The Subcommittee has held four meetings, including two meetings to listen to the views of the public and trade representatives on the proposed commencement date of the increase in fixed penalty for smoky vehicles.

Some concerned groups which have given views to the Subcommittee have urged Members not to defer the implementation date of the increase in fixed penalty, as a long grace period has already been allowed for the trades to improve the vehicle maintenance standard. To provide greater deterrence, these groups have, in fact, suggested that there should be heavier penalty for repeated offenders.

On the other hand, some representatives of the transport and vehicle maintenance trades have requested that the implementation date of the increase in fixed penalty be deferred by one year, until the Administration has implemented all complementary measures to assist the trades in reducing their vehicle emission and maintenance problems.

The Administration has informed the Subcommittee that joint efforts have been made with the vehicle maintenance trade to improve the maintenance standard. The high passing rate of 90% of the smoke emission test shows that the vehicle maintenance mechanics have largely acquired the skills for repairing smoky vehicles. The Administration has also explained that the liquefied petroleum gas taxi scheme and other complementary measures are to reduce the overall emissions from the local vehicle fleet, while individual vehicle owner has the responsibility to keep his vehicle emission system in good condition.

Most members of the Subcommittee are in support of the Commencement Notice. The Subcommittee also raises no objection to the Fixed Penalty (Criminal Proceedings) (Amendment) (No. 3) Regulation which makes corresponding amendments to the Schedule to the Fixed Penalty (Criminal Proceedings) Regulations.

Madam President, now I would like to speak as a Member representing myself and the Liberal Party.

**MR JAMES TIEN** (in Cantonese): I will now speak in Cantonese. The reason why I spoke in English earlier was because the Legislative Council Secretariat had given me a script in English.

Madam President, the first thing I would like to talk about is that Mrs Miriam LAU has applied for exemption from the Liberal Party to propose this motion on behalf of the industry she represents.

The Liberal Party thinks that if Hong Kong wants to become a world-class city comparable to New York and London, it must first solve the problem of air pollution. The problem of our air quality has become the concern of many tourists, foreign businessmen and the people of Hong Kong. As a matter of fact, the business sector and the Hong Kong General Chamber of Commerce used not to be pressure groups in environmental protection. Many environmental protection groups put forward many views to us and we have not given support to all of their proposals because we think they may have exaggerated the real situation.

However, on this question of air pollution, we noticed that a very bad image has been created for Hong Kong over the past few years in the international community. Many tourists who visit the territory for the first time will not want to stay for a few more days when they see the smoke here. Many investors say that if they really want to invest in Southeast Asia, they will need to send their staff over and many of the wives and children of these expatriates think that Singapore is better than Hong Kong in terms of the environment. Our living conditions are indeed very bad. The representative from the medical sector can tell us whether the surge in the number of people with coughing and influenza problems in recent years has been a direct consequence of air pollution. I am no expert in medicine and I am not sure about this. But I think there may be an indirect relationship.

We really need to strike a balance in this issue of air pollution. We need to think of a way which allows the industry to survive while ensuring that the health of the public is protected. Besides, we also need to think about what sort of an international city is Hong Kong in the eyes of the foreign world. Are we a healthy, green and environment conscious city? Or the other way round. Against this background, we may of course talk about issues like the treatment of sewage or other issues on pollution. However, we will focus our discussion only on air pollution today. Over the past few years, many people in the relevant industry think that the increase of the fixed penalty from \$450 to \$1,000 is too heavy. But many members of the public hold a different view. They think that despite the fact that \$1,000 is more than twice the amount of \$450, but it is not a heavy penalty for the penalty for smoking in non-smoking cinemas is

\$5,000 and spitting in public places is also \$5,000. The people will ask, when compared to these, is the penalty of \$1,000 in relation to smoky vehicles adequate? In fact, many people who come to the Legislative Council to express their opinions think that the \$1,000 fixed penalty is not adequate. They even ask whether the penalty for repeated offenders can be raised. There is a possibility that we will need to make a further review in respect of this question.

Let us look at some substantive figures. During the five-month period from June to the present, the Government has done a lot of work in this respect. But it is doubtful whether all the work that can be done has been done, as Mrs Miriam LAU has questioned. I agree completely that the things that should be done have not all been done. Then how much work has been done? We think that some work has been done. Madam President, the word "we" which I have just said refers to the Liberal Party (*laughter*). However, the Government says that 90% of the vehicles taking the emission test in September passed it. We would like to know what will happen to those vehicles which did not pass the test. Over the past month, the Government has prosecuted a few dozen owners of smoky vehicles and the penalty imposed is \$450. If the penalty is raised to \$1,000, then a few dozen owners will certainly be affected. But the proportion of those affected will not be too great, for most of the half a million or so cars, 10 000-plus taxis and 100 000 or so trucks will not be affected.

I think none of us in this Chamber would like to see any driver being fined for \$1,000 any more than seeing anyone being fined \$5,000 for smoking in non-smoking areas. We only hope that the heavier penalty will discourage drivers from breaking the law. We do not want them to be prosecuted by the police or the Government and be fined for \$1,000. I do not think this is the intention of the Government as well. I think the total amount of these \$1,000 fines will have minimal effect on revenue to the Government (the Financial Secretary is not in this Chamber though).

What has the Government done in these few months? The Government points out that in the past, even when there the so-called ultra low sulphur diesel (ULSD) was not available, when maintenance work by the garages was not that satisfactory, and even when there were no particulate traps, not every vehicle would emit black smoke. If vehicles are maintained properly, even before the measures mentioned above have been implemented, there are many vehicles which do not emit any black smoke. In recent months, some vehicles have installed particulate traps and the situation has improved somewhat. Mrs

Miriam LAU has mentioned earlier that there has been a 15% to 20% improvement. The use of ULSD and that the mechanics in the vehicle maintenance trade are beginning to upgrade their skills and master the techniques all serve to improve the situation.

Now we need to strike a balance. The question remains: If the resolution is passed today, and when the penalty is to be raised on to \$1,000 on 1 December, will a lot of vehicles owners be fined? Of course, the Liberal Party cannot undertake that no drivers will be fined, but we do not think that the living of many drivers will be affected after the penalty is made heavier.

During the discussions in the Subcommittee, we did pose two fundamental questions to the Government and the vehicle maintenance trade. Having serviced a vehicle through its repairs and maintenance, how long can the garage concerned guarantee that the vehicle in question will not emit black smoke? Will the Government set up a licensing system for automobile repairs and maintenance mechanics? The vehicle maintenance trade also finds it hard to answer these questions. For if an assurance must be made that the vehicles in question will be free from problems thereafter, the mechanic will ask how much the owner is prepared to pay. Will the owner be willing to pay a fee of \$500, \$1,000 or \$2,000? I reckon their point is that the more the vehicle owner pays, the better the maintenance job will be done. If garages are required to guarantee that the vehicle concerned will be emission-free for a certain number of months, the fees charged will be very high indeed. That will not work. For example, if a maintenance fee of \$5,000 is charged, and the garage is required to give a one-year guarantee during which the garage is required to pay the fines when the vehicle concerned is found to emit black smoke and the owner prosecuted, the garages may not do their job well and they may just pay the \$450 fine for the owner each time he receives a ticket. That is certainly something which we do not want to see.

We have also asked the vehicle maintenance trade whether their work will become any better after licensing and regulation. They said that the emission of black smoke was an issue of concern to the Legislative Council, for vehicles emitting black smoke would be fined. However, most of the mechanics do not engage mainly in repairing smoky vehicles. They would do whatever repairs that are required, for example, faulty brake pads and air-conditioning system, dented front panels, and so on. So car mechanics should not be refused a licence simply because they do not know how to repair smoky vehicles. A

licensed mechanic should be able to repair all problem vehicles and they should not be required to specialize in the repair of smoky vehicles alone. For if this is so, drivers will find it more inconvenient when they look for mechanics. Therefore, regulation by licensing may not necessarily work.

Madam President, the Liberal Party has considered all the issues involved and weighed all the pros and cons. We think that on this question of the commencement date of the \$1,000 fixed penalty (five months have passed since it was proposed in June), and on the premise of encouraging more vehicle owners to send their vehicles for maintenance, we support the commencement date as proposed by the Government and we oppose the motion moved by Mrs Miriam LAU. Having said that, we hope that not too many people will be fined for smoky vehicles.

Thank you, Madam President.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, Mrs Miriam LAU has moved the motion seeking to postpone the effective date of the new fixed penalty for smoky vehicles for one year. The Government objects to this motion.

I believe Members will still remember that on 31 May 2000, the proposed resolution under the Fixed Penalty (Criminal Proceedings) Ordinance was carried in the previous Legislative Council by a majority vote, with only two Members abstaining, to increase the fixed penalty for smoky vehicles from \$450 to \$1,000. In moving the motion, the Government made it clear that the proposed penalty shall take effect on 1 December 2000. It was on the basis of such understanding that the resolution was carried by the then Legislative Council. The resolution did not specify the new penalty to take effect on 1 December purely because we needed to, according to the procedure, amend the relevant provisions in the Fixed Penalty (Criminal Proceedings) Regulation before the new penalty can take effect. As the Legislative Session was coming to a close, there was not enough time for us to make the technical amendment. As a result, we decided to leave the matter for discussion in this Session.

Mrs Miriam LAU has proposed to postpone the effective date of the new fixed penalty for one year. The main arguments she held are insofar as vehicle maintenance is concerned, there is not enough time for proper arrangement to be

made for the maintenance of smoky vehicles and supporting facilities are inadequate. The Government considers these arguments do not hold. Perhaps we can make detailed reference to some objective data. To start with, as early as June this year, 93% of light vehicles required by the Environmental Protection Department (EPD) to undergo a smoke emission test passed the test within the prescribed period. The passing rate of heavy vehicles was even higher for it reached 99%. So far, these two types of vehicles have been able to maintain these passing rates. Of course, there were very few vehicle owners who had chosen to have their vehicles tested without carrying out maintenance beforehand because the vehicles were too old or they wanted to save the maintenance expenses. As a result, their vehicles failed to pass the test within the prescribed period and the vehicle licences were subsequently cancelled by the Transport Department. Nevertheless, 70% of vehicles which had their licences cancelled managed to pass the test conducted by the EPD after carrying out maintenance and were eventually issued licences again. These data show that the vehicle maintenance trade has sufficient skills and ability to repair and maintain smoky vehicles for compliance with the law.

As for light vehicles, only 40% managed to pass the EPD test in September last year. Now their passing rate has risen to over 90%. This is because the Government, relevant professional bodies and the maintenance trade have made a lot of efforts in the previous year. A series of vehicle maintenance workshops were organized and people working in the trade provided with adequate training. Furthermore, to help introduce the chassis dynamometer and explain relevant legislation on vehicle emission, the EPD stationed staff at emission testing centres from September 1999 to May 2000 to provide on-the-spot advice and demonstration on proper engine tuning practices. The EPD also conducted a campaign from June to September this year during which vehicle owners can test the emission standard of their vehicles of their own accord in designated vehicle examination centres.

On the release of maintenance information, the Service Managers Association has already submitted the maintenance data on emission of pre-Euro diesel vehicles and the information has been mailed to various vehicle maintenance trade associations and 2 000-odd garages. Apart from these, the Vocational Training Council will establish an Automotive Engineering Database Centre to facilitate access by the vehicle maintenance and transport trades to more detailed information on vehicle maintenance. Mrs LAU considers it necessary to postpone the effective date of the new fixed penalty as a series of air

quality improvement measures have yet to be implemented. These measures include installing government-subsidized particulate traps or catalytic converters for pre-Euro light vehicles and implementing a pilot scheme to install diesel catalytic converters for pre-Euro heavy vehicles. Nevertheless, I must point out that although the scheme for installing particulate traps and catalytic converters had not yet commenced in June this year, more than 90% of vehicles passed the emission test conducted by the EPD at that time. This indicates that even before the implementation of the relevant measures or full implementation of the measures, problematic vehicles have been able to meet the requirements of the law after proper maintenance. On the contrary, if a vehicle, due to a lack of proper maintenance, has excessive emission, will still not be able to meet the requirements of the law even after installing such devices.

Mrs LAU also held the view that the diminishing number of smoky vehicles proves that the existing penalty has achieved sufficient deterrent effect. For this reason, so she thinks, the Government should not raise the penalty hurriedly. Over the past few months, there has been a reduction in the number of smoky vehicles following the extensive use of ultra low sulphur diesel. However, we still consider the problem serious for approximately 300 vehicles are referred by the police or spotters each day to the EPD for testing. Mrs LAU also mentioned that vehicle owners will be treated unfairly because there are deficiencies with the operation of the Smoky Vehicle Control Programme managed by the EPD. The Programme is now implemented mainly in two parts. The first part is carried out by spotters trained by the EPD, who are responsible for reporting smoky vehicles. The second is carried out by the police, who will issue fixed penalty tickets to smoky vehicles on-street. Under the existing system, only the police are empowered to issue fixed penalty tickets to offending smoky vehicles, while spotters have no power to do so. This is why we do not consider it necessary to change the system. The vehicles spotted are required to pass the EPD's smoke test within a specified period or else their licences will be cancelled. However, no fixed penalty tickets will be issued to owners of these vehicles. I understand the industry is concerned with the implementation of the Programme by the EPD. The EPD will review the relevant system from time to time to ensure the accuracy of the information provided by spotters and to upgrade their standard.

Mrs LAU also mentioned the inadequacy of the supporting facilities provided for medium and heavy goods vehicles in supporting her request to postpone the effective date of the new fixed penalty. In our opinion, all owners,

including those of medium and heavy goods vehicles, are obliged to properly repair and maintain their vehicles on a regular basis and ensure their vehicles will not emit smoke while running on the road to order not to pollute the air and affect public health. As a matter of fact, 99% of medium and heavy vehicles required by the EPD to be tested have been able to pass the test within the prescribed period. This proves that the vehicle maintenance trade is capable of maintaining the emission systems of these vehicles properly. Mrs LAU also raised the point that heavy vehicles have been able to pass the smoke test because the Government has yet to require these vehicles to undergo the chasis dynamometer test. I would like to clarify that the main function of the so-called chasis dynamometer is to prevent someone from resorting to trickery like deliberately tuning down the horsepower of his vehicle engine to conceal the real condition of the vehicle. This does not mean the free acceleration test is unreliable. A properly maintained vehicle should be able to pass any smoke tests. Actually, nearly 70% of medium and heavy vehicles which have passed the free acceleration test have not breached the emission standard in six months.

In sum, I would like to reiterate that vehicle emission is caused by a lack of proper maintenance and repairs on a regular basis. After all, vehicle owners should take up this responsibility. They must ensure their vehicles will not pose hazard to public health while running on the road. Judging from the current passing rates of the smoke tests, the vehicle maintenance trade has acquired adequate skills to maintain the emission systems of the relevant vehicles for compliance with the law.

In summary, we are of the opinion that for the health of more than 6 million people in Hong Kong, the new fixed penalty for smoky vehicles should take effect on 1 December 2000 instead of being postponed. Another concern of mine is the outside world might doubt whether Hong Kong is determined to ameliorate its air pollution problem should the new penalty be postponed again. Therefore, I urge Members to support the decision made by the previous Legislative Council in retaining 1 December as the effective date. Thank you.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I recall the issue of curbing the emission of black smoke by vehicles has been discussed in this Chamber for many times. It is the second time this year when the issue of increasing the fixed penalty in relation to the emission of black smoke alone is discussed and it is, in my opinion, the most crucial discussion as well. The

discussions made in this Council on 31 May this year centred around the amount of fixed penalty. At that time, the industry did not have any strong reaction to the Government's proposal to raise the fixed penalty from \$450 to \$1,000, nor did it pose any vehement opposition to it. It was because we all thought that the Government should do something in respect of prohibiting or curbing the emission of black smoke from vehicles. However, the focus of our discussion today is no longer on the question of curbing the emission of black smoke by vehicles, but on the question of when the penalty shall come into operation.

Madam President, I would like to reiterate my attitude and position on this issue. I would not oppose to any environmental protection effort at all, and I will certainly give it my support. As for the question of increasing the fixed penalty in relation to smoky vehicles, I also hold an open attitude. I trust the industry would hold a similar attitude. However, our discussion today is only on when shall the fixed penalty in relation to the emission of black smoke come into operation.

Madam President, as a matter of fact, some people may have a misconception, thinking that the resolution passed on 31 May this year in which the commencement date for the penalty will be set at 1 December is aimed at giving more time to the owners of diesel vehicles to repair and maintain their vehicles in order to get prepared for the new legislation. However, I believe the commencement date being set at 1 December is not for this purpose. I do not think it is meant to allow the owners more time in maintaining their vehicles, but rather it is meant to let the Government have ample time to add in the related matching facilities. This would enable proper repairs and maintenance of diesel vehicles and facilitate their compliance with the law. It can also benefit our environment and make our air fresher. Hence there is no need to add to the financial burden of the owners of diesel vehicles. The crux of the problem therefore lies in the work of the Government. May I ask whether the Government has done enough on that over the past six months? Are the existing policies and measures adopted by the Government adequate in improving the situation of the emission of black smoke by vehicles? If the answer is in the negative, I hope Honourable colleagues can support the resolution proposed by Mrs Miriam LAU to postpone the commencement date for one year so that the Government can have ample time to make improvements on the existing matching facilities and relevant policies.

Madam President, both the Government and the various political parties are in favour of increasing the amount of fixed penalty as soon as possible. The rationale behind this is to impose a heavier penalty to deter the emission of black smoke by diesel vehicles, hence urging owners of diesel vehicles to enhance the maintenance and repairs of their vehicles. In this way, the objective of improving air quality can be reached. This argument seems to be very simple and the objective appears to be easily attainable. However, one wonders why such a simple and easy argument should fail to persuade owners of vehicles to take any action during that period or make them willing to do so? As some officials have said, are these matching facilities really able to help the owners of diesel vehicles?

During the discussions on raising the fixed penalty at the beginning of this year, people from the industry pointed out that there was insufficient maintenance data on diesel vehicles. There were also criticisms on the disparity between the proficiency of vehicle maintenance personnel and the quality of the service provided. And so the industry demanded that measures be adopted by the Government in this six-month scrutiny period. These measures include plans to set up an Automotive Engineering Database Centre in the Vocational Training Council (VTC) to provide maintenance data on all kinds of vehicles and the introduction of a registration and licensing system for the vehicle maintenance trade. Starting from March, the VTC has offered new courses in vehicle maintenance for up to 2 000 trainees a year. Seminars and talks on environmentally-friendly driving were also organized. Despite all these improvement measures being boasted by the Government, what I am most concerned are the results. For one thing, the so-called Database Centre has yet to be set up. As for the training of vehicle maintenance personnel, according to a report released recently by the Hong Kong Productivity Council, 60% of the vehicle maintenance mechanics have education either at Secondary Three level or below or have no formal education or training qualifications. One wonders how their technical proficiency can be raised under such circumstances.

Moreover, there are only 180 graduates from the new courses offered by the VTC. How can such a number of graduates be able to cope with the demand from tens of thousands of diesel vehicles? The so-called talks and seminars have been held for only about eight to 10 times and I think these are of very little use in promoting technical exchanges. Given the inadequate work done by the Government, the insistence on the implementation of new penalties at this stage would only serve to force owners of diesel vehicles to break the law.

If penalties are made stiffer when sound maintenance is not provided, it would only lead to an increase in the fees charged for maintenance. That will be another heavy burden to the owners of diesel vehicles, and the income of professional drivers will be affected seriously. At present, most of the 150 000 owners of diesel vehicles rely on their vehicles to make a living. 80 000 of these vehicles were imported into the territory before the Euro standards came into force. The new penalty would have a serious impact on the owners of these vehicles. If the Government insists on having its own way and imposes the new penalty before sound matching facilities are in place, that will affect the living of more professional drivers. They will be forced to change jobs or become unemployed. The re-export economy of Hong Kong will be seriously affected to the detriment of the overall development of our economy.

Madam President, I must stress that my request for deferring the enforcement of the penalty does not mean I do not support environmental protection. As a matter of fact, the people in the industry are very much in support of environmental protection and they are aware of the adverse effect of the emission of black smoke by vehicles on air quality. The problem remains whether government policies will help to meet this objective and that the difficulties faced by drivers can be solved. The supply of particulate traps and diesel catalytic converters are still unable to meet the heavy demand. Most of the professional drivers will like to switch to less costly fuels, such as liquefied petroleum gas (LPG). However, the efforts made by the Government, as we know, are far from being adequate. As at the end of this year, there are only 38 LPG refilling stations and it is still very inconvenient to the drivers of LPG vehicles. For the professional drivers, this is again another heavy blow.

Madam President, those environmentalists may think that the present state of affairs is becoming unbearable. Some studies point out that air pollution is the cause for an extra \$3.8 billion worth of medical expenses. I really do have a personal interest in this. In the motion debate on 31 May, I mentioned that my son is born asthmatic. The poor air quality is undermining the health of these asthmatic children. However, at that time, I opposed the implementation of the relevant penalty this year. That does not mean I do not care about my son, but I realized that if the new penalty were to be enforced without sound matching measures and policies from the Government, it would be impossible for diesel vehicles to reduce the emission of black smoke. The result will be no improvements made to the environment and children whose parents are drivers by profession may have their living expenses cut and their health affected as their parents need to bear a heavier financial burden.

Madam President, I agree that air pollution will increase our social costs. But the responsibility of reducing the social costs should be borne by the community as a whole and it should not be laid on the shoulders of the professional drivers alone. The deterioration of air quality is the responsibility of the Government and the public at large. For example, there is no sound urban planning undertaken by the Government. High-rise buildings in the commercial areas form an artificial barrier which blocks air ventilation, hence affecting air quality. The problem of air quality is a problem of the whole community, and it should be the common concern of the community as a whole. Therefore, in order that the problem of air quality can be tackled expeditiously, the best solution is not to penalize owners of vehicles or drivers. Each and every one of us should square up to the problem and try to find a solution for it. On the Government's part, it should use more public money to help drivers of diesel vehicles to service their vehicles so that they will cause less pollution to the air. In addition, more environmentally-friendly fuels should be made available on the market for use by drivers to effectively reduce the emission of black smoke.

Madam President, given the half-hearted efforts by the Government in improving the existing matching facilities and the increase in the fixed penalty at this moment, the attempt to force owners of diesel vehicles to undertake more maintenance and repairs for their vehicles may be futile. It will increase the financial burden of the drivers and create more unemployment and economic problems. I would like Honourable Members to know that both owners and drivers of diesel vehicles are members of our society. They breathe the same air as we do and likewise they also want the air quality to improve. But the most important point is whether sufficient support can be provided by the Government. Though the exhaust emitted by diesel vehicles is harmful, it is a driving force for our economic prosperity. I hope we can be more sympathetic to professional drivers and owners of diesel vehicles. It is not that they do not wish to improve our environment, it is only a question of whether they have the ability to do so and whether or not sufficient support is provided by the Government.

Madam President, I so submit.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, to the people of Hong Kong, attaching great importance to environmental protection has become a part of their lives. In this connection, air pollution has become the people's priority concern. All along, various sectors of society have considered diesel vehicles as the main culprit in the deteriorating air pollution problem. However, actually the diesel vehicles may not necessarily produce excessive pollutants. In our view, only those diesel vehicles with outdated emission control systems, using poor quality fuel and lacking in proper maintenance will produce excessive emissions affecting the health of the public. As pointed out in a survey, the medical expenses on diseases possibly related to air pollution amount to over \$3 billion annually. For this reason, increasing the penalty for smoky vehicles as a measure to control air pollution and to punish those irresponsible vehicle owners has become the consensus of the majority of the public.

The last term of the Legislative Council passed legislation to increase the fixed penalty for smoky vehicles. But given that the matching schemes were not implemented at that time, and that there was still much room for improvement in such fields as vehicle maintenance and introduction of environmentally-friendly fuels into Hong Kong, it would be unfair to the diesel vehicle owners if the penalty for smoky vehicles should be increased then. As a result, the implementation of the relevant legislation was deferred for a period of six months.

Madam President, half a year has lapsed and the new penalty will come into operation very soon. Now that Mrs Miriam LAU has proposed to further defer the commencement date of the new penalty, this Council will also take this opportunity to review the progress of work in the various aspects over the past six months. I consider this process useful to our discussion about whether or not the commencement date of the new penalty be postponed. This Council cannot deny the fact that the Government has indeed done a lot of work to date. For instance, it has introduced with unprecedented speed ultra low sulphur diesel (ULSD) into Hong Kong. Besides, the Government has also provided subsidies for owners of light diesel vehicles to install emission filters on their vehicles, commenced work to set up a vehicle servicing database, provided more training for vehicle maintenance employees, and started studying the feasibility of electric and liquefied petroleum gas minibuses. Having regard to the work done in the aforementioned aspects, I believe even the transport industry and Mrs Miriam

LAU cannot deny that the Government has really made an effort in respect of the relevant matching facilities. Although the transport industry points out that the vehicle maintenance services available in Hong Kong vary tremendously in quality, more than 90% of the diesel vehicles have passed the test conducted by the EPD. This figure serves to demonstrate the ability of the local vehicle maintenance industry in maintaining the performance of vehicles. On the other hand, a comprehensive vehicle servicing and maintenance manual prepared by the Vocational Training Council will be available for the industry's reference in the future. This manual will help resolve to a large extent the problem of insufficient information that the vehicle maintenance industry is currently faced with. While it would certainly be nice if a licensing regime could be established for the vehicle maintenance industry, the quality of services provided by the industry is not really so poor as reflected in the results of the vehicle tests conducted by the Government. Moreover, since the introduction of ULSD can also help to alleviate the problem of smoky vehicles, it will no longer be convincing to make use of the substandard vehicle maintenance service as an excuse for deferring the implementation of the legislation that might have impact on public health.

Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) understands that the increase in penalty will certainly impact on the transport industry. But we hope the transport industry can appreciate that this increase is introduced not to target at those responsible vehicle owners. Rather it is meant for the benefit of public health.

With these remarks and on behalf of the DAB, Madam President, I give support the Government giving effect to the Commencement Notice.

**MR LAW CHI-KWONG** (in Cantonese): Madam President, all along the Democratic Party is of the view that the Government has not shown enough concern for the problem of smoky vehicles. Although the Government has suddenly become more active in this respect since last year, it has remained indifferent to the question in respect of vehicle maintenance. Hence, I believe we can hardly see any improvement in the near future.

When this Council passed a resolution on increasing the penalty for smoky vehicles in the middle of the year, I noted that the increase in penalty would become effective and come into operation on 1 December this year. We certainly hope that the efforts we made over the past few months could urge the Government to enhance the relevant matching facilities. In this connection, while the Government did make an effort in the past few months, there are still deficiencies and much room for improvement. The speed in which particulate traps were installed in vehicles, for example, was indeed very unsatisfactory at the beginning. Certainly, there are also the problems of the vehicle servicing industry mentioned by Mrs Miriam LAU just now, and the work done by the Government these days is just a beginning. Nevertheless, the best method is to complement the carrot with the stick. We consider that the measure to increase the penalty for smoky vehicles should not be postponed. What is more, we also hope that in reviewing the problem of smoky vehicles in a year's time when further improvements have been made to the relevant matching facilities, the Government will consider whether heavier penalties should be imposed on repeated offenders.

Increasing the penalty for smoky vehicles does not necessarily mean the transport industry has to shoulder the responsibility alone. The object of this measure is only to require those irresponsible vehicle owners to pay a higher price for not taking on their responsibilities to the full.

With these remarks, Madam President, I oppose the resolution on behalf of the Democratic Party.

**DR LO WING-LOK** (in Cantonese): Madam President, as a representative of the medical profession, I will support any measures that can help to improve the air quality. That is why I supported the proposal put forward by Mrs Miriam LAU last time to extend the tax concession period for ULSD.

However, I am opposed to the resolution currently moved by Mrs LAU to postpone the commencement date of the new penalty for smoky vehicles. I believe Honourable colleagues are all aware that the emission from diesel vehicles, especially that from diesel vehicles running in the urban areas, is the major cause leading to the deterioration of air quality in Hong Kong. Actually, in addition to lowering the visibility or causing irritation to people's eyes and nostrils, scientific evidence also proves that the problem of air pollution has also

added to the incidence of acute respiratory disease. The number of patients admitted to hospital because of asthma, for example, has increased obviously.

Moreover, the sulphur dioxide content in air is also closely related to lung cancer. In this connection, the World Health Organization has even classified the emission from diesel engines as a kind of carcinogenic substance. To the medical profession, the hazard is still there even though the air pollution level accords with the general air quality objective. Hence, the better the air quality in Hong Kong, the better catered for will be the health needs of the people of Hong Kong.

As a matter of fact, I believe it is very important to fix a date for the new penalty for smoky vehicles coming into effect. As Mrs LAU and many other Honourable Members said just now, the vehicle servicing industry has kept on improving the quality of services. Recently, about 90% of the diesel vehicles have passed the smoke emission test. This proves that the prescription of a time limit is of substantial help in contributing to the improvement in air quality. If we should postpone the commencement date for the new penalty today, there would be Honourable Members proposing further postponing the commencement date again next year before the grace period expires. This would in turn undermine the potency of the Government's policy in this respect. For this reason, I support the Government bringing into operation the new penalty as scheduled.

As regards the question of price and responsibility, actually the Hong Kong community as a whole has paid a price before the air pollution problem could be improved. Indeed, the entire population in Hong Kong, including Mr LEUNG Yiu-chung's son who is suffering from asthma, many other respiratory disease patients and patients suffering from lung cancer, have all paid a price. Earlier Mr LEUNG Yiu-chung mentioned the Government many times in his speech. On hearing that, I cannot help but ask this question: Is environmental protection the sole responsibility of the Government? As a matter of fact, our society is composed of many individuals, if each individual does not actively take on his responsibility and participate in environmental protection on his own initiative but relies solely on the effort of the Government, I do not think any success could be achieved at all. Hence, I consider it very important that each member of society takes on his or her own responsibility to protect the environment.

Madam President, I so submit.

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

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, heavy penalties should be imposed only when society has seriously gone out of order. At present, although there are not enough matching facilities, over 90% or even close to 100% of the formerly smoky vehicles have made substantial improvement. Under the circumstances, I think the Government is really going over board if it still insists on increasing the penalty for smoky vehicles. In the event that the situation is still not satisfactory enough, the problem of smoky vehicles could certainly be improved if the Government could step up its law enforcement efforts.

Madam President, I hope the Government can allow us some time to enable the vehicle servicing technicians to upgrade their skill level. Given that, the problems of smoky vehicles and poor air quality will definitely be ameliorated in the near future. I support the resolution moved by Mrs Miriam LAU. Thank you, Madam President.

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

**MR LEE CHEUK-YAN** (in Cantonese): On behalf of the Confederation of Trade Unions, Madam President, I support the resolution moved by Mrs Miriam LAU.

As Mrs LAU said earlier in the debate, I do not hope to polarize opinions in this Council by saying that giving support to the resolution is tantamount to opposing environmental protection and opposing the resolution is tantamount to giving support to environmental protection. On the contrary, I would like to discuss the issue with Honourable Members from another perspective, considering the Government's point that some 93% of the vehicles have passed the relevant test. If vehicles failing the test will be fined, then the 93% vehicles referred to just now will not be subject to any fine when the increase in penalty come into operation. Yet in reality, the owners of those 93% vehicles have already paid a price, for they have spent time taking their vehicles to garages for servicing. But since having their vehicles serviced is something that must be done, the time lost this way does not come into the equation. Nevertheless,

they still need to spend time taking the emission test. In this connection, apart from the testing fee which costs more than \$200, vehicle owners have also lost their wages for the day and the business they could otherwise do in taking their vehicles to undergo the emission test. All these costs added together will amount to a total loss of \$1,000, which is equal to the new penalty for smoky vehicles.

In other words, for those vehicle owners who have their vehicles tested after being prosecuted, they have already been fined \$1,000 actually. So, the transport industry has indeed shouldered their share of the cost concerned. As regards the increase in fixed penalty for smoky vehicles from \$450 to \$1,000, this is meant to punish those drivers whose vehicles cannot pass the smoke emission test, such as those suddenly ordered by traffic policemen to take the test on the street. After all, these are very rare cases, and drivers are very seldom fined on the spot. The majority are those so-called "struck by a dart" cases, in which the vehicles concerned are ordered by law enforcement officers to take the emission test after being spotted emitting smoke on the street. Actually, as pointed out by government officials, since the majority of the vehicles have passed the test, the increase in penalty for smoky vehicles will not have any effect on drivers whose vehicles have passed the test or managed to pass the test after being properly serviced. Hence, as far as the drivers are concerned, their living has been affected regardless of whether their vehicles are required to take the smoke emission test after being struck by a dart. On the other hand, even if the Government should increase further the penalty for smoky vehicles, it would not be of any genuine help in alleviating the problem of smoky vehicles.

However, I wish to persuade Members that to support the resolution moved by Mrs Miriam LAU as so doing will exert pressure on the Government to do a good job in respect of the vehicle servicing industry. This is exactly where the crux of the matter lies. In other words, it is meaningless to impose a heavier penalty on those remaining 3% drivers. On the contrary, if we should all point out to the Government the inadequacy of its matching facilities and request it to provide better maintenance and servicing facilities, or to provide free testing facilities in the vicinity of petrol filling stations, as suggested by the industry, to enable members of the industry to test their vehicles when they find anything wrong, they would certainly exercise their self-discipline and have their vehicles properly maintained. It would certainly be better if the Government could do more useful and constructive work in this respect instead of resorting to imposing heavier penalty to demonstrate to society and the public that it has done

its share in protecting the environment. Otherwise, the key issue, which is the quality of vehicle maintenance services, will be overlooked. As Mrs Miriam LAU and Mr LEUNG Yiu-chung have already referred to the report of the Productivity Council, I do not wish to repeat the points here.

In giving support to the resolution moved by Mrs Miriam LAU to defer the implementation date of the increase in penalty for a year, we are in fact putting pressure on the Government to improve its matching facilities, so that it cannot say it has done its share just because it has increased the penalty from \$450 to \$1,000. That being the case, the Government will need to do a better job in respect of vehicle servicing. Therefore, I hope very much that Members can consider the matter from this angle. What we are doing now, including the effort made by the transport industry and that of Mrs Miriam LAU, aims to press the Government to do a better job in respect of vehicle servicing, and to do more useful and constructive work in other relevant respects. That way, it would make it impossible for the Government to say that it has done its share after increasing the fixed penalty, for this is a comparatively more environmentally-unfriendly measure. Thank you, Madam President.

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

(No Member responded)

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I would like to respond briefly to two points. First, some Members mentioned the standard of the maintenance trade and training in other areas. Of course, we believe there is still room for improvement. Second, the key issue facing us now is: Is the maintenance trade capable of ensuring vehicle emissions are in compliance with the requirements of the law?

I do not intend to repeat the data mentioned earlier. Actually, this can be done. Such being the case, the penalty increase is only targetted at a small minority of vehicle owners who ignore proper vehicle maintenance. Thank you.

**MRS MIRIAM LAU** (in Cantonese): Madam President, it is very encouraging to learn from Members' speeches just now that my resolution today is supported not only by one Member, but a number of Members.

This debate today reflected Members' attitude on the penalty for vehicles emitting black smoke (smoky vehicles). It also highlighted the fact that Members often have predetermined positions and predetermined views and so, they will not listen no matter what we said. It is because at the meetings of the Subcommittee when representatives of the transport industry explained the reasons why they wanted the Government to defer the implementation date of the penalty for smoky vehicles, Members who have spoken against this resolution today were absent. They did not attend the meetings, nor were they willing to listen to the views of the industry.

I wish to respond to the speeches of several Members. First, Mr James TIEN opined that there is no problem with repairs and maintenance, and that at meetings of the Subcommittee, the vehicle maintenance trade was unwilling to guarantee for how long the vehicles, after being repaired and maintained, would not emit black smoke because vehicle owners were unwilling to pay. I remember very clearly that the maintenance trade did not say anything like that. They did not say that they would not give this guarantee if owners did not pay for the full costs. All they said was that they could only guarantee that the vehicles could pass the emission test after repairs and maintenance, but they could not guarantee that the vehicles would never emit black smoke. They did not attach any condition, saying that they would not give such guarantee if owners did not pay for the maintenance costs in full, and that they would do so only if owners pay for the full costs. In my opening speech, I said that the maintenance trade had privately stated in express terms that when owners entrusted their vehicles to them for repairs and maintenance, they could only guarantee that the vehicles could pass the emission test. If they have to guarantee that the vehicles would never emit black smoke again, it is not a question of money.

Earlier on, I cited an example in which a vehicle still failed the emission test after extensive repairs, and it did not emit black smoke only after tuning the engine with the help of a chassis dynamometer. In fact, the maintenance trade has told us candidly that the problem of smoky vehicles is not as simple as Members have perceived. We are keen on making vigorous improvements. Even the maintenance trade is keen on making vigorous improvements. But the problem is not as simple as Members have perceived. It is not that when we all go for clean and fresh air and as long as vehicle owners or owners of diesel vehicles pay for the costs, we could then press the button and achieve proper maintenance of vehicles right away. It is not as simple as that.

I mentioned in my speech earlier the emission problem faced by owners of vehicles manufactured in 1993 and diesel vehicles of three years old. I have asked owners of these two types of vehicles explicitly if they have ever asked the garage not to repair certain parts of the vehicle due to the expensive costs involved. They replied that the repair items were decided by the garage and that they had replaced whatever parts considered necessary by the garage; but their vehicles still emitted black smoke. So, are they unscrupulous owners as described by Members and must be punished severely?

I wish to respond to the speech of the Government just now and I found its remarks greatly disappointing. The Government's speech was prepared beforehand, so the Secretary would not listen to me no matter what I said before him. I raised some questions and expected feedback from the Government, but the Government simply did not respond to my questions. The Government stressed that 90% of light vehicles have passed the emission test and the passing rate for heavy vehicles is 99%. Just as I clearly stated in my speech earlier, I agreed that the use of chassis dynamometers for testing light vehicles can ensure proper maintenance of vehicles. But at present, there is no chassis dynamometer applicable to the testing of heavy vehicles. In other words, the Government still conducts tests by stomping on the accelerator pedal three times. In the past, this method was also used for light vehicles and there were practices of "locking the fuel pump" and "releasing the fuel pump". These are tricks employed to pass the test and misdemeanours on the part of the maintenance trade or vehicle owners. As no chassis dynamometers are available for the testing of heavy vehicles, we cannot rule out the possibility of these misdemeanours. How can the Government tell us on this basis that 99% heavy vehicles can pass the test and conclude that the maintenance trade faces no problem at all? The Government has not given any response in this regard.

Moreover, while the Government has provided the maintenance trade with information on repairs and maintenance, such information was made available only very recently. The Government, however, has not learned from the maintenance trade that first, the information concerns pre-Euro vehicles and second, the information is still inadequate. Does the Government consider it adequate to provide the maintenance trade with such information? Let us not forget that it takes one whole year of entanglement to obtain such information alone. Is the maintenance trade so well-prepared as stated by the Government? I believe all these must be addressed by the Government squarely.

The Government also mentioned that installing catalytic converters and particulate traps is not a substitute for vehicle maintenance. In my earlier speech, I also expressed agreement to the Government's point that installing catalytic converters and particulate traps does not obviate the need of maintenance. But certainly, catalytic converters and particulate traps can effectively reduce the emission of black smoke and exhausts from vehicles, especially pre-Euro vehicles. If these are unnecessary for pre-Euro vehicles, why would the Government provide subsidies for this purpose? Why did it not save the money?

The Government seemed to be implying that the reason why I considered the current fine of \$450 adequate is that there are now less smoky vehicles. I did say that a fine of \$450 is adequate, but I did not say that it is because the number of vehicles being prosecuted for excessive emission has reduced. I have clearly stated in my earlier speech that the achievements today are the result of a package of measures. They are not attributed to the efforts of the Government and we therefore must be grateful to the Government, as suggested by Miss CHOY So-yuk. Who has made an effort? The efforts made by the transport industry throughout the years have been totally ignored. A great majority of the many government measures was indeed proposed by the transport industry to the Government some 10 months ago. They suggested the Government to introduce ULSD, catalytic converters, particulate traps, and so on. It was the transport industry that urged and suggested the Government to adopt these measures. In the implementation of these measures, the transport industry has fully co-operated with the Government. It has paid for the costs and devoted their efforts. Can Honourable Members not see the efforts made by the transport industry?

Madam President, like those Members who have spoken against my resolution today, the transport industry and I support environmental protection, and we hope to see improvement in air quality. The only difference is I do not blindly believe that imposing a heavy penalty can resolve the emission problem. I have studied the problem of smoky vehicles for years, and I often discuss this problem with the relevant sectors, including various types of diesel vehicle owners, academics in universities, the vehicle maintenance trade, and so on. We consider that the problem is not as simple as described by the Government. It is true that improvements have been made but only in respect of light vehicles. As for heavy vehicles, chassis dynamometers are not yet applicable to their emission tests, and still they cannot be installed with catalytic converters to reduce the level of emission. If a heavier penalty is imposed now, owners of heavy vehicles will feel upset and helpless.

Today, I believe Members have seen a dozen of representatives from the industry petitioning outside the Legislative Council Building. Among them, there are no representatives from public light buses and taxis for the LPG scheme is gradually implemented among taxis and public light buses, and they have installed particulate traps and switched to ULSD. With these measures, they have begun to feel that they are relieved of pressure. They are willing to take various steps to resolve the emission problem, seeing that there are ways to solve the problem. And thanks to the chassis dynamometers, the maintenance trade can also give them assurances and confidence. However, these measures are not applicable to heavy vehicles and their owners are feeling upset and helpless. Therefore, they hope that Honourable Members can listen to their views. I believe these members of the transport industry will be greatly disappointed if Honourable Members do not support deferring the implementation date of the penalty for smoky vehicles. But no matter what Members' decisions are today, I will continue to join hands with the transport industry as I have been doing to find solutions to the problem of smoky vehicles. This, I think, is far more positive than those people who know only chanting slogans, and who know only seeking to pass the buck and shift the blame to others (whoever they are).

Madam President, I so submit.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mrs Miriam LAU 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)

Mrs Miriam LAU rose to claim a division.

**PRESIDENT** (in Cantonese): Mrs Miriam LAU 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:

Mr CHAN Kwok-keung, Mrs Miriam LAU, Miss LI Fung-ying and Mr LEUNG Fu-wah voted for the motion.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Mr Timothy FOK, Mr LAW Chi-kwong, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Mr Michael MAK, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted against the motion.

Geographical Constituencies and Election Committee:

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung, Mr Andrew WONG and Mr LAU Chin-shek voted for the motion.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Dr YEUNG Sum, Miss Emily LAU, Miss CHOY So-yuk, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Mr David CHU, Mr NG Leung-sing 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, 28 were present, four were in favour of the motion and 24 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, four were in favour of the motion and 17 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): Mrs Miriam LAU notified the Secretariat before the meeting that she would withdraw her second resolution proposed under the Interpretation and General Clauses Ordinance if her first resolution proposed under that Ordinance was negatived. As her first resolution proposed has been negatived, she would now withdraw her second resolution.

**MRS MIRIAM LAU** (in Cantonese): Madam President, may I say a few words?

**PRESIDENT** (in Cantonese): Yes, you may.

**MRS MIRIAM LAU** (in Cantonese): Madam President, you were right. I did indicate to the Secretariat that if my first resolution proposed under the Ordinance was negated, I would withdraw my second resolution. I would like to explain the reasons here. If I proposed the second resolution, I expect it to be negated by Members as they have done with the first. Both resolutions aim at postponing the effective date for penalty on smoky vehicles to 1 December 2000. If I insisted on proposing my second resolution, Members would be made to speak again to oppose the same. I do not want the feelings of the transport industry to be injured once more and I do not want them to be disappointed once more. So, I withdraw my second resolution.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Yes, I thank you for saving much time for this Council.

**PRESIDENT** (in Cantonese): Two motions with no legislative effect. I have accepted the usual recommendations of the House Committee as to the time limits on speeches for the motion debates. While I do not wish to repeat the recommendations, I would remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion. Abolishing the age requirement for dependent parent allowance.

### **ABOLISHING THE AGE REQUIREMENT FOR DEPENDENT PARENT ALLOWANCE**

**MR WONG SING-CHI** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

Madam President, now I come to the motion. Firstly, I must thank Miss CHAN Yuen-han for having magnanimously withdrawn her amendment after learning that my motion targets mainly at a group of jobless and incomeless parents so that their children can enjoy the benefits of a dependent parent allowance.

Secondly, I must tender a serious apology to Members for the wordings of my motion have caused many of them to misunderstand the real content therein. Many Members have mistaken my motion to mean that all parents below 60 can meet the age requirement for a dependent parent allowance. In fact, as I will explicate later in my speech, by proposing to abolish the age requirement for dependent parent allowance, I intend to target at parents who are jobless and incomeless with a view to bringing a dependent parent allowance to their children. I do not request that all parents be eligible. I am going to explain to Members my arguments as follows.

According to the existing Inland Revenue Ordinance, salaries taxpayers may apply for a dependent parent allowance of \$30,000 for a parent under their maintenance. If they live with their parents for the whole of the fiscal year, they may apply for an additional allowance of \$30,000, but the parents in question must have reached the age of 60 or proven to have a disability before they are qualified to make the application. I believe the Government, in setting the age limit at 60, assumed that is the retirement age. At that age, parents should have become dependent on their children. Well, that was a policy laid down in the fiscal year 1978-79, some 20 years ago.

Today, 20 years since the policy was first laid down, many people become dependents of their children before they reach 60. In the past 10 years, the number of middle-aged unemployed has been rising. Many people at the age of 40-odd or 50-odd fail to find a job though they have not yet reached retirement age and still have the capability to work. Last night, I interviewed a neighbour, who is only 52. He wanted me to help him find a job. He said he had been trying to find one for three years but to no avail. He became dependent, so do many others like him. In the second quarter of this year, among the people in the age bracket of 40 to 59, 530 000 were not among the labour force and they had no income. If the 65 000 unemployed people were added to this group, they would total about 620 000. That means almost one third of the people in this age bracket are jobless. Their children are still very young. They may have just started working but they need to maintain their parents in the age bracket of 40 to 59.

According to a survey by the Hong Kong Council of Social Service (HKCSS), among the middle-aged who lost their jobs in the past year, over 40% had primary education or below, while 30% had junior secondary education. We estimate that most of the unemployed people between 40 and 59 have

received a low level of education. We believe they can only earn low salaries and have paltry savings too. If they lose their jobs at the age of 40 or 50, they do not enjoy any retirement protection too. Having worked very hard for the best part of their lives, all they have on reaching middle age are the children they have raised under very difficult conditions. Their children, who are young, have no choice but to shoulder the responsibility of maintaining their parents.

Under the existing policy, taxpayers whose parents have reached the age of 60 may apply for a dependent parent allowance. Indeed, if their parents have reached the age of 60, these children must have worked for a considerable period of time, earning a relatively high salary. After all, elderly persons of the age of 65 or above may apply for old age allowance. Children of middle-aged people who have lost their jobs, however, are young people who have just left school and should have been working for only a short period of time for a salary that, I believe, should be rather low. Their financial burden in maintaining their parents should be greater than those whose parents are 60 or above. If tax allowance is granted in relation to dependent parents at 60 or above, this allowance should be more important to those young people who have to maintain their middle-aged parents who are jobless. Therefore I very much hope that the Government may give careful consideration to abolishing the age requirement for dependent parent allowance so that the category of young people who have jobless parents to maintain may claim the allowance.

Of course, we are not suggesting that the Government should relax the age requirement for all parents regardless of their employment status. We understand that if the Government did that, and given many parents are still at the prime of their life, some taxpayers with stable income would pay an unduly reduced amount of tax. Therefore, we propose some concrete proposals which I told Members at the beginning of my speech. The following are the specific details of my proposals:

- (1) The existing policy would continue to apply to those whose parents are over 60. That is, irrespective of their parents' employment status, people can claim dependent parent allowance. This is the existing policy.
- (2) People whose parents are not yet 60 can apply for dependent parent allowance only when their parents are incomeless, that is, unemployed, or have retired.

- (3) If a taxpayer's parents are unemployed for just part of the time in a tax year, then he or she may claim dependent parent allowance pro rata. For example, if a taxpayer's father was unemployed for three months in the past year, the taxpayer may get a quarter of the allowance, that is, \$7,500 approximately, calculated on an allowance of \$30,000.
- (4) To avoid double benefits, if one of the parents becomes unemployed, and the other parent has applied for the married person's allowance, then their children may not apply for a dependent parent allowance. Thus, our proposal only targets at the people with a genuine need.
- (5) Initially, our calculation indicates that if the Government accepts our proposal, it will lose around \$46 million in tax revenue. In other words, by spending \$46 million on the relevant households, the Government can focus on aiding the unemployed middle-aged and it can encourage their children to maintain their parents.

Later, Mr SIN Chung-kai and Mr Fred LI of the Democratic Party will continue to give a fuller explanation on my proposals.

Regarding the possibility of abuse as a result of my proposal, the Democratic Party has conducted some in-depth research. Some may question whether people would refuse to maintain their parents after claiming the dependent parent allowance. Well, last week, at a forum of the Central Policy Unit, Prof M.K. LEE mentioned a study in which it was revealed that about 70% of the people thought children should bear the responsibility of maintaining their parents. In addition, a study by the HKCSS also found that about 69% to 76% of the unemployed of the age bracket of 50 to 59 said they could depend on their families financially. That means a significant number of the unemployed are dependent on their families or their children. I believe many people will give part of their salaries to their parents when they start working, especially before marriage. I remember I started to maintain my parents at a very young age. Furthermore, under the existing policy, a taxpayer would not qualify for the dependent parent allowance unless his or her parents live with him or her for six months continuously without paying for the expenses, or the taxpayer gives the parents not less than \$12,000 yearly. We think this requirement should be retained if it becomes possible to claim dependent parent allowance for parents under 60.

Another possibility of abuse arises if parents refrain from working in order to claim the dependent parent allowance. I do not think that would happen. The reason is that, in general, children of people in the 40 to 59 age bracket are quite young. Supposing a son or daughter earns \$18,700 monthly, the tax payable is \$9,220 per annum without the allowance, while maintaining an unemployed mother under 60. Now, under our proposal, the tax liability is only \$5,100 if a dependent parent allowance is granted. So, \$4,200 is saved per annum. If the mother goes to work, I think she can earn wages of at least \$4,000-odd monthly. Would the mother give up a monthly income of \$4,000-odd just to claim the tax allowance of \$4,000 per annum? I do not think she would.

Another possibility of abuse is a false statement made by a taxpayer to the effect that his or her parents are unemployed. I trust that Mr Eric LI knows this well enough. I believe the general public, without the help of accountants, should find it difficult to evade tax or cheat the Government. At a Legislative Council meeting in October this year, the Treasury indicated that it did not consider it appropriate to lower or remove the age limit for dependent parent allowance because the high mobility rate of our labour market rendered it practically impossible for the Inland Revenue Department (IRD) to trace and verify the employment status of those dependent parents aged under 60. In fact, that is only a technical issue. We see no reason why we should not do what we should do just because the IRD lacks the know-how to perform. It is in fact not difficult to find a solution because employers have to file profits tax returns each year and they need to supply details in respect of their employees to the IRD. All that the IRD has to do to find out the employment status of the parents is checking the identity details of the employees or the parents of the taxpayers who apply to claim dependent parent allowance.

Madam President, the motion would have minimal effect on government revenue, but it would be a great encouragement to young people who observe filial piety. Why do we not further the cause of the motion?

With these remarks, I hope Members will support my motion. Thank you, Madam President.

**Mr WONG Sing-chi moved the following motion: (Translation)**

"That, as the serious unemployment situation in Hong Kong has forced many people to retire early, this Council urges the Government to abolish the age requirement that a dependent parent must reach the age of 60 to qualify for the dependent parent allowance, so that all taxpayers with dependent parents are eligible to claim such allowance, thereby providing an incentive for taxpayers to provide for their parents who are under the age of 60 and are unemployed or have no income, so as to alleviate their financial burden."

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

**DEPUTY PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr WONG Sing-chi be passed.

**MR TAM YIU-CHUNG** (in Cantonese): Madam Deputy, based on the views presented to me by some residents, I asked a question in this Council on 18 October this year, requesting the Government to review the arrangements concerning the dependent parent allowance and relax the requirement that dependent parents must reach 60 to qualify for that allowance, so as to alleviate the tax burden of taxpayers whose dependent parents have become jobless before the retirement age. Today, Mr WONG Sing-chi seeks to follow up the matter by moving this motion in this Council to give colleagues an opportunity of discussions, so as to understand better the views of Members.

In Chinese society, it is only normal and natural for people to provide for their parents, and this is also a fine tradition. As such, the Government has the responsibility and obligation to encourage people to provide for their parents, especially when parents do not have income, so that their parents do not have to worry about their living. One of the measures that the Government can adopt is granting tax concessions. Under the Inland Revenue Ordinance, the dependent parent allowance is granted to taxpayers whose dependent parents have reached the age of 60. This requirement came into effect in the year 1978-79, and there

has been no revision or review in the 20 years since. As we all know, the Hong Kong economy was at its peak from the 1980s to the end of the 1990s, during which there was full employment most of the time. However, in the past couple of years, Hong Kong has undergone economic adjustments and it has been difficult to seek employment. Many people have retired in their fifties but their children, who provide for them to fulfill filial piety, are not given any tax concession. This will bring about some adverse effects.

In its reply to the question raised by me in October, the Government stated that one of the reasons why it opposed to my proposal was that it saw no imminent need to relax the age limit of the allowance since the tax burden of around 99% of salaries taxpayers has been substantially reduced as a result of the various concessions introduced since the 1998-99 year of assessment. Indeed, taxpayers' burden has been slightly alleviated but taxpayers who provide for their parents, especially those whose parents are in their early fifties, cannot further benefit from these tax concessions. Without the dependent parent allowance, workers will have to bear heavier financial burden when the household income drops as a result of their parents becoming jobless or being forced into early retirement.

In its reply to my question, the Government also mentioned that the non-means-tested nature of the allowance and the high mobility of our labour market render it practically impossible for the IRD to trace and verify the employment status of those dependent parents in any particular year of assessment. I understand that if the allowance were means-tested, many administrative complications would arise and the parties concerned would be greatly inconvenienced. I think the most desirable and a more effective way to encourage people to provide for their parents is to avoid means tests.

Madam Deputy, we hope the Government can reconsider its policy on tax concessions as this can encourage people to provide for their parents and alleviate the financial burden of workers.

I so submit. Thank you, Madam Deputy.

**MR FREDERICK FUNG** (in Cantonese): Madam Deputy, while the number of unemployed has dropped from 184 600 to the present 168 000 and the overall unemployment rate has dropped from 5.6% in the first quarter of this year to 4.8%, the unemployed middle-aged workers with low education level and low income still fail to find jobs. Or they can manage to find only part-time jobs. If the Government can relax the current age limit of the dependent parent allowance, we think it can encourage taxpayers to provide for their parents and alleviate their financial burden. Overall speaking, the relaxation will help stimulate domestic consumption and will therefore be conducive to adjusting economic development.

The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I support the relaxation of the age limit of the dependent parent allowance. From an economic viewpoint, the Hong Kong economy is in the course of recovery, and we hope that this tax concession can alleviate the financial burden of those who provide for their parents.

I trust that Mr WONG Sing-chi's proposal consists of one point that does not find favour with the Government. The Government may worry about the need to set up a vetting system to verify whether the parents have no income or are jobless if the age limit is relaxed, as this may entail additional expenditure. In fact, there are two ways to address this point. First, under the present arrangement, some tax allowances are given on application. The Government will conduct random investigation after receiving the applications. The same arrangement can be adopted for this relaxation. We estimate that the government expenditure required for conducting such investigations should be minimal. Second, there will not be any problem if the Government can be more generous and trust that taxpayers will not submit frivolous applications or tell lies.

Madam Deputy, Members may recall that the Chief Executive, Mr TUNG Chee-hwa, had often said during his election campaign that he wanted to govern Hong Kong with Confucian thoughts. He had also stressed this in his discussions with the ADPL. An important principle in Confucian thoughts is that "filial piety is the most important virtue". This has been prevalent for millenniums, and Members have probably heard of it. It means that among all virtues, filial piety ranks first and foremost. I believe if we can encourage Hong Kong people to take care of their parents, it will be consistent with a major principle of Confucian thoughts advocated by Mr TUNG Chee-hwa during his

election campaign and adopted by him for the governance of Hong Kong. Hong Kong is a highly developed city, and according to research on urban cities conducted by Western countries, highly developed cities are usually characterized by the small-household system under which parents are excluded from their children's families. In other words, parents become the responsibility of society and the Government. This is what takes place in the West. If it is considered not the direction that we should go for on the basis that "filial piety is the most important virtue", but we do have a highly developed city, then do we want to repeat the mistakes of Western cities? If not, what can we do, in terms of our institutions or policies, to reverse this direction of highly developed cities or commercial cities, or avoid proceeding in this direction? To this end, a major premise is that the Government should encourage people to look after their parents, and this merits consideration. We also think that this direction and approach fully comply with the Chief Executive's Confucian philosophy of governance. That is why it is worth considering.

All in all, the ADPL and I agree with Mr WONG Sing-chi's motion on abolishing the age requirement for dependent parent allowance. I hope Members will support this motion. After I have returned to the Legislative Council, I found that many motions had been negated, thus wasting the time and efforts that we spent in discussion. This should not go on. This motion before us concerns our previous generation. To give it support is tantamount to supporting the Chief Executive to continue going in the direction that he pledged in his election campaign. I just hope that Members can endorse more policies that show respect for the elderly and the previous generation. I so submit. Thank you, Madam Deputy.

**MRS SOPHIE LEUNG** (in Cantonese): Madam Deputy, the Liberal Party always agrees that the Government should face up to the hardships of unemployed middle-aged persons, and provide them with substantial assistance, so as to help them out of their difficult position as a result of unemployment. Though the motion moved by Mr WONG Sing-chi today is in line with our thinking, it is a pity that we have doubts on whether his proposals can really provide effective support for this group of people, and whether social resources can be put to effective use.

Given Mr WONG's wisdom, I certainly believe that the essence of his proposals is not to offer tax allowances for all taxpayers, and tax concessions are

given to taxpayers only on a pro-rata basis when their dependent parents do not have any income. However, the wordings of the motion are not so clear, and it can be literally interpreted as an unconditional abolition of the age requirement for dependent parent allowance; on the other hand, even if the motion does include the proposals that Mr WONG has just told us about, a lot of issues are still open to discussion.

It was said in the motion that "many people in Hong Kong were forced to retire early", so we will naturally expect that the motion will go on to make proposals on helping this group of unemployed middle-aged persons. However, the "prescription" given in the motion is to abolish the age requirement for dependent parent allowance, so that "all" taxpayers with dependent parents will be eligible to claim this allowance. These are the actual wordings of the motion. Madam Deputy, I would like to reiterate that the motion proposes that "all" taxpayers with dependent parents should be eligible for this allowance. I was really bewildered by this.

It can be said that there was a "quantum leap in figures" if it was concluded that "all" taxpayers should enjoy tax concessions because "some" people require assistance. Of course, less than an hour ago, Mr WONG and his colleagues explained to me in the Ante-Chamber that this was not what they really meant. However, since the Liberal Party has prudently examined the effects of every motion on the community, I would not mind taking the trouble to quote some actual figures to illustrate my point. What we thought at that time was there were about 25 000 unemployed persons between the age of 50 to 59. According to the estimate of the IRD, if the age requirement for dependent parent allowance is reduced from 60 to 50, then the number of eligible taxpayers will increase dramatically from 370 000 to 630 000, that is, an increase of 260 000. The tax foregone by the Government will be drastically increased from the existing \$1.35 billion to \$3 billion, and the Government will suffer a loss of \$1.6 billion in tax revenue. If the age requirement is abolished, then the loss in government revenue will be even more alarming. The proposal made in the motion is equivalent to granting tax concession to 200 000 to 300 000 people in order to reduce the burden of 25 000 unemployed persons. Is this an effective way of utilizing social resources? Are we encouraging middle-aged persons to claim this "unemployment allowance" in disguise? Moreover, since the allowance is granted to the children of the unemployed middle-aged persons, it may not directly benefit this group of people.

Madam Deputy, I would like to emphasize that the Liberal Party has great respect for Mr WONG Sing-chi's good intentions in helping the unemployed middle-aged persons. I only hope that Members who are present today will carefully consider the essence of the motion proposals to see whether they are proposing to relax the requirements for tax allowance without any specific purpose, and this is my first reaction. If we disregard this point, and trust Mr WONG that he only seeks to "provide for parents who are under the age of 60 and are unemployed or have no income", then let us see whether this motion can actually help those who are in need? Many retired parents or parents who do not have an income (perhaps I will also be one of those parents a few years from now) may not have any financial pressure, and they may never expect any assistance from the Government. However, according to the proposals in this motion, the children of such parents can enjoy a dependent parent allowance. Is this not ridiculous? I would think that it is very ridiculous if I am eligible for this allowance. I would like to point out that under the existing system, the age requirement for dependent parent allowance is 60 because it is assumed that this is the retirement age, and the purpose of this allowance is to encourage children to provide for their parents. Since there is no means test, this is not regarded as a kind of social welfare. However, tax concessions and social welfare are two separate issues, and I think that as Members of the Legislative Council, we should clearly distinguish between these two issues. These two issues should not be confused, for the former focuses on relieving the tax burden of taxpayers, while the latter seeks to assist the needy underprivileged members of the community.

Furthermore, even for the unemployed middle-aged persons, the benefit proposed in the motion is not only taking a most indirect approach, but it may also be in contravention of the principle of fair play. First of all, this group of people may not have children, and even if they do, their children may not be taxpayers who can enjoy the dependent parent allowance; secondly, the targets of this tax concession are the children of middle-aged unemployed persons instead of the unemployed persons themselves. It is uncertain whether how many of these children will "reciprocate" their parents with this tax concession in total, and how many parents are willing to live with their children? In accordance with Mr WONG's proposal, even if we use the median unemployment period of 74 days and the maximum marginal salaries tax rate of 17% as the basis of calculation, the additional tax allowance of \$30,000 will only be equivalent to savings of \$1,034 per year, which is less than \$90 monthly. However, a lot of administrative costs will be incurred since the Government will have to examine

the employment status of the taxpayers' parents. I wonder whether this is worthwhile.

I would also like to discuss the significance of the motion proposals on the revenue of the Government. At present, there is about 3.2 million working people in Hong Kong, of which only 1.2 million are paying salaries tax, which is 40% of the working population and less than 20% of the total population. The existing tax rate of Hong Kong is already lower than most countries in the world. How should we look at this?

Madam Deputy, the Liberal Party totally agrees that the Government should face up to the difficulties of middle-aged unemployed persons, but we cannot agree with Mr WONG's proposal.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam Deputy, since the financial turmoil of 1997, we have witnessed the bursting of our bubble economy, and our economy has since remained at the low ebb. Though there have been some improvements lately, we can also see that the changes we have experienced will become a trend as the development of globalization intensifies. I have repeatedly pointed out in this Council that Hong Kong will move in the direction of high-technology development, and this will also bring about problems relating to companies downsizing. In the past two to three years, whenever we talked about this issue, a group of Hong Kong people would immediately come to our mind. These people are mostly low-skilled, middle-aged persons who are battered by economic difficulties in the midst of these changes. Furthermore, the structural changes in society will also make it difficult for them to find jobs. Besides, the civil service reform, Enhanced Productivity Programme and the briefing out exercises of the Government over the past few years have also reduced job opportunities.

In view of this, the Hong Kong Federation of Trade Unions (FTU) has made a series of proposals in the past few years with a view to helping these low-education and low-skilled middle-aged persons to overcome their difficulties and increase their job opportunities. The FTU has proposed an economic strategy on priority employment and a proposal in respect of dependent parent allowance in our tax system. We have made some proposals on this subject, and so, when Mr WONG Sing-chi's motion was mooted, we found that we shared the same overall objective. Just now, the Honourable Mrs Sophie

LEUNG said that in any serious discussions on this matter, the different perspectives of people would inevitably make them think differently; this was precisely the reason why we at one stage wanted to move an amendment. However, it later occurred to us that if we should discuss many different amendments, we might convey confusing messages to members of the public. Therefore, we finally decided to withdraw the amendment originally conceived, but to stand by Mr WONG Sing-chi's motion, the spirit of which we have always supported.

Madam Deputy, the FTU has collected some information, and such information indicates that a group of middle-aged persons are seriously affected by the structural changes to the economy which I have just mentioned, and we have also conducted some studies in this area. Our study is very simple and it is based on figures obtained from the Census and Statistics Department. We will just look at the group of people who are between 50 to 59 in age.

According to the statistics provided by the Census and Statistics Department for the second quarter of 2000, there are about 420 000 workers aged between 50 and 59 in Hong Kong, accounting for one eighth of the total labour force; and of these, 400 000 were employed and 25 000 unemployed. The number of unemployed persons in this age group was 5.9% and that was higher than the overall unemployment rate of 5%, whereas the underemployment rate of 4.5% for this age group was also higher than the overall underemployment rate of 3.2%. From the employment condition of the age group which I have picked out, we can see that the underemployment problem faced by middle-aged persons is very serious. We understand that the Government is now conducting another study. We anticipate that this future study will show a continuous decrease in the employment rate and a continuous increase in the unemployment rate.

For this group of people, the Government may have to introduce various matching policies in addition to the priority employment economic strategy which I have just mentioned, in order to help families of the unemployed to solve the problems resulting from employment difficulties. As Mr TAM Yiu-chung has just mentioned, whenever we met with residents at the district level, a lot of people would come up to us and say "My parents are not very old but they have been unemployed for a long time, and though I would like to provide for them, it is a pity that I cannot enjoy the dependent parent allowance". I would like to tell the Secretary for the Treasury, Miss Denise YUE, that in the last two years

or so, whenever we conducted residents' meetings in the districts, we would come across situations like the one mentioned by Mr TAM. The FTU has also conducted a study on this subject. We think that the Government should introduce some changes in a tax item of our tax regime which has not seen any changes for a long time, and we really hope that the Government can introduce some changes. As regards what changes should be introduced, we think that this does not really matter as long as the changes can benefit those who are unemployed. These people are not very old and have not reached the age of 60, and if their children have the ability to support them, it is best if we can put in place such a system to help them. I think that if the Government is willing to think more about this issue, then it may be able to better keep in line with what Mr TUNG has advocated. Mr TUNG has often encouraged people to provide for their parents; however, at present, some people who are really doing so do have a lot of grievances. That being the case, why does the Government not introduce changes to our tax regime which has not seen any changes for more than 20 years, and why has it not done anything about the tax items?

Earlier in the debate, Mr WONG Sing-chi talked about the rationale behind his motion, and Mrs Sophie LEUNG has also expressed her views on this proposal. The FTU has even conducted a study to find out the cost to the Government if there is no age requirement at all. I agree with Mrs Sophie LEUNG that there are roughly 1.3 million taxpayers (that is, taxpayers who pay salaries taxes) at present and this number may increase to 1.35 million this year. And, even if there are changes in tax revenue, how great will be the changes in actual sums? I mean, what will be the changes in tax revenue, if the Government accepts our proposal, if the most extreme situation happens, whereby all unemployed parents of the age of 50 being provided for by their children are not subject to any age requirement to qualify for the treatment currently received by those aged 60 or above? Take a look at the figures, and we will see that this is not a very large sum. Of course, some people will think that \$1 billion is a very large amount, but why should we not go ahead with this if this \$1 billion or more can benefit a lot of unemployed parents, enable them to enjoy the fruits of their past contribution and enable their children to provide for them when they are unemployed? As I see it, the policy of the Special Administration Region Government has placed a great emphasis on the importance of children providing for their parents. Therefore, should the Government not give some thought to this proposal?

Having said all this, Madam Deputy, I must also add that the FTU had conducted a study on this when we discussed this issue. We suspect that if we should make proposals like those of Mr WONG Sing-chi, we will also attract different views from different parties. However, I think this does not matter, and the most important point is that we should agree that the age requirement for dependent parent allowance should be changed. I hope that the Secretary will also look at this issue from this angle. I also hope that when we discuss this issue, Members who are in disagreement to the proposal oppose the technical aspects only; we can discuss those aspects again and make the necessary changes, but the main principle is that we should agree with Mr WONG Sing-chi's motion. We hope that Members can support this motion in very much the same way as we have withdrawn our original amendment and support the spirit of this motion.

Madam Deputy, I so submit. Thank you.

**MR MICHAEL MAK** (in Cantonese): Madam Deputy, first of all, I would like to look at this motion from the angle of an individual's productivity and simple economic situation.

The underlying spirit of Mr WONG's motion is correct, for if parents are unemployed, the financial burden of a family will certainly be increased. To abolish the age requirement for dependent parent allowance will definitely reduce the tax burden of the children of dependent parents, encourage them to take care of their parents, and increase their commitment towards their parents. However, it is a pity that Mr WONG has proposed to completely abolish the age requirement, meaning that the children of unemployed parents aged about 40 years will be eligible to enjoy this allowance. If that were the case, it would seem that Hong Kong is not only implementing a super welfare policy but is also handing out free lunches for real. In fact, the salary of some working people is not high, and they may not even exhaust the basic personal tax allowance of \$108,000. Then what is the point of granting them a dependent parent allowance of \$30,000? Therefore, not all taxpayers, in particular the younger working population, can be relieved from their tax burden as a result of a dependent parent allowance granted to in relation to their unemployed parents. If that were the case, the original objective of the motion cannot be achieved.

Moreover, according to my experience from working in the health care sector for years, I understand that people under 60 are still very healthy. They can certainly support themselves with a good measure of productivity, and they can still contribute enormously to society. Though the unemployment rate of Hong Kong remains high as a result of our poor economy, the Government Economist just announced only recently that the economic growth rate for this year will be as high as 10.6%. Therefore, an abolition of the age requirement for dependent parent allowance will only have short-term effect.

Secondly, abolishing the age requirement for dependent parent allowance will reduce the tax revenue of the Government, affect the income of the Treasury, and in turn increase the financial burden of the Government. This will give the Government an excuse to increase other charges to make up for losses in the Treasury's revenue, thus triggering off a whole chain of price increases and unhealthy inflation. Eventually, the price increases may be passed onto the public, and thus the proposal of this motion will not benefit the public. I think the effect of the motion proposal is only transient. After all, tax concessions cannot be used as a long-term solution. In fact, the Government can consider adopting a lot of other policies, such as providing short-term unemployment relief to help unemployed persons from various sectors, and this will be neutral on the burden of their children. In the long run, the ultimate and most healthy solution is full employment, the enhancement of an individual's productivity and competitiveness. Therefore, I cannot support the motion.

Madam Deputy, I so submit.

**MR SIN CHUNG-KAI** (in Cantonese): Madam Deputy, in her speech earlier, Mrs Sophie LEUNG mentioned the principle of fair play. I have a question about this principle, which I hope the Secretary can answer later. Why can tax allowance be given in respect of dependent parents over 60 who are employed, while no tax allowance can be given in respect of dependent parents under 60 who are unemployed?

I believe that people over 60 years of age now are generally quite fit. I also believe that there are some Members in this Council who are over 60 and yet are still earning a lot of money. Even so, their children can enjoy the dependent parent allowance. But while some people under 60 in the community are still quite fit, they cannot find a job. The objective reality is they want to find a job but cannot find one, or the present economic conditions deny them a job. Therefore, is the subject of our discussion now simply an issue of tax allowance?

These tax allowances were introduced on the principle of fairness. What is the purpose of this tax allowance? I believe it was introduced on the assumption 20 years ago that employees would retire at 60 or above. If we have to find out who has income and who has no income through administrative means, it would involve very high administrative costs. That is why a tax allowance is granted to everyone with dependent parents over 60, and it is given on this principle. But why should a dependent parent allowance be given in the first place? The purpose is to make people realize that supporting one's parents is a natural duty. In fact, even if a person's parents who have reached the age of 60 still have income, he can still claim the dependent parent allowance. However, if his parents are under the age of 60 and have no income, and he has to support them every month, he cannot claim the tax allowance. In that case, what is the point of providing this tax allowance? I hope the Secretary can answer this question. I have some doubts as to whether this tax allowance is a tax concession. I do not think it is a concession. If a young man in his twenties has to provide for his parents who are unemployed, should the Government not reduce his tax liability? I very much agree with the doubts raised by many Members. Whenever a new scheme is introduced, such doubts are inevitable. For instance, there can be doubts about how to verify whether parents under 60 are really unemployed or have no income. I believe these technical questions must be solved.

I believe we also need to consider another issue. The Government now provides a tax allowance for eligible persons receiving disability allowance, even if they are under 60. By the same token, a tax allowance is granted to people who require special care, as is the case with eligible recipients of the disability allowance. It is of course easier to vet their eligibility, for the Social Welfare Department has special files on recipients of the disability allowance. After these files are handed over to the IRD for cross-checking, a tax allowance can be granted to these people. If we agree with the above principle, that is, people whose parents are under 60 and do not have any job or income should qualify to claim the dependent parent allowance, the Government should explore the technical arrangements whereby cross-checking can be facilitated with the use of computer systems to verify whether these parents have any income. I hope staff of the IRD can provide technical support in this respect to assist staff of the Finance Bureau to make the implementation of this principle more feasible. The Democratic Party believes that it can be done. Given the present state of development in computer technology, I believe such checking can be done if the Government is willing to make some amendments.

In terms of government revenue, we disagree that the implementation of this principle will cause great losses to the Government's coffers. As Mr WONG Sing-chi explained earlier, we estimate the amount to be some \$40 million to \$50 million. While this is just an estimation, the principle will not induce people in their forties or fifties to give up their jobs so that their children can claim the dependent parent allowance. It is nothing but a tax allowance at a maximum of \$30,000. After deducting this tax allowance, the tax liability will be reduced by \$7,500 at the most. This may be a month's salary or a few weeks' wages of an employed person in his fifties. Thus, the tax allowance is a very weak incentive for people to give up their jobs to allow their children to claim the dependent parent allowance. This tax allowance will apply only to those people who cannot find employment or have no income, whose children will then be able to claim this allowance. In our view, under this premise, the Government should find some effective ways to benefit people whose parents are under 60 and have no job or income. No matter whether today's motion is passed, we hope that the Government will study this issue based on this principle. Lastly, we hope that the Government will bring Hong Kong people some good news in this aspect of the next Budget.

With these remarks, I support the original motion.

**MR AMBROSE LAU** (in Cantonese): Madam Deputy, when it comes to any tax increase or reduction, consideration must be made of present needs and the long-term effects. Once a tax relief measure is implemented, it will be very difficult to change it even if the economic conditions change in future. Abolishing the age requirement for the dependent parent allowance so that all taxpayers with dependent parents are eligible to claim the allowance involves a series of complex questions, and it must therefore be examined carefully.

In the view of the Hong Kong Progressive Alliance (HKPA), we must consider two questions with regard to the motion:

First, the serious unemployment situation in Hong Kong has forced many people to retire early. We must note that they are forced to do so mainly by the objective economic environment. But if we abolish the age requirement for the dependent parent allowance so that people with unemployed parents under 60 can claim the allowance, we would be adding a human factor to the factors that lead to forced early retirement. The reason is quite simple. Once their children

have claimed the dependent parent allowance, these unemployed people will be forced to refrain from looking for a job because if they re-enter the labour market, their children will not qualify to claim the dependent parent allowance anymore. We must note that whether the unemployed can re-enter the labour market depends very much on their own efforts. If we lower the age requirement for the tax allowance, it might affect their incentive to seek employment. Besides, if the relevant unemployed persons manage to find employment after the dependent parent allowance has been claimed, the Government will have to abolish their children's relevant tax allowance, thus there will be great difficulty in terms of investigation and enforcement.

Second, at present, the serious unemployment situation in Hong Kong is caused mainly by the restructuring of the economy towards information and technology and the dwindling number of jobs in traditional industries. Despite the gradually recovering economy, the people have not benefitted. Unemployment is a very complex issue that involves a lot of factors, the most important of which being the Government's blunders in its industrial policy over the years, the impact of the financial turmoil and the bursting of the bubble economy. Besides, the adaptability and the fine tradition and spirit of continuous self-improvement that Hong Kong has always prided itself on have been undermined to a certain extent by the bubble economy.

Madam Deputy, in the last Legislative Council, I proposed a motion on behalf of the HKPA, urging the Government to encourage people to achieve continuous self-improvement. It requested the Government to broaden the industrial base, enhance retraining programmes, carry out education reforms and review its manpower policy in order to encourage the Hong Kong community to give full play to its spirit which embodies adaptability, assiduousness and continuous self-improvement. Helping people to re-enter the labour market or set up enterprises will provide fundamental solutions to the unemployment problem. Nevertheless, the HKPA does not rule out adopting reasonable tax measures to alleviate the financial burden of taxpayers who provide for their dependent parents. The HKPA suggests that the amounts of the dependent parent and grandparent allowance and the elderly residential care expenses deduction should be appropriately increased. By increasing the amount of the relevant deductions, we can encourage people to take care of the elderly and reduce society's need for public sector residential care places and services for the elderly. As a result, more resources can be deployed for the care of the elderly in greater need. The HKPA also proposes relaxing the restrictions on the

dependent parent and grandparent allowance. At present, if only a person's parents, grandparents or maternal grandparents are resident in Hong Kong can he claim the relevant tax allowance. This is unfair to taxpayers who have to provide for their parents or grandparents living in mainland China. We suggest the Government should consider relaxing the relevant restrictions so that people who have to support their parents or grandparents living in the Mainland can enjoy the relevant tax allowance. The HKPA's proposal can alleviate the financial burden of taxpayers who provide for their parents, without fundamentally changing the dependent parent allowance system. That is why the Government should actively consider adopting this proposal.

Madam Deputy, in the HKPA's view, the proposal to abolish the age requirement for the dependent parent allowance involves some questions that must be considered carefully in both the present and long terms.

Madam Deputy, I so submit.

**DR RAYMOND HO** (in Cantonese): Madam Deputy, according to the latest economic figures released by the Government, our Gross Domestic Product (GDP) achieved a double-digit growth of 10.4% in the third quarter. Due to the vigorous economic growth in the first three quarters this year, the Government has revised upwards the forecast GDP growth rate in real terms for the whole year from 8.5% to 10%. The unemployment rate subject to seasonal adjustment has also dropped from 5% in the second quarter of this year to 4.8% in the third quarter. However, due to the unemployment rate that remains high and the restructuring of the Hong Kong economy, many people below the retirement age are unable to find a new job after they have become unemployed, and have to be supported by their children. If they live with their children, they are not eligible for the Comprehensive Social Security Assistance (CSSA) for the unemployed. They are also too young to be eligible for the old age allowance. Since their children are generally quite young and have little working experience and a lower income, it is a great burden if they have to provide for their parents.

In view of the hardship faced by these families, I had an urge to support the abolition of the age requirement for the dependent parent allowance when I first saw the motion. However, after careful consideration, I have some reservations about the motion. First, if the proposal to abolish the age

requirement for the dependent parent allowance is to be a long-term measure, it is in my view a rather negative measure. Due to the restructuring of the local economy, the jobs used to be taken up by many unemployed persons who have not reached the retirement age are diminishing in number. Thus, it is very difficult for them to re-enter the labour market. Abolishing the age requirement for the dependent parent allowance will at best somewhat alleviate the financial burden of their children who provide for them. However, it cannot assist the relevant persons in re-employment that will enable them to support themselves and obviate the need to rely on their young children.

If the relevant proposal is merely a short-term measure to alleviate the financial burden of the relevant taxpayers, in the long term, we should expect the unemployed persons who have not reached the retirement age to be able to find a job when the economy improves, so that they will no longer need to rely on their children's support. However, people who think so have neglected the reality of economic restructuring. Many unemployed persons who have not reached the retirement age may not be able to find a job even after the economy recovers. Thus, the positive measure is to assist these people in employment, in order to solve their livelihood and financial problems and those of their children who provide for them.

Moreover, it is in my view a regressive step to replace the age requirement as a criterion for claiming the dependent parent allowance by the employment status of the parents. As far as I know, before the Government introduced the present dependent parent allowance, those claiming such an allowance had to undergo a means test before they could be granted the allowance. Under the former system, the means test was intended mainly to prevent abuse of the tax allowance. If we now consider replacing the present age requirement by the employment status of the parents, the IRD may have to employ considerable manpower and incur certain administrative costs to follow up the relevant applications in order to prevent abuse. In view of the high mobility in the local labour market, I am afraid the IRD will have difficulty in verifying the employment status of the parents under the age of 60 of persons claiming the allowance in the relevant year of assessment.

However, if we simply abolish the age requirement for the dependent parent allowance to avoid these administrative difficulties, many taxpayers whose parents are under the age of 60 and have a stable income will benefit for no reason. This is certainly not a satisfactory arrangement.

In short, I do think that people who have to provide for their unemployed parents who have not reached the retirement age do suffer certain financial burden and we need to show our concern for this. However, abolishing the age requirement for the dependent parent allowance cannot genuinely solve their problem. To actually help them, we should try our best to help these capable people who have not reached the retirement age to find a job, in order to alleviate the financial burden of their children who have to provide for them.

Madam Deputy, I so submit.

**MR FRED LI** (in Cantonese): Madam Deputy, before I come to the thrust of my speech, I wish to say that after listening to the speeches of Mr Ambrose LAU and Dr Raymond HO, I feel that colleagues have all misunderstood Mr WONG Sing-chi's motion today. Actually, the premise of this motion is that if people are given a dependent parent allowance, their tax burden will be alleviated. The present unemployment rate stands at around 4.8% to 4.9%. There is indeed a group of unemployed persons who are in their forties. Just now, Dr Raymond HO said that we should care about these people. But how? They have no job and cannot find one. Since they still live with their children, they are ineligible for CSSA. What could they do? The answer is that they can only rely on their children's support. Thus, if their children can pay a few thousand dollars less in tax each year, it would be of some help. However, some colleagues disregard this and say instead that we should encourage and help them to find employment. But the question now is that they have to rely on their children's support because they cannot find a job, and their children cannot claim the dependent parent allowance.

Indeed, children are duty-bound to provide for their parents. That is why some Members say that we have no intention of legislating to help people provide for their parents by way of a tax allowance. But if this is ruled out, it would seem to me that colleagues are wholly misguided. When the Democratic Party made suggestions to the Financial Secretary in respect of the Budget in early October this year, it stressed that we should reduce the burden of taxpayers who are employees. At present, only one third of Hong Kong's population are taxpayers. Thus, we are not talking about a large number of people. I will explain it in greater detail later. Let us assume there is a single-parent family, with a mother of 45 and a son of 23 or 24 who has just recently graduated from the university. The son is lucky if he can find a job with a monthly salary of

\$15,000. The mother has supported the son for such a long time. Now that her son has started working, it is hard for her to find a job after being a housewife for years. Basically, she has lost the ability to find employment and has also little working experience. Thus, the son has to take care of the daily household expenses, such as paying the rent, providing for his mother and repaying the loans for the university education. Their budget is already very tight. Based on the personal allowance of \$108,000, if the son has a monthly income of \$15,000, \$72,000 of his yearly income is taxable and he has to pay \$3,390 in tax each year. However, if Mr WONG Sing-chi's motion is passed, the son will be able to claim an allowance of \$60,000. Since he lives with his mother, he can claim a \$30,000 plus another \$30,000 in allowance. He will only need to pay \$240 in tax a year, that is, \$3,150 less. For this family which is not at all rich, paying some \$3,000 less in tax each year would be helpful to a certain degree. If this suggestion falls through, he will have to wait until his mother has reached 60 before he can claim this allowance. It means a long wait ahead for him.

Recently, we have conducted a survey in which 640 people were interviewed. Nearly 80% of the interviewees were in favour of relaxing the eligibility criteria for the dependent parent allowance, so that regardless of the age of the parents, anyone whose parents have no income should be eligible for this concession. 60% of the interviewees were of the view that this would encourage people to provide for their parents. Under the existing policy, only those persons whose parents are over 60 can claim the \$60,000 tax allowance. Generally speaking, people whose parents are over 60 must at least be in their '30s'. Having worked for quite some time, they will be earning a higher salary. A person in his '30s who has worked for about 10 years may have a higher salary than the recently graduated young man in his '20s mentioned just now. Why can this person in his '30s who has worked for several more years and is better-off can claim this allowance (since his mother has reached the age of 60), while the recently graduated young man in his '20s who also has to provide for a mother without work or income cannot do so? Is the Government of the view that this son should not provide for his mother? At present, taxpayers can claim a dependent child allowance and even a dependent sibling allowance. The Chief Executive attaches great importance to family ties. I am sure he is very much in favour of people providing for their parents. Therefore, I wish to stress that people whose middle-aged parents are unemployed should be granted tax concession to show that the Government encourages people to provide for their parents. This is better than obliging people to provide for their parents by

way of legislation. Some people had made this suggestion before, but we did not agree to it. In my view, the premise is that this tax concession or allowance will not make people lazy and reluctant to find work. Will people refrain from looking for work just because of the additional \$30,000 or \$60,000 allowance? Actually, only people who make a certain income can claim this allowance. People who do not earn enough cannot claim this allowance to have their tax reduced.

So, I hope Members can grasp the thrust of our proposals. We do not see how this tax allowance will discourage people from working. Someone has said recently that workers make themselves lame to obtain employees' compensation. Is this really true? Will anyone hurt himself in order to obtain employee's compensation at 80% of his salary and to evade going to work? In my view, these recent remarks are ridiculous. They confuse right and wrong, just like the suggestion made by some Members today, that is, introducing this allowance would encourage people not to look for work. I hope Members could consider our arguments carefully.

I so submit.

**MR LAW CHI-KWONG** (in Cantonese): Madam Deputy, excuse me. Because of the location of my seat, sometimes it may be difficult for you to notice that I have raised my hand.

The motion topic today is very interesting. Those Honourable Members who opposed the motion a moment ago are now sitting outside this Chamber, but I still hope that they can hear what I am going to say. Should we encourage people to provide for their parents? I mean, should we encourage people to provide for their parents irrespective of their age? To begin with, I do not think that filial children will really cease providing for their parents because they cannot qualify for the dependent parent allowance, nor do I think that children with no filial love will ever be induced by the allowance to provide for their parents. But if that is the case, what then is the point of having the dependent parent allowance? The allowance is actually a form of social recognition, and as a social policy, it aims to offer an incentive to people through some kind of taxation arrangement, in the hope that they can gladly discharge their filial duty of providing for their parents.

According to some Honourable Members, the abolition of the age requirement for the dependent parent allowance will not help the middle-aged people who are unemployed. I agree with them entirely. The best way to help these people should be to assist them in finding a job, so that they can earn their own living. I am sure no Honourable Member will dispute this. However, should we just help them find a job and do nothing else at all afterwards? Should we just watch with folded arms even when we see that they are living a very difficult life? The proposal may not be the best way, but that does not mean that we should thus do nothing else at all to help them. Do Honourable Members think that we should even be so harsh as to tell those people who are providing for their parents that since their parents have not yet reached the age of 60, they should work to earn their own living, and that, therefore, we do not encourage them to provide for their parents? Do Honourable Members think that we can really say something like this? I am sure that even those Honourable Members who opposed the motion just now would not say something like this to the children of their relatives and friends — telling them not to provide for their parents, or telling them that this may instead be bad for their parents because if they provide for them, they may become too dependent to earn their own living, and saying that we thus do not encourage them to provide for their parents, and so on. I am sure that this is not how we actually think about the issue, because we still hope that people can provide for their parents.

Our proposal aims to help those children who observe filial piety. As rightly pointed out by Mrs Sophie LEUNG, our purpose is not so much of offering any direct help to unemployed parents, but to give assistance to children with filial love, so that while they provide for their parents, they can get some relief from their livelihood pressure. I have already mentioned some figures. For example, for those children who earn a higher level of income, they will have to pay their salaries tax at the maximum marginal rate of 17%. Even if they can enjoy an allowance of \$60,000, they will at most be able to save about \$10,000 in actual tax payable a year. On the part of the Government, a reduction of \$10,000 in revenue will mean a mere sum of less than \$1,000 a month. Actually, from the perspective of taxation arrangement, this can indeed yield a very high return with just a minimal cost, for our aim is to give recognition to our ideal and realize our social value of encouraging children to provide for their parents. And, because of such an aim, some people (the Honourable Ambrose LAU, for example) have asked, "Will some parents whose children have applied for the allowance find it a bit not too good for them to continue to work? And, in case they really continue to work, will their children

lose their eligibility as a result?" If any parents think that way, I really hope that they can tell us why they think so. I do not think that there is any justification for such a strange idea, because the tax amount that can be saved is just about several thousand dollars. Unless these parents do not take up a job ..... I mean, if they really take up a job, how can one believe that they cannot even earn a few hundred dollars? So, there is no question of this problem arising. That is why I really hope that those Honourable Members who oppose the motion can think more carefully, do their calculations more clearly, so as to find out whether anyone can be so stupid as to stop working for the sole reason of enabling their children to claim the allowance. I am absolutely sure that no one will be as stupid as that.

I very much hope that Honourable Members can consider this very fundamental question: When people are willing to provide for their parents, should we not then give them encouragement? Should we still give them encouragement no matter what the age of their parents is? If the answer is "yes", then our recognition is confirmed. That being the case, what is the reason for not supporting the offer of the dependent parent allowance?

Thank you, Madam Deputy.

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

(No Member responded)

**SECRETARY FOR THE TREASURY** (in Cantonese): Madam Deputy, first of all, I would like to thank Honourable Members for their valuable views on the dependent parent allowance under salaries tax. We are now working on the 2001-02 Budget and we will carefully consider their views together with other proposals related to government revenue.

Firstly, let me elaborate on the background of the dependent parent allowance. In 1970, the Government introduced the dependent parent allowance under salaries tax for the first time and it was not introduced in 1978 as Mr TAM Yiu-chung just said. The major objective of this allowance is to reduce the financial burden of taxpayers from dependent parents, thereby encouraging children to look after their parents. In accordance with the then

Inland Revenue Ordinance, an allowance at a maximum of \$2,000 shall be granted in any year of assessment on the basis of the actual contribution in money towards the maintenance of that parent if the person or his or her spouse provides for a parent or a parent of his or her spouse in the year of assessment. However, the parent of the taxpayer has to meet certain requirements, for instance, he is ordinarily resident in Hong Kong at any time in that year, the person or his or her spouse contributes fully or partially in money towards the maintenance of that parent, and most importantly, the income of the parent shall not exceed \$2,000. In other words, there was an income limit for a dependent parent in 1970 and eligible taxpayers could claim the dependent parent allowance. In 1970, it was prescribed that if more than one taxpayer was eligible for claiming the dependent parent allowance, they could share the allowance but the allowance granted to an individual taxpayer or his or her spouse in the year of assessment should not exceed their actual contribution in money towards the maintenance of that parent.

In 1973, three years later, the Government carried out an overall reform of the personal taxation system. One of the reform measures was to abolish the prevalent dependent parent allowance. The decision was made mainly because the allowance system had been widely abused and the administrative costs were very high. There was abuse mainly because it was really hard to implement the relevant verification procedures. It was not because the Inland Revenue Department (IRD) did not want to implement these procedures, but a lot of difficulties had actually been encountered. One of the major difficulties was the verification of the income level of a dependent parent and a lot of money had been spent on such verification. In fact, the IRD had uncovered quite a number of cases in which it was proved that the annual income of a dependent parent exceeded \$2,000 but the taxpayer had intentionally misled the IRD. After this dependent parent allowance was abolished in 1973, the community continued to raise oppositions. In fact, the dependent parent allowance embodies more or less the concept of providing for our parents. Therefore, after the allowance was abolished in 1973, the community kept requesting the Government to re-introduce this allowance. Finally, in the 1978-79 year of assessment, that is, the year mentioned by Mr TAM, the then Financial Secretary responded to the appeal of the community and re-introduced the dependent parent allowance. However, having summed up the experience of the implementation of the dependent parent allowance from 1970 to 1973, when the Government worked out the dependent parent allowance again, it tried to minimize abuse and also exhausted all means possible to facilitate the IRD managing and verifying cases in the most cost-effective manner.

Since the 1978-79 year of assessment, the Government re-introduced the dependent parent allowance at \$4,000. Most importantly, we abolished the income limit for dependent parents. In other words, provided that a parent resides, otherwise than for full valuable consideration, with a person or his or her spouse for a continuous period of not less than six months in the year of assessment, regardless of the income of the dependent parent, the person will be granted the allowance in full without appropriate deductions on the basis of the actual contribution in money towards the maintenance of that parent or the actual income level of the dependent parent. The change was made because the principal consideration was whether the taxpayer was eligible for the allowance but not the income level of the dependent parent.

Another factor for consideration was the experience gained in implementing the dependent parent allowance in 1970. We understand that if there are provisions for a means test on a dependent parent, enormous difficulties will be encountered in respect of defining and monitoring the income of the parent. As only one taxpayer is allowed to claim the allowance, if there are double applications in the relevant year of assessment, the taxpayers have to negotiate and determine on their own who should claim the allowance. Since the 1998-99 year of assessment, as Members have mentioned, this basic dependent parent allowance has been adjusted upwards to \$30,000.

Beginning with the 1983-84 year of assessment, the Government granted an additional dependent parent allowance to a person whose parent was residing with him continuously throughout the year of assessment and the allowance amount was set as \$2,000 then. This was intended to encourage children to live with their parents and to look after their aged parents. Since then, if a taxpayer was not residing with his parent, he could also claim the basic allowance on condition that he contributed not less than \$1,200 towards the maintenance of his parent in the relevant year of assessment. This condition has applied since but the minimum allowance for the maintenance of a parent not living with a taxpayer was substantially increased to \$12,000 in the year 1998-99 in line with other concessionary measures. Moreover, beginning with the 1998-99 year of assessment, the level of additional allowance was also substantially increased to \$30,000, identical to the basic allowance. In other words, if an eligible taxpayer was residing with his parents continuously throughout the year of assessment, he could claim \$60,000 in allowance for each of his dependent parent. Putting it simply, this non-means-tested allowance for dependent parents has been implemented since the 1978-79 year of assessment until today.

Mr SIN expressed his hope that I could give an account of why the Government chose the age of 60 as the threshold. The Government adopted the criterion that a dependent parent must reach the age of 60 to replace the criterion implemented in 1970 for verifying the income of the dependent parent and making deductions on the basis of the actual contributions for his maintenance. The Government chose the criterion that a dependent parent must reach the age of 60 because the age of 60 is a general and widely recognized retirement age in Hong Kong. Taking civil servants as an example, according to the provisions of the law, the normal retirement age for civil servants is 60. Under the Inland Revenue Ordinance, in relation to recognized retirement schemes, retirement is clearly defined as the age of 60 or a specified age, whichever is later. As the retirement funds received under a retirement scheme by a person who has reached the retirement age is non-taxable, the age of 60 is not only applicable to the dependent parent allowance but also to other allowance criteria under the Inland Revenue Ordinance. Under the Mandatory Provident Fund Schemes Ordinance that will come into effect in two days' time, the "retirement age" for employees or self-employed persons is 65 or 60 for those whose employment or self-employment has been permanently terminated and are qualified for the accrued rights under their respective mandatory provident fund schemes.

The wordings of Mr WONG Sing-chi's motion not only misled some Members, but I am sorry that they also misled me. I really thought that Mr WONG was urging the Government to abolish the age requirement for the dependent parent allowance such that all taxpayers who have provided for their parents can claim the allowance. Mr WONG elucidated in his speech earlier that the original intention of the motion was to abolish the age requirement for the dependent parent allowance, but it was applicable to dependent parents who were unemployed or had no income. I fully understand the reason why Mr WONG proposed this motion. He wanted to encourage taxpayers with dependent parents to provide for their parents who were unemployed or had no income by alleviating the financial burden of taxpayers. The intention behind the motion is really good. As I just said, the Government will carefully consider this proposal in the course of working out the budget for the coming financial year.

I would like to state that the objective of introducing a dependent parent allowance is to alleviate the financial burden of taxpayers who really need to provide for their parents, but not the financial burden of all taxpayers including the high income group just mentioned by Mrs Sophie LEUNG who do not need to claim such additional allowance at all.

The existing requirement that a dependent parent must reach the age of 60 replaces the means test on the dependent parent with the purpose of ensuring that this policy objective can be achieved, and to effectively avoid benefitting without cause taxpayers who do not need to claim such allowance. As Members know, the tax net for salaries tax is fairly narrow now. In the working population of over 3.2 million, only 37%, that is, 1.2 million people need to pay salaries tax, and the 200 000 taxpayers with the highest income have contributed 77% of the revenue. Among these 200 000 taxpayers, those who have to pay taxes at the highest marginal tax rate of 17% can hardly be described as the grassroots. They are in the highest salaries tax band because they have fairly good monthly income. If Members consider these people as the grassroots, I believe, with the exception of 1 000 to 2 000 people, the remaining 7 million people are the grassroots. In other words, most of the employed who are really at the grassroots level and have low income do not need to pay salaries tax under the existing salaries tax regime. Even if they have to pay salaries tax, they are paying very little. Thus, when we consider this issue, we must carefully study whether relaxing the dependent parent allowance under the salaries tax regime can really benefit those with low income and need the allowance most.

Moreover, we have to consider other factors including the changes in the structure of the working population and household population, other measures for alleviating the burden as a result of providing for parents or the elderly and the effects of the proposal on the overall financial situation of the Government.

According to the latest statistics on the working population, up to the end of the third quarter of 2000, there were around 1 million people aged 60 or above, and 11% of them, that is, 110 000 were still employed and were working. There were around 685 000 people aged between 50 and 59 and 60% of them, that is, around 415 000 people were employed. Besides, around 72% of those aged between 40 and 49 were employed. Now that most of those under the age of 60 are employed, the Government must prudently consider whether it should completely abolish the age requirement for dependent parents for the sake of a small number of people who have to provide for unemployed or low income parents under the age of 60, or introduce an income limit for dependent parents.

Furthermore, it is increasingly popular for people to get married late. Statistics show that the average age of people getting married has increased from 27 a decade ago to 28 now. Besides, the average age of a Hong Kong woman bearing her first child has increased from 27 a decade ago to 29 now. This shows that when most parents reach 55, their children have most probably just completed schooling and have just started working. Their income may not be enough to provide for their parents and they may not fall into the tax net.

Mr WONG proposes that such allowance should also be claimed by taxpayers with parents who are under the age of 60 and are unemployed or have no income. There will be practical difficulties in implementation because Hong Kong does not have an employment register and the labour market is highly mobile. When handling claims for allowance, it is really difficult to trace and verify the employment and income situation of dependent parents under the age of 60, and this will involve enormous administrative resources and expenses. This is not our presumption for our actual experience from 1970 to 1973 highlighted such operational difficulties.

Under the existing salaries tax regime, apart from the basic allowance, we have other deductions that can alleviate the burden of taxpayers with dependent parents. Under the existing Inland Revenue Ordinance, if a taxpayer claiming dependent parent allowance is residing with his parent and the dependent parent has reached the age of 60 or is under the age of 60 but is eligible for disability allowance, he can claim an allowance totalling \$60,000 including basic and additional allowance. In the 1998-99 year of assessment, a total of 228 700 people were granted such allowance and the total deduction amounted to \$1.69 billion. If a taxpayer was not residing with his dependent parent but he contributed not less than \$12,000 for the maintenance of his parent, he was eligible for claiming an additional allowance of \$30,000. In the 1998-99 year of assessment, a total of 38 300 people claimed such additional allowance for this reason and the total deduction amounted to \$510 million. Since the 1998-99 year of assessment, to alleviate the burden of taxpayers providing for the care of elderly family members, the Government granted an additional allowance called "elderly residential care expenses deduction" under salaries tax, and the maximum deduction amount was \$60,000. In that year, around 2 300 taxpayers were benefitted and the revenue loss to the Government was some \$10 million.

As the Government originally understood, with Mr WONG's proposal to abolish the age requirement for dependent parent allowance, all taxpayers with dependent parents would be eligible for the allowance. Based on this presumption, it is estimated that the recurrent revenue of the Government will reduce by \$540 million in the year 2001-02, and the accrued loss will reach \$3.12 billion in the year 2004-05. In the face of the budget deficit this year, a responsible government must prudently consider any proposals that will reduce government revenue, especially recurrent revenue. While we consider how we should respond to the appeals of the community, we must also consider how we can break even and avoid deficits.

In addition, I must point out that tax concession is not the only measure taken by the Government to alleviate the burden of low income households haunted by unemployment. The existing Comprehensive Social Security Assistance (CSSA) Scheme provides a range of financial support to people or households with financial difficulties as a result of unemployment, poor health and old age. The CSSA Scheme aims at providing assistance to the needy in the community to help them meet their basic and essential daily expenses. Actually, the number of elderly CSSA recipients had increased in the past three years, from 106 500 cases in 1997-98 to 133 700 cases last year. The Government also implemented a Portable CSSA Scheme in 1997 with the objective of offering further financial assistance to CSSA recipients who are Hong Kong permanent citizens, have reached the age of 60, have resided in Hong Kong for at least seven years, have received CSSA for three consecutive years and have chosen to live out their retirement life in the Guangdong Province. In addition, eligible old people aged between 65 and 69 who have passed the means test can receive a normal old age allowance of \$625 monthly. Eligible people who have reached the age of 70 can receive the higher old age allowance of \$705 monthly without being subject to any means test. In the past three years, an average of 130 000 to 140 000 people aged between 65 and 69 received normal old age allowance every month while around 300 000 to 320 000 people aged over 70 received higher old age allowance.

As time is running out, I do not intend to repeat the various measures implemented by the Government to assist middle-age unemployed people in achieving value-addedness and fighting for job opportunities. Madam Deputy, the Government fully understands Members' requests to abolish or relax the age requirement for the dependent parent allowance under the existing salaries tax regime. Under the existing salaries tax regime with low tax rates, if we

uniformly abolish the age requirement for the dependent parent allowance, thereby reducing the general recurrent revenue of the Government, will this measure most effectively and directly help grass-roots families and taxpayers who generally do not need to pay salaries tax? We must consider this in the course of deliberations. I would also like to reiterate that the existing requirement that a dependent parent must reach the age of 60 has struck a suitable balance between alleviating the burden of taxpayers who need to provide for their parents and avoiding benefitting without cause those taxpayers who do not need the allowance. The age requirement of 60 is generally accepted and recognized by the community as the retirement age, and the community generally agrees, while statistics also show, that most people under the age of 60 still have working capacity and they do not need to be provided for by their children. Thus, when the Government considers whether it should abolish or relax the age requirement for dependent parents, it should also prudently and comprehensively consider the various social factors above, apart from assessing the overall financial impact.

Lastly, I am very grateful to Members for expressing their views on this motion. As usual, the Government will carefully consider Members' views when it works out the revenue proposals in the next budget and it will make a final decision after it has balanced the factors against one another. Thank you, Madam Deputy.

THE PRESIDENT resumed the Chair.

**PRESIDENT** (in Cantonese): Mr WONG Sing-chi, you may now reply and you have three minutes 13 seconds.

**MR WONG SING-CHI** (in Cantonese): Madam President, I thank those Legislative Council Members who spoke in support of my motion just now. I have also listened to the arguments of Members who oppose the motion. Actually, they also agree to my view that the Government should give encouragement to people who provide for their parents. I hope the Government will implement this proposal to give some encouragement to people who provide for their parents.

I wish to respond to some criticisms and remarks made by some Members. Let me tell a story for illustration purposes. When a rich man was walking on the street, he saw a child giving a massage to his overworked mother by gently pounding her back. The friend beside him suggested that he should give the child a roll to encourage him to keep pounding his mother's back. However, the rich man rejected, saying that it would not do to give the child a roll. If you give the child a roll, he said, his mother might think that since her son could earn a roll by pounding her back, she must keep working so hard every day and let her child pound her back. Would this not be doing the child and the mother a disfavour? So the rich man said, let us go home and work out how to solve the problem of the mother overworking in the long term. In the end, the child had to continue pounding his mother's back strenuously. The teaching of this story, just as Dr Raymond HO said, is we should not make a fuss, but rather help the unemployed parents to find a job so that their lot can be improved in the long term. While we certainly agree that we should help these unemployed parents find a job, why can we not give some encouragement to the young people who are providing for their unemployed parents?

Mr Michael MAK pointed out that this is a kind of super welfarism. How can it be labelled as welfarism? These young people pay tax to the Government. All we are asking of the Government is to deduct a little of their tax. How could this be welfarism? If this is welfarism, can we say that the oil companies are offering us welfare by reducing prices by 10 cents, and so we should thank them? Actually, short-term measures are also necessary. Moreover, this is not a short-term measure. It can be implemented as a long-term measure, although there may not be so many people claiming it then.

Just now, Secretary Denise YUE said that the dependent parent allowance was originally meant to help people in need. The parents of many high-income people may have reached the age of 60 and we let them claim the dependent parent allowance, albeit these people have a higher income than other people. Why should we refuse to give these young people who have just started working some encouragement when they have to provide for their unemployed parents?

Thus, I hope that those Members who oppose the motion today will join us in asking the Government through different channels to help these young people and give them some encouragement when they have to provide for their unemployed parents, so that they will be even more prepared to look after their parents. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr WONG Sing-chi, 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)

**PRESIDENT** (in Cantonese): Mr WONG, do you wish to claim a division?  
(*Laughter*)

Mr WONG Sing-chi rose to claim a division.

**PRESIDENT** (in Cantonese): Mr WONG Sing-chi 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:

Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr LAW Chi-kwong, Miss LI Fung-ying and Mr IP Kwok-him voted for the motion.

Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG,

Mr LAU Wong-fat, Mrs Miriam LAU, Mr Timothy FOK, Mr Henry WU, Mr Tommy CHEUNG and Dr LO Wing-lok voted against the motion.

Dr Philip WONG 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 CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss Emily LAU, Miss CHOY So-yuk, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the motion.

Dr TANG Siu-tong, Mr David CHU and Mr Ambrose LAU voted against the motion.

Mr NG Leung-sing abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, seven were in favour of the motion, 14 against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, 21 were in favour of the motion, three 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 motion was negatived.

**PRESIDENT** (in Cantonese): Second motion: Opposing the surge of fees and charges.

## **OPPOSING THE SURGE OF FEES AND CHARGES**

**MR CHAN KAM-LAM** (in Cantonese): Madam President, the Financial Secretary, Mr Donald TSANG, announced the day before yesterday to continue to freeze four government charges, namely water, sewage, school and medical fees, that have a direct impact on people's livelihood and to extend the duty concessionary period for ultra low sulphur diesel for another six months. The Democratic Alliance for Betterment of Hong Kong (DAB) welcomes the announcement, an indication of the Government's appreciation of the public sentiment. Nevertheless, a number of public utilities, including the Hongkong Electric Company Limited, Tate's Cairn Tunnel, Western Harbour Crossing, Tai Lam Tunnel, New World First Bus, Star Ferry, Lantau taxis, New Territories taxis and trams have made no similar responses. Earlier on, the Kowloon-Canton Railway Corporation indicated that it would consider conducting a review of fare rises in the middle of next year in the light of rising capital costs and the fact that fares had been frozen since 1997. Major newspapers have also started adjusting their prices as early as October.

Earlier this month, the Financial Secretary remarked in this Council that the Government could not act like "Wong Tai Sin". Moreover, it was unable to implement Members' proposals of increasing government welfare expenditure, offering tax concessions, extending the freeze on government fees and charges or introducing other concessionary measures. He further stated that he would progressively present proposals under the "user pays" principle to this Council on adjustment to fees and charges of services in relation to commercial operations not having impact on people's livelihood. This indicates that a surge of fees and charges is on the way.

According to statistics published by the Government a few days ago, Hong Kong's Gross Domestic Product (GDP) grew by 10.4% in the third quarter of the year and recorded a double-digit positive growth for nine months in a row. This gradual economic revival is no doubt exciting. However, it will be entirely wrong to jump to the conclusion that the economy has completely revived on the basis of these figures. While the sizable third-quarter economic growth was mainly led by trade and imports and exports, the 5.6% growth in internal spending indicates that internal spending has yet to recover. A number of surveys have forecast pay rises ranging from 2% to 3% on average next year. However, some industries, such as the retailing, catering and service industries, with a combined workforce of over 1 million, expect a meagre pay rise of 0.2%

only. Furthermore, wage levels have dropped by 30% over the past three years. Coupled with the fact that news about fee rises keep flooding in and wages have actually dropped rather than risen, the people's livelihood has actually seen no improvement at all. As regards the construction industry, the economic restructuring, reduction in construction costs and slashing of new construction projects have directly affected the gross profit of contractors and indirectly affected the employment rate of the construction industry. As a result, more and more construction workers are thrown out of job or into underemployment.

At present, workers earning a monthly income of \$6,000 to \$8,000 account for over 70% of our total workforce. Even if they are given an additional \$100 or \$200 each month, it will still be unable to offset the surge of abundant fees and charges. How can we expect them to improve their lot and increase spending? Low spending desires will only slow down the pace of the economy. The low-income and low-skilled workers might even need to face the bad fortune of continual downward adjustment of their wages. We can thus see that in spite of the strong economic growth, not all people have been benefited in concrete terms, not to mention they will increase spending.

Last week, the DAB conducted a survey and found that over 60% of the interviewees indicated they would reduce spending on dining out, entertainment and clothing next year because of the recent surge of fees and charges. At the same time, over 60% of the interviewees indicated the surge of fees and charges would cause their living standard to drop. This shows that it is definitely not an opportune moment for the Government and public utilities to raise fees and charges.

At present, the news about pay rises has yet to realize and the property market is still inactive. Tens of thousands of negative equity owners have yet to be relieved from their plight since the sharp fall of the property market in 1998. These owners are generally the bread winners of their households covering more than 100 000 people. They are practically living in tightened belts. The proposed fee rises by the Government and public utilities will only further undermine their spending power and impede the healthy growth of the economy.

After the nightmare of the bubble economy, the public in general has developed a heightened awareness of saving for the rainy day. Even if they have the power to spend, they will generally choose to buy low-priced goods or go shopping across the boundary. Such a loss of consumption desire locally

obviously shows that the spending habits of the public have changed. If things go on like this, it will definitely do no good to the development of the economy. This is because a sound economy is not solely led by external trade. It requires matching internal demands at the same time.

Hong Kong has an outward-looking economy. The externalities in relation to our neighbouring regions therefore have a crucial impact on our economy. We are of the view that our future economic performance will still rely on export and internal spending. Whether Hong Kong's exports in the coming year can be as active as this year will depend on whether the United States economy will make economic adjustment and whether its stock markets will stop panting and stabilize. If the United States economy cools down, Hong Kong exports will slow down and so will our economic growth. In addition, the fluctuation of global oil prices will affect the pace of our economy to a certain extent. As the external factors remain uncertain, the Government and public utilities should freeze all fees and charges which have a direct impact on people's livelihood and the operating costs of small and medium enterprises (SMEs) to prevent the reoccurrence of financial hardship because of an abrupt change in external factors.

With the imminent implementation of the Mandatory Provident Fund Scheme, 5% of employees' salaries will be deducted. Coupled with other factors such as a forecast inflation rate of approximately 2% for next year, the burden on the people's livelihood will undoubtedly aggravate. For this reason, any rises in fees and charges directly related to people's livelihood and commercial operations will slow down the newly reviving economy. Moreover, more and more organizations will follow suit. This will create a vicious circle and make life more difficult for the public.

Furthermore, the fact that the unemployment rate for the third quarter remained at a high level of 4.8% indicates that a large number of poorly educated and low-skilled workers are still living at the edge of poverty. Rises in fees and charges will only make life more difficult for them. It is predictable that the disparity between the rich and the poor will further aggravate. Although the Chief Executive has proposed a number of measures to help the poor in this year's policy address, the DAB is worried that the positive effect produced by these measures will be offset if the surge of fees and charges is allowed to continue.

As for SMEs, fierce competition from our neighbouring regions has already made their business environment very difficult. According to the findings of the survey conducted by the DAB last week, over 48% of the interviewees indicated they made less profit this year compared to last year, and nearly 20% considered the profit more or less the same. This indicates that the performance of SMEs is not satisfactory. Most of the interviewees indicated that, if the Government and public utilities really implement their proposals of increasing fees and charges, they will consider taking such actions as retrenchment, pay slash and further reduction in investment in an attempt to broaden sources of income and reduce expenditure. In doing so, not only will the employees' dreams of pay rise be shattered, members of the public will also keep spending across the boundary because of their diminishing purchasing power. At the end, the local market will enter a vicious circle of shrinkage while the pace of economic revival will further slow down too. Finally, the low-income grassroots will continue to be dealt the hardest blow.

The DAB is of the view that the public utilities should tide over the hard times together with the public by freezing their fees and charges. The Tate's Cairn Tunnel raised its toll by 25% at the beginning of this year. Now it goes even further by applying for a rise of 50%. There is no justification at all. At present, transport fares rank second in terms of the public's spending and are even higher than spending on food and rents. The imminent fare rises by various transport operators and the surge of other fees and charges will cause the burden of the people to further aggravate. These come as a series of bad news for the grassroots. We hope various public utilities can shelve or withdraw their decision of raising fees and charges in order to tide over the hard times together with the public. In doing so, the burden of the public will be alleviated temporarily. At the same time, Hong Kong economy will be able to consolidate expeditiously.

With these remarks, Madam President, I beg to move.

**Mr CHAN Kam-lam moved the following motion: (Translation)**

"That, while the public have yet to benefit from the slight improvement in Hong Kong economy, the Government and a considerable number of public and private organizations have chosen to propose increases in fees and charges at this stage, thereby aggravating the burden on the public; in this regard, this Council urges the Government to face up to the surge of

fees and charges, and continue to freeze government fees and charges which have a direct impact on people's livelihood; at the same time, this Council calls on the public utilities to go through the hard times with the public by freezing their fees and charges."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHAN Kam-lam be passed.

**PRESIDENT** (in Cantonese): Mr Fred LI, Mr LAU Chin-shek and Mr James TIEN will move amendments to this motion respectively. Their amendments have been printed on the Agenda. In accordance with the Rules of Procedure, the motion and the three amendments will now be debated together in a joint debate.

I will call upon Mr Fred LI to speak first, to be followed by Mr LAU Chin-shek and Mr James TIEN; but no amendments are to be moved at this stage.

**MR FRED LI** (in Cantonese): Madam President, I propose the amendment on behalf of the Democratic Party because the wording of the original motion was excessively mild and feeble. Although the topic of the original motion is "opposing the surge of fees and charges", in fact, there is no trace of the word "oppose" in the motion. Instead, only mild expressions like "urges the Government" or "calls on" are used. As positive economic growth was registered again in the first quarter of this year, the Government had already tipped off an increase in fees and charges ahead of others. Afterwards, a succession of fees and charges increase proposals were put forward by a number of public utilities, in addition to indications of the same by some other organizations. Notwithstanding the Government's announcement a few days ago on the continuous freeze on fees and charges related to the people's livelihood, so far 12 public utilities and transport operators have already put forward proposals on price increases, thus the Government can in no way shirk all of the responsibilities for this.

Against the background of the general public has yet to benefit from the economic growth, wage levels have not been improved, unemployment rate

remains very high and deflation is still very severe, an extra burden will be brought to bear on the public with the Mandatory Provident Fund (MPF) Scheme to be implemented two days later. As a result, it is necessary for this Council to take a firm and distinctive posture to express our position in "opposing the surge of fees and charges" by replacing wordings like "urges the Government to face up" and "calls on" by "strongly opposes". This is my first reason of proposing the amendment.

The second emphasis of the amendment lies in naming some individual organizations and government departments for criticism. The reason why the Democratic Party "favours" one more than others is that all the organizations named are those which have taken the lead in the surge in fees and charges, and their services do have a direct impact on people's livelihood. Hence, the objective of criticizing them in particular is to curb the surge in a more effective way.

Next I will elaborate on the position of the Democratic Party in respect of government service charges and public utilities. Regarding government fees and charges, we oppose the increase of livelihood-related fees and charges at the present stage. By this we mean government services required by the public on an everyday basis, such as fresh water supply, sewage disposal and postal services. As all of these services are part of our daily necessities, the Government should not apply the 100% cost recovery principle as the policy objective. Even if the economic upturn is seemingly noticeable, the unemployment rate is dropping, the level of wages is rising and the general public may be able to share the fruits of economic recovery, the Government should only recover part of the costs, or even a small proportion of the costs. On the contrary, for those services which have no direct impact on people's livelihood and where only individual service users are involved, such as professional examination fees, gambling activities or money lender licence fees and so on, it is not appropriate to rely on all taxpayers to bear all the costs of these services. As a result, such costs should only be recovered as fully as possible according to the "user pays" principle, so that the resources thus saved can be allocated to areas of greater urgency, such as expenditure on education, health care, housing and environmental protection, so that a better use of financial resources can be made.

From the overall financial strategy perspective, all services provided by the Government should be financially supported. Besides taxation, the source

of revenue depends mainly on the direct levy of charges on service users. The determination of the financing proportion between taxation revenue and government charges also implies a consideration of the redistribution of wealth. Currently, the proportion of government service charges in the overall revenue has dropped from 11% in 1998 to 6% now. If we disregard whether or not such charges are livelihood-related and reject the increase of government fees and charges on an across-the-board basis, it will cause a decline in overall government revenue. As a result, the Government will have to cut its expenditure, and naturally, services that have a direct bearing on the people's livelihood will be affected, otherwise the Government will have to increase taxes in order to maintain the present level of expenditure on services. Consequently, the redistribution of wealth will only become a subsidy to a minority of the public at the cost of the economic interests of the middle and lower classes.

Of course, the Democratic Party does not encourage the Government to be a miser by clinging to its fiscal reserves of \$430 billion without spending a dollar of it. In fact, this is our second request in two consecutive years that the Government should prepare a deficit budget and to use available financial resources in the most deserved areas to the benefit of the general public. In view of the above reasons, the Democratic Party cannot agree to the amendment proposed by Mr LAU Chin-shek.

With regard to the amendment proposed by Mr James TIEN, we consider that the business sector should understand the difficulties of the public and postpone their decision of increasing fees and charges. In fact, as deflation is still very serious and most small and medium enterprises are still operating in a difficult environment, the increase in fees by public utilities and transport operators will have widespread repercussions. Therefore, any such decision should be postponed.

Madam President, I am going to talk about our position on opposing the increase of fees and charges proposed by public utilities. Later on, Mr Andrew CHENG and Mr Albert HO will talk about our views on opposing the fare rise proposals of various transport operators. The transport operators aside, the Hongkong Electric Company Limited (HEC) is one of the public utilities which have formally applied to the Government for a rise in fees and charges, while Pacific Century CyberWorks (PCCW-HKT), among other companies, has made it clear that it is considering a tariff increase for residential lines next year. Among the numerous public utilities in Hong Kong, I consider it necessary to name and criticize the HEC in particular.

In order to adjust its tariff, the HEC has jumped the gun by way of "doing one thing under cover of another." The move can be described as a sneaky one. Due to the slack supervision by the Government, the HEC has already introduced a revision of the components of its tariff structure in September this year to increase the basic tariff as well as the fuel clause rebate in addition to its formal application for tariff increase. However, the rebate can be recovered retrospectively. In other words, the eventual success of the HEC in increasing tariff this time plus the possible recovery of rebates will end up to be a double increase, with a total rate of increase exceeding 10%. As the regulator of public utilities, the Government should not approve of the HEC's increase this time. If the HEC proposes an increase of tariff by 5% as reported, it will be the highest increase among the several increases in the past. From 1995 to 1998, the rates of tariff increase by the HEC were 3.6%, 3.5% and 4.5% respectively. In consideration of the poor economic environment last year with a deflation rate as high as 4%, a 5% increase is totally unacceptable.

With the protection accorded by the Scheme of Control Agreement executed between the HEC and the Government, the company's profits have been rising continuously. For instance, the HEC's profit after tax is \$2.17 billion in the first six months of this year, representing an increase of 2.9% compared to the same period last year. It can thus be seen that the profit of the HEC, being a monopolized public utility, is still fully guaranteed regardless of the gloomy market condition. The HEC has stealthily revised its tariff structure on the one hand and proposed a tariff increase on the other, I am afraid this is the evil consequence of its expanding assets. Last year, the Government approved the financial plan of the HEC for 1999-2004, thus enabling the HEC to spend \$27 billion on renovating and expanding its generating facilities. Consequently, this enormous investment will certainly lead to a tariff increase for Hong Kong Island, particularly due to the construction of the HEC's first natural gas generating unit on Lamma Island which will be commissioned in 2004. Nevertheless, the Government has given the company approval to factor this into its calculation of profits three years prior to the commissioning of the unit. As a result, the public has to bear the evil consequence of the HEC's expansion of assets, which is an increase in tariff. Indeed, it is questionable if the capital investment is in the interest of the public or value for money.

In view of the fact that the China Light and Power Company Limited has already announced that it will not propose a tariff increase next year because of the company's effective cost controlling efforts, the HEC ought to follow suit by

controlling costs and raising productivity in order that the tariff can be frozen. As a matter of fact, we cannot accept the grounds for the tariff increase proposal by the HEC, which include the rise in wages, the laying of new networks and total operation costs. It is regrettable to see how the HEC ignores the predicaments of the people with such an uncaring attitude.

With these remarks, Madam President, I move the amendment.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, the Financial Secretary announced two measures to relieve the difficulties of the people two days ago. At least he has made clear to the public that the Government eventually recognizes two important facts that we have been calling out for attention by government official. Firstly, although the economic growth figures are seemingly encouraging, the majority of the public are still suffering from a difficult time in terms of employment and living. Secondly, the Government taking the lead to increase fees and charges will not only put across a negative message to the community at large, but will also induce public utilities to follow suit one after another, thereby damaging the livelihood of the people.

Concerning the Government's proposal on a continuous freeze of four important categories of livelihood-related fees, to be honest, even if the Government insists on the increase proposal, it will not win the approval of this Council. I believe both the Financial Secretary and the Secretary for the Treasury know this very well. Therefore, we should not call it a Christmas present from the Financial Secretary which is something like "help to a lame dog over a stile", it is at best just not "rubbing salt into somebody's wounds".

The revised economic growth forecast of this year is 10%, which is two times of the 5% budget forecast at the beginning of this year. It appears that the figures are on the rise. However, there has been no improvement at all to the living of the average citizens. At present, the general public and wage earners are haunted by high unemployment where the unemployed and underemployed total 260 000 and the unemployment and underemployment rates have been doubled in three years. Thus they have to face an unstable employment market and a lack of job security. Besides, the real incomes of the average families have plummeted by 30% in the past two to three years with an obvious decline in their quality of life. Starting from next month, wage earners have to contribute 5% of their monthly wages to the Mandatory Provident Fund (MPF) Scheme,

which is an added burden to their lot. Although the MPF is intended to be a form of retirement protection in the beginning, under the present difficult conditions, many wage earners are complaining that the MPF has turned into "extortionary fund".

Given the severe livelihood condition of the people, we have been demanding the Government strongly to freeze all government fees and charges and we have been strongly opposing to the increase of fees and charges by public utilities. My standpoint now is different from my position held in 1995 and 1996. It can be said that I have taken an about-turn as I was only asking for a freeze of livelihood-related fees at that time. It is because I can feel the hardships of the people and wage earners in these days are worse than the case three to four years ago. Moreover, any increase in fees and charges, even if it is not related to the people's living, will cause a surge of fees and charges that will affect their lot. Therefore, to separate livelihood-related fees from those non-livelihood-related mechanically is utterly meaningless.

Even though the Financial Secretary only has a fractional understanding of the entire picture, he made a decision in launching two measures to relieve the predicaments of the people. However, I have to point out clearly to the Government that in freezing merely four categories of livelihood-related fees while increasing thousands of other government fees and charges, it divulges a message to the people that the focus of the Government is on increasing fees and charges.

When the Financial Secretary announced the freeze on four categories of livelihood-related fees, he was asked to comment on the recent fees and charges increase proposals made by a number of public utilities in succession. The Secretary replied that he hoped those proposals would be "all thunder and no rain".

In fact, there is much "thunder" now. The Western Harbour Crossing is determined to increase the tolls next Sunday. In the meantime, public utilities such as the Tate's Cairn Tunnel, the Tai Lam Tunnel, the Hongkong Electric Company Limited, the New World First Bus Services Limited (First Bus), New Territories taxis, the Hongkong Tramways Limited and the Star Ferry Company Limited are waiting on the wings for the Government's examination of their fare rise applications. The proposed increase by the Tate's Cairn Tunnel, in particular, is as high as 50%, where the average rate of fare increase proposed by First Bus is something around 9.2%.

Why is there so much "thunder" suddenly? I believe it is undeniable that all this has much to do with the government's high profile announcement of increasing fees and charges of government services in general recently. These "thunderings" of fares and charges increase by public utilities are apparently caused by the "dark cloud" conjured by the Government in shouting out loudly for increases in government charges and fees. The Government has only withdrawn four categories of livelihood-related fees, yet insisted on proposing increases on thousands of items of government charges. Naturally, this focus on increase can hardly drive all the "dark clouds" away completely, then how can the "rain" be actually driven away?

When a public utility increases its fees and charges, it will affect not only its own customers, but also cause a chain reaction in most cases, as similar public utilities will follow suit. Furthermore, a price increase will reduce the patronage and create an absurd phenomenon of wasting social resources. For example, the toll increase of the Western Harbour Crossing will further widen the price disparity among the various harbour crossings. If that phenomenon persists, it is very obvious that the policy intent of using different harbour crossings to diverge traffic flows will be defeated. In the meantime, the toll increase of the Western Harbour Crossing will set off a toll increase race between the Cross Harbour Tunnel and the Eastern Harbour Crossing, leading to a vicious circle.

The Financial Secretary said he hoped that those fees and charges increase proposals of relevant public utilities are just "all thunder and no rain", perhaps it was his subjective wish that the items of fees and charges increase of public utilities will eventually be reduced, that such increases will not take effect concurrently, and the actual rate of increase will be less than the proposed rate. However, I hope the Government will understand the vulnerability of the general public who are now facing predicaments of unemployment and pay-cut. They are unable to stand even the slightest drizzle, as "thunder" without any "rain" is bad enough to strike terror into their hearts.

As a result, I insist that the Government should freeze all fees and charges across the board, in order to strike home a clear and straightforward message to the people and public utilities that as the general public are living under tremendous stress, the Government and public utilities should carry on tiding over the difficulties together with the people, and it is not time to increase or adjust fees and charges.

Talking about not increasing fees and charges, I should take this opportunity to express my gratitude to Kowloon Motor Bus Company (1933) Limited (KMB) and China Light and Power Company Limited (CLP), which have stated openly that they would not raise their prices in the near future. Their ways of making their position known are in fact giving other public utilities a positive message that adjustment is not inevitable and it is not necessary to follow the footsteps of others in raising fees and charges. I hope more public utilities will follow the KMB and CLP in not adjusting their fees and charges, so as to bring more good news to the average citizens.

Lastly, Madam President, I would like to say a few words to the grassroots. Recently, a lot of people have rung me up, advising that I should take some radical actions to oppose the increase of fees and charges. Nevertheless, after thinking the matter over and over again, I feel that society is already filled with hostility, so much so that many an incident can trigger off a crisis. As a result, although I understand the feeling of the general public, I refuse to take radical actions. However, I also hope that the Government will deal with the resentment and discontentment of the people seriously, not to overlook them or even ignore them. Otherwise, I believe the entire society (including the Government itself) will have to pay a greater price.

Madam President, I so submit.

**MR JAMES TIEN** (in Cantonese): Madam President, in the several years following the financial turmoil, we find that the Hong Kong Government, the business and industrial sector, the small and medium enterprises (SMEs) and the general public have been affected to a certain extent, in which the financial condition of SMEs and the general public are among the worst. Nevertheless, the Government still holds enormous fiscal reserves and the Exchange Fund. At this point, how can the motion of "opposing the surge of fees and charges" help the recovery of Hong Kong economy and relieve the predicaments of the people?

Last year, the Liberal Party, the Democratic Party, the Democratic Alliance for Betterment of Hong Kong (DAB) and several political parties joined forces successfully to negative the Government's proposal of increasing more than 3 000 items of fees and charges. It was extraordinary that nobody proposed to demarcate those items into livelihood-related or non-livelihood-related. In fact, government fees and charges, with the exception of those that have direct impact on the people's livelihood, will inevitably affect the professionals and the business and industrial sector direct, such as the licence fees of business, and registration fees of professionals including engineers, medical practitioners, accountants, and so on. We feel sorry this year that co-operation among the various political parties is seemingly hopeless, as other Members of this Council consider that livelihood-related fees should not be increased, while non-livelihood-related fees can be discussed on an individual basis to see which item can be given the green light for adjustment. I feel extremely disappointed with this because it takes us back to the same situation in 1995-96. At that time, this Council had some other Members from the Democratic Party such as Dr John TSE and Rev FUNG Chi-wood. During the debate on that occasion, they voted for whatever items of increase which had connection with the business and industrial sector and voted against whatever that was related to the people's livelihood. It ended up in shifting almost all of the tax burden onto the professionals and the business and industrial sector. Today, if we support the original motion proposed by Mr CHAN Kam-lam or the amendment proposed by Mr Fred LI, we will be taken back to that same old situation where the business and industrial sector, SMEs and professionals will have to bear a substantial portion of increase when livelihood-related items are not adjusted. This is the situation exactly the Government hopes for. As a result, the Liberal Party has proposed an amendment by just adding "and the business environment" after "to freeze government fees and charges which have a direct impact on people's livelihood". Just as many colleagues have said, considering the deflation of this year is something around 3.7% and most enterprises are barely able to survive and recover, it is hoped that the Government will extend the freeze on government fees and charges for one more year and refrain from defining whether these items are livelihood-related or not.

The difference between the Liberal Party's amendment and the amendments proposed by other colleagues lies in the request for the freeze on service fees and charges of public utilities. Mr CHAN Kam-lam uses the wording "calls on" in that connection, which we can support. In fact, the Liberal party calls on all public utilities not to make any upward adjustment.

Therefore, we use the wording "apart from having regard for making reasonable returns, to also consider the factor of going" through the hard times with the public "when considering whether or not to adjust" their fees and charges. In fact, we are also calling on public utilities not to make upward adjustments, but we are handling the matter in a different way by not using wording like "strongly opposes" as other amendments do. We consider that as the Government has nearly \$1 trillion in reserves and the Exchange Fund, it should therefore be able to afford not increasing its fees and charges. Moreover, not to adjust government fees and charges will not affect the financial condition of the Government. However, we think we should deal with each public utility company separately. For instance, if some companies are better run or have specific reasons for an increase, should we adopt the same wording of "strongly opposes" and ignore other factors? Later on, Mr Tommy CHEUNG of the Liberal Party will make a detailed analysis on these amendments.

Let me comment briefly on the series of examples cited by Mr Fred LI in his speech in strongly opposing the adjustment of fees and charges proposed by public utilities. I consider his criticisms against the Hongkong Electric Company Limited (HEC) founded. However, he should reconsider if it is fair enough to deal with the HEC, the Western Harbour Crossing and the First Bus in the same way. Let us take the Western Harbour Crossing as an example. The company invested \$7 billion in the construction of the tunnel a few years ago. We agreed that the Western Harbour Crossing operator may levy a toll of \$30 when the tunnel was commissioned. In the contract executed between the Government and the Western Harbour Crossing operator, there is a toll adjustment mechanism which allows the company to adjust the toll if the traffic flow is below a certain level. It is legally binding. In that case, shall we insist on disapproving of any toll adjustment by the Western Harbour Crossing with resolve? If that is the case, who else can the Government look to in making investment in infrastructure construction in the future?

Secondly, the First Bus has recently spent \$2 billion purchasing 550 new buses, which have helped improve the service quality considerably. Under this premise, even if we do not support the fare increase of 9.2%, shall we consider a more appropriate and moderate figure? Even though we are calling on public utilities not to make adjustments, given the fact that they have made an enormous investment, is it fair of us in continuing to oppose strongly their fare rise

application? In that case, how can we keep on encouraging bus companies to improve service quality and use environmentally-friendly buses to ameliorate the air pollution problem? For many years, Mr LAU Chin-shek has been upholding a stance of not supporting any fees and charges increase proposal of any public utility. In the long run, will this kind of stance cause a decline in the service quality of numerous public utilities? I think that the public does not want to see this happen.

Madam President, my concern is not on whether or not today's motion and the various amendments will be negated or what message will be imparted to the public. My concern, on the other hand, is about the proposed legislative amendments in respect of adjustments made by the Government recently on a number of fees and charges. The Secretary for the Treasury has been exceptionally tactful in dealing with the adjustments, as she has mingled a number of concessions among numerous items of fees and charges increase. Nothing will work if we just take no notice of everything and cast the negative votes. We should note that there are many concessionary measures in the Government's proposal. As a result, we have to study which of them are livelihood-related and which are not, and we should decide whether we approve of an increase or a decrease in fees and charges for government services. Concerning the concessionary items, certainly Members do have a consensus that such proposals will be supported unanimously, but I still have worries for those items of increase. When the Government tables the relevant papers to this Council in the next one to two months, the Liberal Party will have to consider thoroughly how to cast the votes in respect of the proposals on increase in fees and charges related to the business and industrial sector, as other Members may yet again propose the removal of the increase in livelihood-related fees and charges.

I call on colleagues again to support freezing all increases in fees and charges proposed by the Government for another year irrespective of whether or not they are related to the people's livelihood. The Liberal Party considers it a more appropriate way to study each item one by one if inflation re-emerges by next year, the business of the business and industrial sector has improved, in addition to the completion of the 5% contribution of the MPF scheme.

With these remarks, Madam President, I propose the amendment.

**MISS LI FUNG-YING** (in Cantonese): Madam President, after struggling arduously and fighting with all-out efforts, the economy of Hong Kong is starting to do well now, and the Government has adjusted the forecast of the economic growth to 10%. However, the growth generated by external trade has not fueled internal consumption while deflation persists. As the growth of the consumer market is still outpaced by the rate of economic growth and the unemployment rate is maintained at 4.8%, it shows that lower-skilled workers with low education level in the labour market are still suffering from the pressure of downward adjustment in wages. Thus it can be seen that the general public are not benefited from the recovery of local economy. Furthermore, the grass-roots labourers are also unable to share the economic fruits. In the wake of the economic upturn, wage earners are expecting a pay rise next year. However, the rate of pay rise and whether everyone can get a pay rise is still a question to be answered. Nevertheless, despite the chairman of the Hong Kong and Shanghai Banking Corporation having indicated that it is considering to grant its employees a pay rise of just 2%, many small and medium enterprises (SMEs) have indicated that they will only consider the issue of pay rise by the beginning of next year. A number of large public utilities have revealed that the issue is still under consideration irrespective of the fact that they have made profits through out the year.

It is regrettable that although the economy has just recovered, the public are not benefited and employees have not seen any pay rise yet, a surge of fees and charges is already rising from all directions. The Western Harbour Crossing has announced a toll rise starting from 3 December. The Tate's Cairn Tunnel, the First Bus, the Hongkong Electric Company Limited and the Star Ferry Company Limited have also expressed intentions of following suit. Unfortunately, although there is a sign of recovery and the spending sentiment of the public is still to be restored, the public has to suffer before they can gain from the recovery. The grassroots need a break badly to heal the trauma of the financial turmoil as the incomes of wage earners have dropped drastically as a result of the economic downturn in the past two years. Hardship, not income, has been rising in the catering and retail industries, whereas the general public are still tightening their belts. In particular, as the Government has placed particular emphasis on the New Territories in relation to its housing policy in the past decade or so, a lot of grass-roots families have been forced to move to remote districts, hence they have to bear costly transportation expenditure for a long long time. If transport companies should increase the fares, it will

undoubtedly add to the burden of these low-income people. With the widening of the wealth gap, any adjustment or increase in fees and charges is bound to stir up popular discontents and resentments, to the disbenefit of social harmony. In addition, it will deal a further blow to the spending sentiment which is already very vulnerable. In view of that, may I ask how can the consumer market be revitalized? Madam President, I would like to cite an analogy of cause and effect. During an economic boom, people are willing to spend in anticipation of their wages. However, as the economy has barely started to recover, the Government and enterprises are vying for the wages people have anticipated, that is why people have to tighten their belts and purse strings. Under this circumstance, how can the consumer market be improved? I believe nobody will fail to figure out this kind of cause-and-effect relationship. Therefore, rushing to increase or adjust fees and charges under the circumstance is not a wise move.

Madam President, I consider the announcement by the Financial Secretary recently on freezing four categories of livelihood-related fees, namely water tariffs, sewage charges, school fees and medical fees, and extending the concessionary period for duty rate on ultra low sulphur diesel (ULSD) for a further six months demonstrates that the Government of the Special Administrative Region (SAR) can reign in at the last moment, empathize with the people's feelings and comply with the people's will. However, the Government always uses the principles of "user pay" and "cost-recovery" as the excuse for increase. It is widely known that it is impossible to recover the costs of expenditures which have significant impact on the people's livelihood, such as expenditure on education and medical care. Therefore, when life is still hard and the poor people are still waiting for assistance by the Government, such fees and charges should be further frozen. At present, the Government is holding tremendous fiscal reserves while the Hong Kong Monetary Authority made an investment return of over \$40 billion in the 1999-2000 financial year alone, turning the deficits of that year into profits. As a result, since the economy is improving, the Government should have the foresight to make good use of the reserves, to recuperate and rebuild society and to actively support the small and medium enterprises, so as to enable the technical transformation of the industry, to help them to make use of the latest technology and eventually to enable them to manufacture products of high added value. Furthermore, the Government should inject resources into strengthening the training of workers in order to enhance their competitiveness. By then, it is no surprise that the sturdy foundation will facilitate Hong Kong developing into one of the richest regions in

Asia, needless to say restoring it in the leading position among the four little dragons in Asia in the old days. In the final analysis, we can only reap good fruits if the Government and enterprises are willing to sow more good seeds. I would like to call on the Government to face up to the surge of fees and charges which will have negative impact on society, to take every measure to hold back the surge of fees and charges, and to take practical actions to make everybody realize the sincerity of the SAR Government in riding out the storm.

Madam President, I so submit.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the Government has just issued the third quarter's economic report last Friday, which shows that the overall economic growth will reach 10.4% and the import and export trade has resumed its spearhead role in the economic recovery. However, the deflation problem in Hong Kong is still serious and the spending power or consumer sentiment of the public remains fragile. Why have the people not yet been benefited from the economic growth in spite of the fact that the overall economic figures are improving? Please take a look at the following figures. For example, a total export of some \$154 billion was registered in this October, which was 23.6% higher than that of the same period in 1999, but it was just 8% higher than that of the same period in 1997. The problem was that the domestic export value of this October was just \$16 billion, which was 14% higher than in 1999 but 20% less than that of the same period in 1997. In other words, the improvement in import and export performance is in fact just slightly better than it was in 1997. However, given that the export value of the domestic export manufacturing industry, which absorbs a considerable number of the local workforce, is still 20% lower than that of the same period in 1997, how can the general consumer market be improved?

Such being the case, and given the fact that the general public has suffered pay cuts, pay freezes or layoffs for more than two years and that the Mandatory Provident Fund Scheme will be implemented next month after a decade-long debate, it will be in fact too hasty of the Government and public utilities to insist on increasing the fees and charges under such circumstances.

In fact, the surge of fees and charges can be considered some kind of a turmoil to the import and export sector. Besides miscellaneous expenses like fuel, water, town gas and the documentation fees which are still haunting the

midstream operators, the public utilities proposing to increase fees and charges include tunnels, taxis, buses, trams, trains, ferries operators and the postal service. If the Government allows the surge of fees and charges to devastate our economy unchecked, I am afraid other businesses related to the import and export sector such as wharves, godowns and transport operators will follow suit. Moreover, the Government has yet to give up the thoughts of introducing sales tax and land departure tax. Should this continue, it will not only force the living index and business cost to stay at a very high level, but will also undermine the competitiveness of the economy as a whole.

Fortunately, the Government has accepted good advice by announcing on Monday a freeze on four major categories of livelihood-related and business-related fees, one may well say that the Government is making an opportune act in a practical and realistic manner. To some non-livelihood-related fees and business service charges, of course the Government may make some appropriate adjustments in order to alleviate the recurring deficit of the Treasury. Anyway, I still hope that the Government and public utilities can refrain from increasing fees and charges for as long as possible, so as to give the people a chance to recuperate and rebuild; and allow the more labour-intensive industries, namely the import and export industry and the manufacturing industry, to make available more resources and energy for the development of new products. I also hope that the Government can introduce a competition mechanism as soon as possible, so as to compel public utilities to achieve higher cost effectiveness and better service quality under an effective competitive environment.

Madam President, I so submit.

**MR NG LEUNG-SING** (in Cantonese): Madam President, this is the third successive quarter that the economy of Hong Kong has registered double-digit growth. However, overall speaking, the ordinary public has yet to see the benefits of economic growth. On the one hand, the employment difficulties encountered by the grassroots as a result of economic restructuring will not be solved within a short period of time. On the other hand, we should be aware of the fact that the adjustment of the remuneration package of the salaried will always fall behind the adjustment of the entire economy; it is the case during a depression and no less during a recovery. According to this pattern, it is believed that it will be some time before the substantive benefits of the economic recovery to the general public can be manifested in a more noticeable way.

Furthermore, although the deflation condition of the domestic economy has improved in comparison with last year, it is forecast that the Composite Consumer Price Index will see a further drop of 3.5%. Relatively speaking, the hardship of the people's livelihood under these circumstances can be relieved to a certain extent.

As regards the recent rumors that the Government and public utilities are poised to increase fees and charges, I think the Government and the relevant public utilities should deal with these social phenomenon circumspectly. It is because they will have direct impact on both the healthy development of Hong Kong economy and the improvement in business environment. As there are a lot of small and medium enterprises (SMEs) in Hong Kong, the various government fees and public utility charges will affect their cost of operation in a more particular way comparatively. If Hong Kong wants to keep on attracting inward investments, improving the competitiveness of the domestic business and industrial sector, and encouraging enterprises to invest more into human resources, innovation and added value, then all the cost expenditures should be maintained at a reasonable level. I also believe that government operation should recover the costs at the end of the day and public utilities should get a reasonable return on their investment. However, increasing fees and charges is not the only way to achieve the goal. It is more important to achieve reasonable productivity enhancement in order to boost productivity and efficiency. Only by so doing will it create a healthy environment for individual enterprises and growth for the economy as a whole and achieve the positive goal of mutual progress.

Therefore, I support the decision of the Government made a few days ago concerning the continuous freezing of a number of fees and charges for government services that have impact on the people's livelihood and business environment in addition to the continuous vigorous implementation of the Enhanced Productivity Programme (EPP) at different levels. Considering the persistent upturn of the economic performance, I think even the deficits will be with the Government for the time being though, they will not be further affected to a greater extent in the light of the speed of recovery. Moreover, insofar as the price increase proposal of public utilities is concerned, I always consider that given Hong Kong's status as an international commercial city, while this Council may state positions and express views in the interest of the public, it is not at all appropriate to express in a high profile strong opinions on lawful business operations, in order not to give the outside world to a wrong impression about

Hong Kong: that market operations in Hong Kong are vulnerable to interference by political factors and Hong Kong does not have a satisfactory business environment conducive to investments. No matter whether these organizations are public or private companies, they are operating according to commercial principles, thus they should give consideration to legitimate risks and returns from the market perspective and various questions in relation to reasonable fees and market competition. Besides, they should be accountable to the shareholders. Furthermore, these organizations have employed a sizeable staff, thus they are also responsible to their employees. Some colleagues in this Council have repeatedly voted against the increase of fees and charges of these organizations on the one hand, and they do not wish to see their employees being laid off or have their remuneration and benefits reduced on the other. Contradictions like this do warrant consideration and examination by Honourable colleagues in order to strike a balance for the long-term interest of society as a whole.

Madam President, I so submit.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, the Financial Secretary broke a piece of good news to the people the day before yesterday. But that does not mean the whirlwind of increases in fees and charges is over and we can lower all warnings. First, although the Government freezes some of the fees and charges, it may increase some others. Moreover, price increases by utility companies are still looming. As Hong Kong begins to recover from the financial turmoil, now is the time for rehabilitation, not another round of price increases that Hong Kong may not survive. Price increases are particularly harmful to low-income families and small and medium enterprises. Hence, both the Government and the public utilities should consider, before anything else, the financial position of the people and the overall situation of Hong Kong in adjusting their fees and charges. Despite the fact that economic data released by the Government recently indicate a 10% economic growth for the year, the driving force for a turnaround comes mainly from the import/export trade, whereas the other sectors of the economy in general are yet to benefit from the turnaround.

Madam President, the people's livelihood is still extremely difficult. Often seen on newspapers are reports on downsizing exercises carried out by the Government and other enterprises, and shutdowns of restaurants. The local

unemployment rate still stands at 4.8%, a rate higher than South Korea, Taiwan or Singapore. Currently, while the number of the unemployed stands at over 160 000, the underemployed reaches 87 000-odd. During the economic transformation, non-skilled or lower-skilled workers have found it very difficult to find jobs. When asked about our economic situation, people invariably think that a recovery is yet to come and business is not too good.

We must note that over the past couple of years, the people have experienced wage reductions, wage freezes and even layoffs. Although the worst is now a thing of the past, wages have not improved noticeably. Employers' associations have proposed to put wage increases on hold next year. Even the Director of Social Welfare said that currently the lowest household monthly income stands at \$8,300 on average, a level even lower than that in 1995. It is insufficient to cover daily household expenses in the long run. Data from the Census and Statistics Department show that as at June this year, the average wage rate, calculated on the nominal wage index was just 0.9% higher than that of the same period last year. The rate of increase in fees and charges proposed by the Government and public utilities is, however, often way above the rate of increase in wages for those fortunate few who have benefited from a pay rise. Thus those who have no increases in their wages suffer even more. It has been reported that the New World First Bus Services Limited would apply for a 9.2% increase in its fares, the Hong Kong and China Gas Company Limited is planning a 4% price increase for its services and the Hongkong Electric Company Limited (HEC), 5%. The Western Harbour Crossing Company Limited and the Tate's Cairn Tunnel Company Limited are even said to have planned for a 10% price increase for their services. These increases are out of proportion to the 1% wage increase. Among the various increases, those in transportation expenses, a necessary item for most people, record a particularly high rate and hence have a particularly serious effect on the people. Transportation expenses are indispensable unless one walks or rides a bicycle to school or to work, or one is unemployed and hence does not need to go to work. Madam President, transportation expenses have long occupied a significant part of the expenses of low-income families. If the utility companies increase the prices at this moment, the poverty problem will deteriorate further. Moreover, the Mandatory Provident Fund Scheme will be implemented in December, and people will have less disposable income. If the Government approves of the utility companies to increase their fees and charges, the people will suffer a very severe blow.

Increases in the fees and charges of the public utilities will have far-reaching effect. The Government must maintain a close and effective monitoring system for such increases in order to ensure that any increase is reasonable and people's interests are fully protected. Many public utilities such as energy, railway and buses allow only one, two or three participants in the market due to the huge investment and other objective constraints. Other competitors would find it difficult or even impossible to enter the market, thus giving rise to monopolization. Therefore, when utility companies want an increase in their fees and charges, the people will have no choice but to accept the increase, alas against their will. In fact, after several years of deflation, business costs in terms of wages and land have dropped continuously. Utility companies, especially those that have recorded a profit, should not use pressures from cost rises as an excuse to increase their fees and charges. The HEC incident and the recent rip-off by oil companies reflect lax supervision by the relevant government departments which have failed to understand thoroughly the operation and financial status of the utility companies. If a utility company reaps unreasonable profits by taking advantage of some grey areas, will the public let them get away with it? Therefore, the Government must improve the existing monitoring system to enhance transparency in the operation of public utilities.

Lastly, the Government opines there is a need for some public services to increase fees and charges because some of them have not been increased for several years so that the relevant services are operating at a loss. However, the deficit for a public service could be caused by a combination of factors, in particular, the bulky size of the Government, inefficiency and resources wastage. To recover costs, the Government follows the "user pays" principle. If it wants to do that, it should first of all review its costs with a view to reducing them by all means. It would be grossly unfair to request the public to shoulder the cost of an inefficient white elephant.

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

**MR ANDREW CHENG** (in Cantonese): Madam President, to various public utilities and public transport operators, Hong Kong next year will be their "haven for fare increases". Companies ranging from big ones such as the New World First Bus Services Limited (the First Bus) and the Western Harbour Crossing, to small ones such as various ferry companies and the Lok Ma Chau shuttle buses

have indicated that there is pressure for fare rise. Incidentally, over 10 organizations have submitted their fare increase applications this month. Such a coincidence is obviously unusual. The Democratic Party opines that although the Government has indicated that fees and charges directly related to people's livelihood will be frozen, it has unshirkable responsibility for the surge of fees and charges which is brewing. This year, the Government has proposed to the Legislative Council to increase various fees and charges. As a result, public utility companies have followed the example and more than 10 organizations have submitted their applications almost simultaneously. The effect of this is that no one will be singled out for criticism and the public pressure bearing down on them is naturally much smaller. However, the Democratic Party opines that the rate of increase proposed by some organizations is particularly high and will have greater impact on the people. So, Mr Fred LI has to highlight this in his amendment. I will then discuss the fare increase applications by the Western Harbour Crossing, the Tate's Cairn Tunnel and the First Bus.

Before discussing these organizations, I would like to tell the Secretary for the Treasury that the Mass Transit Railway Corporation Limited (MTRCL) has increased its fares on the sly in the middle of the year. Why do I say that the MTRCL has increased its fares on the sly or in disguise? This is because a surcharge of \$1 per trip is imposed on Octopus users on the pretext that this is meant for the installation of retrofitting platform screen doors. The Secretary for the Treasury is now staring at me. I wonder if she does not know that. Perhaps she never rides the MTR. However, it is a hard fact that the MTRCL has increased the fare per trip by \$0.1 — sorry, she stared at me just now because I had cited the wrong rate. Sorry, Madam President, the increase in fare per trip is \$0.1. However, this is by no means a small amount. A commuter has to pay \$0.2 extra for a round trip. This shows that the MTRCL has increased its fares on the sly because it cannot face the pressure of fare increase. The Democratic Party considers that after the listing of the MTRC, the Government is obliged to monitor fare increase by such a means. It is stipulated in the MTRCL's operating agreement that the MTRCL has to consult various channels, such as the Panel on Transport of the Legislative Council, the Transport Advisory Committee and the public if it wants to increase its fares. However, there is no provision in the operating agreement stipulating how these so-called surcharges will be monitored. It is possible for the MTRCL to impose surcharges for maintenance of railways or other projects whenever necessary in future. In my opinion, after the listing of the MTRC, the Government seems to have become a "toothless tiger" that is unable to monitor the Corporation on behalf of the public.

Among the other fare increase items, I would like to mention the Tate's Cairn Tunnel. The rate of increase under application is 50% on average. But we should not forget that this is its second toll increase in less than a year. In early January this year, the Tate's Cairn Tunnel adjusted its toll by 25% on average. If the Government approves of its toll increase application this time, the charge on the general motorists will increase from \$8 to \$15 in merely one year. The accumulated rate of increase as a result of these two applications will be as high as 87.5%. Can you imagine that a public utility company can increase its charge by almost 90% in a year? As for the wage earners, they will not be able to enjoy a 90% salary increase over a 10-year, 20-year or even 30-year period. If the Government approves of the Tate's Cairn Tunnel increasing its toll by 87.5%, the Government is no doubt abetting the surge of fees and charges. This will induce other public utility companies to follow suit.

Seeing that the Tate's Cairn Tunnel can increase its toll by such a high rate, other public utilities will feel that there will not be any harm even if they increase their fares by 10% or 20%. One of the outstanding examples is the First Bus which is now applying for a 9.2% increase. The Democratic Party thinks that as Hong Kong economy is beginning to recover, the public will not accept the proposed increase rate. The buses mainly serve the low-income group. In an economic recession, these people face salary freeze, pay reduction and layoffs. When the economy begins to recover, they are subject to increase of fees and charges. In view of this, I do not think that the First Bus should apply for a 9.2% increase on the ground of rising operating cost. In a letter submitted to Members, the First Bus mentioned that, "the First Bus has mildly adjusted the salary of its staff since September." — Madam President, the rate of adjustment by the First Bus is really very small, only 1% to 2% — "which will drive the operating cost up by 0.6%". According to the explanation of the First Bus, the operating cost in this aspect has only increased by a very small margin. As regards the increase of fuel price, although the oil price has increased sharply from US\$35 per barrel to US\$37 per barrel over the past six months, it is extremely volatile. In April 2000, the international oil price dropped to less than US\$24 per barrel. So, the oil price may not be persistently high in the long term. If the oil price falls, will the First Bus reduce its fare as a result? Besides, the bus fare increase mechanism proposed by the Government will revert to the old Profit Control Scheme path. Apart from taking various factors into account, the mechanism will also use a 13% rate of return enjoyed by the First Bus as the basis. Such a rate of return is definitely on the high side. The Government must review this again in order to convince the public. We think

that the Government should adopt a new mechanism to monitor the bus companies.

Madam President, I so submit.

**DR TANG SIU-TONG** (in Cantonese): Madam President, the Hong Kong Progressive Alliance (HKPA) welcomes the Financial Secretary's early announcement of good news regarding next year's Budget. He has accepted the suggestions from the HKPA and other political parties in continuing to freeze the school fees, water and sewage charges and medical charges that are closely related to the people's livelihood and the business sector. Unfortunately, the Government refuses to reduce the sewage charges in order to lower the operating cost of the affected industries. These relief measures, however, demonstrate that the Government is not totally apathetic or regards the grievances of the people and the business operators as sheer noises. The HKPA hopes that the Government can do more than taking the lead to freeze fees and charges at the present level. We hope that it can take the initiative of lobbying various public utility companies to shelve their fare hike applications in order to tide over together with the people and the business operators!

The Government and the public utility companies often complain that their service charges have not been adjusted for over two years. They fear that their credit ratings will be downgraded which will turn them into "unprofitable" companies. All of a sudden, they are caught in "unprofitability-phobia". Knowing very well that their services are indispensable to the people's daily lives, the Government and the public utility companies could not wait to propose increase in fees and charges once they see that the economy is beginning to recover. As the saying goes, "One should never lag behind the others". The Mass Transit Railway Corporation may propose a 28% increase in fare while the toll hike for the Tate's Cairn Tunnel may reach over 50%. They tossed off increases at exorbitant rates only to build up a greater margin for bargaining, making the public and the Legislative Council believe that they are "striking a great deal in containing the rate of increase at a moderate level". This however will induce all the other trades and industries to ask for price increases in a chain reaction.

The HKPA, of course, does not want to see the Government running into deficits or any public utility company becoming an "unprofitable" operation. Nor does the Alliance want them to be Moses or Wong Tai Sin. The HKPA

merely wants them to get rid of the "unprofitability-phobia" as soon as possible. In reality, the Government's foreign exchange reserves have now exceeded US\$100 billion, representing an increase of US\$6 billion over the same period last year. The linked exchange rate still has a strong backup. In reality, most public utility companies are still enjoying a reasonably high rate of return, with the exception of individual public utilities such as the Western Harbour Crossing, which is losing money due to the Government's poor planning at the beginning. Furthermore, Hong Kong's consumer market has been under deflation for more than two years. With a persistent deflation, although the revenues of the Government and most public utility companies have not increased substantially, yet they are not losing money, are they?

Madam President, some government departments and public utility companies can certainly apply for increase of fees and charges on the basis of prudent commercial principles. But the question is that if they do so at the same time, it will lead to a surge of fees and charges from every sector. The public and the business operators will feel that they have no alternative but to accept it. Most wage earners, middle class people and the small and medium sized enterprises have yet recovered from the financial turmoil and are very fragile. The surge of fees and charges will only bring them more pain. A patient only suffering from influenza may still hang on. But if he suffers from influenza, fever, headache, cramps, diarrhoea and stomachache all at the same time, he may feel unbearable.

The business of all trades and industries in Hong Kong is still difficult and people are still having a hard time because the economy has not fully recovered yet. However, the Government and the public utility companies are trying to raise their charges. As a result, business costs and people's daily expenses will tend to go up rather than going down. This is a factor we should not neglect. The HKPA thinks that Hong Kong economy is beginning to recover, but the degree is very small. Although the cost of doing business in Hong Kong has come down apparently, our competitive edge has yet to be enhanced, not to mention that the people of Hong Kong and the industrial and commercial sector need a break to restore strength. Whether it is the Government that wants to increase revenue in order to reduce deficit or the public utility companies that want to increase revenues in order to upgrade their credit ratings, they should focus on cutting costs and enhancing efficiency rather than blatantly increasing their fees and charges to the disbenefit of the industrial and commercial sectors and the public.

Madam President, I so submit.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, Mr James TIEN, the Chairman of the Liberal Party, has already explained the party's stance on moving the amendment today. I am now going to elaborate our stance on the original motion and the other amendments. Part of Mr CHAN Kam-lam's original motion urges the Government to freeze all government fees and charges which have a direct impact on people's livelihood. This is basically the same as the amendment proposed by Mr Fred LI as they both give no consideration to freezing items which are related to the business environment, and they have both ignored that the business is in difficulty. On the contrary, Mr LAU Chin-shek's amendment does not confine the Government to freezing fees and charges which have a direct impact on people's livelihood. His amendment can include the freezing of government charges which are related to the business environment. His stance is closer to the Liberal Party's. It seems that even Mr LAU understands that the public at large has not benefited from the economic recovery and various trades and industries have not turned the corner yet. In particular, the retail trade and the catering and construction industries are experiencing greater and greater difficulties. If the Government does not freeze all fees and charges related to the business at this moment, the impact on the business sector, especially the small and medium enterprises (SMEs), will be very serious.

I would like to point out specifically that the number of SMEs has fallen from about 450 000 to about 290 000 during the past five years. Quite a number of SMEs are hanging by a thread. If some more SMEs close down just because government fees and charges have increased, the livelihood of more wage earners will eventually be affected. The catering industry has been driven into a corner by onerous government charges, especially the unreasonable trade effluent surcharge. The Government thought that if it paid for the "chicken" and the catering industry paid for the "soy sauce", sewage disposal could be improved. Regrettably, the chicken is paid by tax money from the public and the business sector. Even though the catering industry has paid for over 80% of the costs in soy sauce, it cannot enjoy a chicken stewed in soy sauce because the sewage is still disposed of into the sea, without any improvement to the situation. I think the Government should not only freeze the sewage charge, it should also lower the unreasonable trade effluent surcharge and refund the charges already paid by the industries concerned. It should also take the lead to cut the fees and charges according to the deflation rate over the past two years.

Mr CHAN Kam-lam mentioned previously that the Democratic Alliance for Betterment of Hong Kong would urge the Government to freeze most service

charges which are related to the business in order to alleviate the burden of the SMEs. Surprisingly, there is no reference to this in his original motion. The Democratic Party has once agreed to offer help to the SMEs which are in difficulties. But again, why have they turned a blind eye to the plight of these business operators and various industries in this motion? Do they know that most of the enterprises in Hong Kong are small to medium scale and the bosses are just ordinary men on the street? Is the absence of reference to freezing fees and charges affecting the business environment an implication of their discrimination against those ordinary members of the public who run their own businesses? Since the Democratic Party has not put a stop to increase in government fees and charges which are related to the business environment, the Liberal Party cannot agree to its amendment.

As regards the price increase by public utilities, Mr LAU Chin-shek's amendment urges this Council to oppose public utilities increasing their fees and charges across the board. We do not think this is rational. We should note that some enterprises, such as the Western Harbour Crossing, are already incurring a loss. We cannot force businessmen to run business at a loss. Similarly, while the fares of some public utilities, such as the Star Ferry Company Limited, have been on the low level, is it not reasonable to increase their fares for service improvement?

As regards the Democratic Party's amendment, the problem is more serious as it is obviously targeting at some particular enterprises. It will engender confrontation between the business sector and the general public and is socially divisive. It is a great pity that they have such an anti-business complex. As Mr FUNG Wai-kwong, a member of the Central Committee of the Democratic Party said in a press article, "The Democratic Party's anti-business image does not endear itself to others". I really hope colleagues of the Democratic Party in this Council can share Mr FUNG Wai-kwong's view. In addition to talking about democracy and the rule of law, they should also pragmatically consider economic issues and be a capable political party which can discuss and even resolve problems.

The Liberal Party is not, I repeat, is not a party which gives blessing to all price increase applications by public utilities. We earnestly hope that all capable enterprises can be sympathetic to the public at large. In fact, the Government should try its best to refrain from interfering the market and leave commercial decisions to the enterprises. If the Government or the legislature is

always asked to express their stance on the pricing mechanism of the market, such as price increase, business operators will worry that the adjustment mechanism of the free market is swayed by political factors and investor confidence will be dampened.

Finally, I would like to highlight one point. Mr CHAN Kam-lam considers that his original motion is most broadly worded. But in fact, his motion has turned a blind eye to the difficulty faced by the SME operators and fails to consider their interests. It is also undesirable to demand public utilities to freeze their fares and charges across the board. As Mr CHAN Kam-lam had been a boss before, I hope he has moved the motion simply because he has to toe the party line of pleasing his geographical constituents. In fact, the Liberal Party's amendment is the most pertinent and comprehensive. It can take care of the people's livelihood and the business environment. Finally, we hope the Government and various public utility companies can sympathize with the plight of all walks of life and go through the hard times with the public. I urge all Members to support the Liberal Party's amendment.

Madam President, I so submit.

**DR RAYMOND HO** (in Cantonese): Madam President, Hong Kong economy has been unable to bottom out since the financial turmoil in 1997. The market is gloomy and various trades and industries are facing unprecedented challenges. Property prices have been falling over the past few years. All sectors remain sagged under the adverse impact of layoffs and salary reduction. As business is slack, the winding-up of small and medium enterprises (SMEs) has become a common phenomenon and the number of retrenchment exercises is also unprecedented in recent years. People are on tenterhooks no matter whether they are employees or employers, old or young. When we felt depressed over Hong Kong's economic recession, the Third Quarter Economic Report 2000 of the Hong Kong Special Administrative Region brought us good news. According to the Report, a double-digit growth of 10.4% was recorded for the third quarter of the year. It is really encouraging to know that the aggregate growth in Gross Domestic Product for the first three quarters of 2000 represents a robust 11.7% real growth over last year. Unfortunately, when Hong Kong economy is only beginning to recover, the Government and a considerable number of public and private organizations have chosen to propose increases in fees and charges. While all these increases are open to discussion, we should at least examine whether each individual case is reasonable.

Madam President, although Hong Kong has recorded a double-digit economic growth rate for three consecutive quarters, our economy at present is still far from satisfactory considering the widening gap between the rich and the poor. This can be explained by many factors such as the unemployment rate, consumer price index (CPI), deflation, and so on.

According to the Third Quarter Economic Report 2000, the situation of the labour market continues to improve with the unemployment rate continuing to drop and the underemployment rate going down. However, this does not mean that our labour force is enjoying a stable income and facing no financial difficulties. In Hong Kong, age discrimination still exists although the Government has enacted legislation against it. At present, many people in their forties, especially those with low academic qualifications, cannot find any job. They have to take up temporary jobs in order to support themselves. Unfortunately, it is the employers rather than the employees who are in control of the temporary employment contracts. These employees, who are in a passive position, lead a precarious life and lack a sense of security. Therefore, the rise in the employment rate does not necessarily mean a stabilized employment situation and improved economy. Furthermore, according to informed sources, the SMEs have unanimously indicated that they will consider retrenchment, salary freeze or even reducing investment in Hong Kong if the Government and public utilities decide to increase fees and charges. In both the short and long terms, I think it will be unwise of the Government to increase fees and charges at this stage. The best way out is to actively improve the people's livelihood and to create a sound business environment.

The CPI and deflation rate are the indicators that can truly reflect whether an economy has fully recovered. Unfortunately, the Government Economist, Mr TANG Kwong-yiu, said at a press conference on 24 November that the economic performance of the third quarter was mainly led by export trade. The internal consumption in the third quarter grew by 5.6% only, which is obviously lagging behind the economic growth rate. As of today, deflation has further deteriorated rather than improved. Madam President, these two indicators obviously show that Hong Kong economy has not fully recovered yet. I strongly believe it will take some time for our economy to return to the pre-1997 level.

As Hong Kong is an international city, our economy will, to certain extent, be influenced by external factors, such as the United States' stock market and its economic trend. These are the uncertainties which directly affect our economy. Among all these external factors, what warrants most of our attention is the trend of oil prices. The Hong Kong Government has conducted an analysis of the relation between oil prices and our economy basing on the oil prices recorded in September. It was discovered that if oil prices increased by 15%, our economic growth rate and CPI would drop by 0.4% and 0.2% respectively. This shows that oil prices are closely related to the economy. As a result, the Government announced recently that the concessionary duty rate for ultra low sulphur diesel would be extended for six months. I greatly support the Government's decision.

Madam President, in view of the fact that Hong Kong economy has just begun to recover, the unemployment rate is still standing high, the disparity between the rich and the poor remains serious and the Mandatory Provident Fund Scheme will soon be implemented, I urge the Administration to face squarely the adverse impact of the surge of price rise and continue to freeze government fees and charges in order to improve the people's livelihood and create a sound business environment. Meanwhile, although public utility companies have reached a consensus with the Government in signing their respective agreements that they have autonomy to raise prices, I hope they can consider the interests of members of the community, particularly people of the lower strata, in addition to their own interests. Despite the double-digit economic growth rate this year, there should be no increase in fees and charges at this stage. "Going through hard times, creating a prosperous tomorrow and moving into 2001 together" are my Christmas and New Year wishes.

Madam President, I so submit. Thank you.

**MR DAVID CHU** (in Cantonese): Madam President, the Government announced on Monday that four public service charges which are directly related to the people's livelihood, namely water, sewage, school and medical fees, will continue to be frozen. I fully support the Government's decision and this is the persistent request of the Hong Kong Progressive Alliance. In fact, people reading the newspapers recently will find that many reports are related to fee

increases. For instance, the Post Office will review postage; there are plans to increase water and sewage charges; the Mass Transit Railway Corporation Limited has indicated its intention to increase fare in next July. The Hongkong Electric Company Limited, Hong Kong and China Gas Company Limited, Tate's Cairn Tunnel, Tai Lam Tunnel, the New World First Bus Services Limited, the Hongkong Tramways and Star Ferry Company Limited have also submitted fare increase applications. The cold wind blown by this surge of fees and charges has undoubtedly made it even harder for the low-income group to make ends meet and aggravated their burden. Many of the middle class are still suffering the intense pressure of servicing their mortgages. It has indeed been a wise decision of the Government to sympathize with the plight of the public and accommodate their aspirations. I understand that the Government cannot act like "Wong Tai Sin" who grants fruition to every wish. But when the Government is capable of doing so, it should answer the reasonable demands of the community, particularly when members of the public have yet to go through the hard times safely.

We must not be complacent, although the newly published Economic Report forecast an economic growth of 10% for the whole year. We must bear in mind that after the very serious financial trauma, our economic base has shrunk considerably. Even with a 10% economic growth, it does not mean Hong Kong has recovered. Economic improvement has concentrated on some sectors, such as import and export, and it has yet to extend to all trades. Most of those who are engaged in primary service industries or non-skilled work will not enjoy salary increases even though the employment situation has improved. Furthermore, Hong Kong's unemployment rate is still standing at 4.8%, which is the highest among the four Asian Dragons. The poverty problem has been worsening too.

So, when a surge of fees and charges rises in society, the grassroots will find it even harder to survive! Transport fares and power and gas tariffs are the most basic daily expenses which cannot be cut back. If they are to increase at the same time, the public in general will have to cut back on other expenses when their incomes see no real growth or only slight improvement. In the end, the pace of our economic recovery will slow down and deflation will linger on.

Madam President, when the Government considers increasing fees and charges, it should bear in mind the affordability of the enterprises. Only when enterprises expand can the people's livelihood be protected and the economy really improve. Although the cold bleak winter tormenting the small and medium enterprises is over, spring has not yet arrived. They are still operating in a difficult environment. A surge of fees and charges will lead to rising operating costs. When that happens, enterprises might need to freeze or even reduce the salaries of their staff and cut investment. Individual enterprises might even choose to close down. This will certainly do Hong Kong no good. Besides, as the Mandatory Provident Fund Scheme will soon be implemented, the Government should not do anything that will worsen the situation at this time. If the living index and business operating costs go up again due to a surge in fees and charges, the effort made by private enterprises in controlling costs over the past two years will be in vain!

Finally, all sectors in the community, including the general public, the industrial and commercial sector, the Government and Members of the Legislative Council should join forces with a spirit of mutual understanding and accommodation to enable the economy to revive and maintain our competitiveness.

Madam President, I so submit.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, shortly before this Legislative Council's debate on "opposing the surge of fees and charges", that is, the day before yesterday, the Financial Secretary suddenly announced the freezing of four items of fees and charges directly related to the people's livelihood, thus winning the general support of public opinions. A popular Chinese newspaper had these comments to make in its editorial: "The freezing of the four major items of fees and charges, which has won the ardent support of the people and widespread acclaim, can aptly show the Financial Secretary's appreciation of the people's plight and the general situation as well as his commitment and sense of responsibility towards the people of the SAR." Another paragraph of the editorial reads: "A government official like Donald TSANG, who has such a high degree of commitment, really shines as a rare example of excellence among the mediocre team of the SAR Government." I

do not know whether Secretary Donald TSANG would really think that he fully deserves all these praises, or whether he would feel ashamed. No matter how the Secretary interprets the responses of the community, the people's aspiration will always remain unequivocal — the Government must continue to freeze all its fees and charges and curb the fee increases of public utilities at this very time when the people are still suffering immense livelihood difficulties.

Madam President, Hong Kong has been battered by the financial turmoil over the past three years. Some 2 million people and 300 000 families have been affected. Their income has dropped, and they have not yet recovered. The problem of unemployment has shown no signs of alleviation either; the number of low-income people, even according to the most conservative estimate, is as big as 640 000 or even larger than that. The plight of the people is unspeakable, but the Government is at its wits' end about what policy it should implement to help them. The Government has simply failed to work out any concrete measures to help the poor, other than flaunting a double-digit growth rate. Some fees and charges have been frozen — this is a fact that cannot be denied. However, the freeze in itself is absolutely not an effective measure to alleviate the people's plight. What the people want from the Government is not any perfunctory measure to freeze just four items of fees and charges. Actually, we all know that there are some 3 800 items of government fees and charges; the number of those items which the Government intends to adjust is also as big as some 1 000, and there are also the fee increases of public utilities. The freezing of merely four items is simply not enough for the people. Therefore, if Secretary Donald TSANG and other officials of the SAR Government really have any commitment and sense of responsibility, they should not simply freeze four items of fees and charges. Instead, they should freeze all fees and charges and curb the fee increases of all public utilities.

Madam President, several Honourable Members have proposed amendments to the original motion today. Following the Government's announcement of the four-item freeze, Mr CHAN Kam-lam, who moved the original motion, commented somewhat triumphantly to the media that "the other side had yielded before actually doing battle." Having seen his comment, I thought I should be seeing a lot of street boards the next morning when I felt home. But so far, I have not seen any such street boards. Perhaps, they are now too preoccupied with the election to have any time for putting up any street boards. But is the freezing of these four items of fees and charges sufficient to satisfy the demands of the public? Absolutely not, as I have just pointed out. But anyway, if one looks at the motion moved by the Democratic Alliance for

Betterment of Hong Kong (DAB) and what the Government has done in response, one will see that most of their objectives and demands have actually been met. That is why they are prepared to "acknowledge receipt". However, how can we possibly support such an original motion at a time when the people are still suffering so much, and when they are still unable to share the fruits of the economic recovery?

Madam President, in regard to the amendments proposed by the Democratic Party and the Liberal Party, I can only use the adjectives "incomplete and fragmented" to describe them. The Democratic Party strongly opposes the fee increases of public utilities, but then, it has given the "green light" to those "fee increases that will not directly affect the people's livelihood", thus giving the Government "a way out". We must note that "those fee increases that will not directly affect the people's livelihood" will ultimately do so indirectly. For example, if licence fees are increased, the burden will in the end be shifted onto consumers, and this will in turn affect the people's livelihood, weaken consumption desire and do harm to our economy. I therefore think that such an amendment cannot possibly benefit the people directly at this particular moment. That is why I cannot accept and support this amendment.

Mr James TIEN's amendment stresses that government fees and charges directly affecting the people's livelihood and the business environment should not be increased. I would say that this particular demand of his is only natural. However, I must add that when it comes to the public utilities run by huge consortia, the Liberal Party has shown its original spots, for it is as usual biased towards their interests, sharing the same position of the DAB. They have just called upon public utilities not to increase their charges, with a very weak and mild tone, and they have even stressed the need for reasonable returns. I do not know how our colleagues in the Liberal Party interpret and define reasonable returns, but to those huge consortia and operators, "reasonable returns" actually mean something very simple — the more profits, the better. Therefore, I am of the view that such an appeal and position cannot possibly impart any strong message to the community. That is why, Madam President, I cannot support the amendment proposed by the Liberal Party either.

Today, I am going to support Mr LAU Chin-shek's amendment only, because I do not believe that it will be possible to curb the surge of fees and charges and ease the people's plight simply by freezing one or two items of fees and charges. Instead, I believe a comprehensive and sound scheme must be put

in place to freeze all government and public utilities fees and charges until there is any real economic recovery that can benefit the masses. This is the only genuine solution to the problem.

Madam President, I so submit.

**MR YEUNG YIU-CHUNG** (in Cantonese): Madam President, our economic situation has remained sluggish since the Asian financial turmoil. In the past few years, civil servants had a wage freeze while the industrial and business sectors tried to broaden sources of income and reduce expenditure, with wage reduction and freeze having become the order of the day. With substantially reduced income, the general public tightened their belts and reduced expenditure so that they would have enough to eat and wear. There was a general deflation and consumption was modest. Now our economy is beginning to pick up and the Government has announced its forecast of a positive growth next year. But the deflation is still with us and the grassroots are still regaining their strength. Recently, many public utilities have demanded one after another an increase in charges and this will really add to the burden of the general public.

Although our economy is gradually picking up, the public has not really been benefitted. For the public, a wage increase or reduction reflects economic growth or downturn most directly. According to the latest survey conducted by the DAB, as our economy has not yet really recovered, and employers have to start making Mandatory Provident Fund (MPF) contributions for employees from December onwards, more than half of the employers of small and medium enterprises (SMEs) will continue to freeze wages in the coming year and some are even going to reduce wages. For many households that have too many difficulties to cope with, especially those with negative assets, their burden will undoubtedly become heavier when salaries remain the same or even decrease while major organizations demand an increase in charges.

Moreover, in order to evade the responsibilities for making MPF contributions, some employers rack their brains, reduce wages in disguise, force employees to accept revised terms of employment or reduce the provident fund benefits of employees to make up for their "payments". When a small number of unscrupulous employers do not hesitate to defy the law and look for legal loopholes to safeguard their interests, the general public will only become the ultimate victims and the surge of increase in fees and charges will aggravate their distress.

Furthermore, the elderly is absolutely helpless in the face of this surge. Given that they have lost their working capacity, so even if the Government has projected a better economic situation and an increase in job opportunities, it has nothing to do with them. A lot of old people depend on the Comprehensive Social Security Assistance (CSSA) payments from the Social Welfare Department for a living every month or rely on the old age allowance of some several hundred dollars for some more vegetables. If an increase in charges will affect the satisfaction of the basic needs of these old people, does the Government have other measures to offer them assistance or is it going to let them run their own course?

On the other hand, at a time when the economic situation has just started to improve and the foundation is not solid enough, an increase in utilities charges will suppress consumption and affect further economic growth. In recent years, the consumption power of Hong Kong people has become far weaker than it was the case before the financial turmoil, and many trades have to curry customers by cutting prices. For instance, the catering trade and the retailing trade can only reduce prices throughout the year to stay in business. Up to this stage, the local retail market is featured by keen competition for survival and daily price reductions. Once there is a comprehensive increase in public utilities charges, the basic daily expenses of the public will increase, thereby directly affecting their desire for other consumption. In that case, various industries and trades can hardly have promising turnover. Conversely, they will become sacrifices in the surge of increase in fees and charges, and overall consumption will only drop rather than rise.

According to certain surveys, some SMEs will cut investments as a result of the increase in public utilities charges. On the one hand, they need to cut expenditures, and on the other, as the people's desire to consume is so low, they are afraid that they will not reap reasonable investment returns. Moreover, the increase in charges will indirectly check the development of SMEs and smother their survival. Five years ago, there were a total of 450 000 SMEs, but the figure has fallen to 290 000 this year. The closing down of a large number of organizations will aggravate the unemployment problem, and if public utilities propose an increase in charges now, the unemployment problem will inevitably become worse.

Although an increase in charges is essential to business development, under the present economic circumstances, the increase in charges by many public utilities at the same time will be too much for the public to take and they will continue to reduce consumption. In the long run, this will adversely affect our economy as a whole. At this stage, Hong Kong is like a patient who has begun to recover after a serious illness and who needs to recuperate and be nursed for a certain period of time before taking up new tasks. Therefore, this is not a good time to increase charges. Public utilities charges should only be increased when our economic foundation is solid, when most people have been given wage increases and accumulated enhanced acceptability in order that economic growth will be stimulated. Yet, I am very glad that the Government has raced ahead of others in freezing various livelihood charges that are related to the people's livelihood. Although some commented that the Government's tactics had stolen the thunder of this Council, there is nothing wrong indeed as long as the Government is doing this to the benefit of the people. I welcome similar moves by the Government and I hope that it will understand and sympathize more with public feelings so that it will work out long-term plans in keeping with social development.

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

**MR BERNARD CHAN:** Madam President, Hong Kong's past success relied on its determination to carry out the non-intervention policy. If we want to continue our success, we should adhere to this principle.

Commercial activity is different from welfare services. We cannot and should not force commercial companies to do or not to do something. The prices of their services and products should be determined by supply and demand, and by the free market.

In view of the slow recovery from the Asian financial turmoil, I do agree that the Government should temporarily freeze government fees and charges which have direct impact on people's livelihood.

The announcement on Monday by the Financial Secretary that water, sewage, medical and school fees would continue to be frozen should be welcomed. The decision is timely.

However, I have reservations for those calls that we should ask commercial service providers to freeze or even to reduce the prices of their services, whether or not they have direct impact on people's livelihood. I believe that we should respect the free market principles. We should always avoid putting a "visible hand" behind the open and free market.

As some of you may be aware, after the Second World War, many countries around the world, including those developed and capitalist economies like the United Kingdom, adopted a state-controlled economic model. It was widely believed that the state should be a major player in the economy. Many of their coal, steel and rail industries were state-owned.

However, during the 1980s and 1990s, that model in many countries failed. A privatization programme by that time emerged. Many governments realized that the private sector was far better than the state-owned in terms of its efficiency and innovation.

In Hong Kong, some of the important sectors of our economy remain dominated by government or government-funded enterprises. They include the rail, airport, housing and water supply. However, it is a worldwide trend that these operations and enterprises should be privatized.

Calls for companies to freeze or even to reduce their prices regardless of their cost of operation and way of operation, I am afraid, go against the spirit of this direction. Companies have to protect the interests of their shareholders and provide maximum long-term equity value.

In fact, consumers are always the most powerful force to monitor and regulate the services and products offered in the market. Consumers can opt for other alternatives if they are unhappy with the services being given.

For example, commuters can choose to take the Mass Transit Railway, buses, ferries or trams. Those companies that fail to deliver quality services, or that fail to satisfy the needs of the consumers, will have no choice but to change their business practices so as to suit the needs of their consumers. Consumers can contribute positively to business by articulating and communicating their demands so that businesses know how to perform and improve.

Some critics argued that Hong Kong, in some aspects, is characterized by monopoly and cartel arrangements. Some of these arrangements actually result from government policies, for example, by the granting of land and the granting of monopoly franchises.

Although deregulation took place in recent years and some traditional industries were no longer monopolies, further action is required to ensure that there are no explicit barriers to enter the market and that consumer rights are protected.

Madam President, I urge the Government to try its utmost to ensure that the free market principle is preserved in Hong Kong while considering ways to help people survive the poor economy. I also urge the Government to think of ways to increase the transparency of the operations of public utilities so that consumers would know whether there have been good cost control. It is the Government's responsibility to educate the consumers and raise their awareness. Thank you.

**MRS SELINA CHOW** (in Cantonese): Madam President, whenever the Legislative Council discusses increases in fees and charges, particularly government fees and charges, concern is invariably aroused among Honourable Members and the public. So, we can see why there are as many as three amendments to this motion.

Doubtless it showed that Members look at the matter from different viewpoints and perspectives. On each occasion like this, I will pay attention to whether Members can work in concert from the interest of the community as a whole and reach a consensus. But rarely is this consensus seen in reality.

I remember that when Mr Allen LEE was a Member of the Legislative Council, he had once brought all political parties and camps together for discussions with the Government, and we were very successful on that occasion. However, I do not know why our co-operation was transient. Now, Mr Allen LEE is no longer a Member of this Council and it seems that we lack such consensus among us. I do not understand why it seems that many Members cannot look at this issue with an open mind. Members returned by direct

elections, including Members of the Democratic Party and the Democratic Alliance for Betterment of Hong Kong, always say that the commercial sector is biased against them, that the commercial sector does not understand them, and that it is incumbent on them to look after the needs of the people. I wish to ask: Do they have regard for the needs of the business sector? When they came across motions on increases in fees and charges directly relating to the people's livelihood, they immediately gave them a thumbs-down. But we consider that this is actually more than a question of the people's livelihood. Those increases having a direct impact on it are certainly important, but those with an indirect impact are equally important. It is because if the Government increased certain fees payable by businesses, the additional costs will be eventually passed on to consumers. So, how can it be said that they will not affect the people's livelihood?

We agree that Hong Kong has developed into a dynamic economy for our businesses are successful, and the small and medium enterprises (SMEs) are the impetus. As a number of Members queried just now, do Members have regard for or have they considered these SMEs in opposing the increases in fees and charges? The answer is in the negative. When it comes to issues directly relating to the people's livelihood, their attitude is that they would like the business sector to give way. I wish to ask the directly-elected Members: Do they not represent citizens who run businesses? Does the industrial and commercial sector have nothing to do with Members? Is it unnecessary for Members to consider the economic interest of Hong Kong? In fact, I will not put all the blame on Members for the Government is the main culprit. From time to time the Government said that it would not increase the fees and charges for services directly relating to the people's livelihood and that increases would be effected only for services not directly relating to it in an attempt to divide Members. It is disappointing that Members were vulnerable to division by the Government. They went further to say that we had better not come together and must draw a distinction among ourselves, that Members representing industrial and commercial interests should stand on the other side, and that they can have a louder voice in the Legislative Council for their camp comprises more Members. The Liberal Party is always criticized for not comprehending the sentiments of the grassroots. I think Members cannot say this time that Mr James TIEN's amendment fails to comprehend the sentiments of the grassroots. Instead, I can say that some Members fail to appreciate the needs of those who do

business because some Members do not have regard for the interest of these people.

Speaking of business operation, I found Mr LEUNG Yiu-chung's speech earlier on somewhat baffling. He stated that on the question of commercial returns, businessmen would certainly hope for the greatest possible return and would exert themselves to maximize profits without having regard for the public. Can this reflect the reality? We can see that the public utilities keep clear and accurate accounts. In a business sense, profit is certainly the source of momentum. The Government may also admit that some commercial organizations even outstrip the public sector in terms of efficiency for the efficiency of the former is directly linked to the rate of return and commercial organizations must at the same time consider the interest of their shareholders. Overall speaking, it is necessary for businesses to take account of the return. But is there not a reasonable return threshold? That is not so in reality. It is because many people are monitoring the operation of these organizations. They include consumers, members of the public, the Government, the media, and so on, and they are monitoring the operation of these organizations in a diversity of aspects. Therefore, it is not true that there is no objective consideration for determining a reasonable return. However, if Members said that it is wrong for businesses to obtain a return, I believe no one will share this view, but if it is said that all businesses must aim to obtain the maximum return, even I myself will not agree with it and I think this is not a fair remark to make.

In discussing increases in fees and charges of the Government and public utilities, it is incorrect to consider them simply from the angle of return and profit without having regard for other factors. I really hope that Honourable colleagues returned by direct elections can consider the comments made by me just now, so that we will not be divided by the Government so easily.

In fact, we generally support the original motion of Mr CHAN Kam-lam today. But much to our regret, he does not have regard for the interest of the industrial and commercial sector, insisting that the question lies in whether the increases are directly related to the people's livelihood. While we agree with his call in the original motion, we will nevertheless abstain in the vote to be taken later on the original motion for he has neglected the interest of a very important group of people. Thank you, Madam President.

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, when I passed Tsim Sha Tsui last weekend, I saw the dazzling festive lighting. This evoked some feelings in me. In 1998 when I first took office as a Member of the Legislative Council, it so happened that Hong Kong was being battered by the financial turmoil. So, as soon as I started out, I was busy joining forces with the public to face up to the financial hardships. The lighting displays in the past two years were not as glittering as this year's. Like ordinary citizens, I hope that the dazzling lighting this year represents improvements in the economy and the living standard of the people.

But when I read in the newspapers about the Government and the public utilities swarming to apply for increases in their fees and charges, I felt gravely anxious. I came to know that when the economy has recovered slightly and behind all the dazzling festive lighting, the general public cannot feel the joy and festivity that the lighting betokened. Successive increases in fees and charges, whether or not they have a bearing on the people's livelihood, will seriously affect the lives of the people. When public transport fares increased in the absence of a corresponding increase in salary, how can parents put aside the heavy financial pressure and joyfully bring their children to admire the beautiful lighting?

Lately, Madam President, we have frequently heard of the Government and the public utilities proposing increases in their fees and charges. The impoverished masses are utterly helpless in the face of such increases affecting a wide spectrum of their lives. In fact, we appreciate that increases in the fees and charges of public utilities are entirely commercial decisions, and that they also face operational difficulties. However, the Government and the public utilities must understand that if they swarmed to increase their fees and charges at the same time, the additional burden so created would be unacceptable to the ordinary citizens. Facing abrupt increases in various fees relating to the people's livelihood, they simply cannot cope with them at all.

To be honest, the applications for fee increase by some public utilities are unreasonable and have neglected the affordability of the people. For instance, the Tate's Cairn Tunnel increased its toll only early this year and it is now asking for another 50% hike, a staggering "asking price" indeed. Moreover, frequent toll increases reflect operational problems on the part of the tunnel company for it still cannot reduce the company's accumulated loss after repeated increases.

On the other hand, according to the findings of surveys conducted by the Federation of Trade Unions and the Democratic Alliance for Betterment of Hong Kong, small and medium enterprises will increase the salary of staff by about 5% only next year, and some will even freeze staff salaries. Given the narrowing deflation and increase in fees and charges of the public utilities, wage earners will certainly cut their spending and this will have a bearing on the economic recovery. In fact, although the Government has announced that our economy will register a growth of about 11% this year, the ordinary citizens cannot in the least benefit from this growth. Premier ZHU Rongji has earlier expressed his hope that the salary of ordinary citizens can be increased next year. We hope this will come true. Only when ordinary citizens are given raises in salary and domestic spending increased that it is reasonable for the Government and the public utilities to ask for increases in fees and charges. Why can the Government and the public utilities not wait for some while and seek more profits after the livelihood of wage earners has been improved? During the financial turmoil, the Government and the business sector asked for the understanding and sympathy of wage earners and appealed to wage earners to ride out the storm together. But when the economy has turned the corner, why can the Government and the business sector not allow wage earners to share the fruits of economic prosperity?

Facing proposals of fee increase by the Government and the public utilities, members of the public feel utterly helpless. The proposed fee increases concern the recurrent expenses of the public, such as public transport fares, water charges and electricity tariffs, which are all essential in our daily lives. Ordinary citizens utterly have no choice and these increases are set to produce a knock-on effect, prompting other public utilities to follow suit, thus aggravating the burden of people with a low income. Therefore, the Government must continue to freeze its fees and charges. It must also consider carefully the impact of increases in the fees and charges of other public utilities and the serious consequences. More importantly, the Government must consider all applications for fee increases and fully assess the tremendous impact of successive fee increases and the affordability of the general public.

It is encouraging that the Government and the Financial Secretary have announced the freezing of four items of fees and charges that have a direct impact on the people's livelihood. They include water charges, school fees, sewage charges and medical fees. In addition, the effective period of concessionary duty for ultra low sulphur diesel will be extended. Although

these measures will have a bearing on public revenue, the small losses of the Treasury can alleviate the expenditure burden of the low-income families. Therefore, we urge the Government and the public utilities to continue to freeze other fees and charges that have an impact on the people's livelihood and consider their increases only after the economy has fully recovered and workers are given salary increases, so as to improve the livelihood of the people.

Madam President, I so submit.

**MR MICHAEL MAK** (in Cantonese): Madam President, first of all, I will understand this subject from the point of view of social justice and sense of responsibility.

The Financial Secretary, Mr Donald TSANG, announced days ago that four items of fees and charges relating to the people's livelihood would be frozen. In the meantime, the effective period of concessionary duty rate for ultra low sulphur diesel will also be extended to 30 June next year. In proposing these initiatives proactively, the Government claimed that it did so not because it was concerned about not being able to obtain the approval of the Legislative Council. It did so for it had considered the views expressed by Members earlier on the budget and the financial conditions of the Government of Hong Kong. Therefore, it proposed the above four major measures to relieve the public of their plights, trying to allay public resentment, restore public confidence in the economy and stimulate consumer spending, thereby facilitating the sustained growth of the economy. However, I hope that Honourable Members will not be delighted too soon, thinking that this is a major benevolent policy of the Government. The fact is that a great many other fees and charges of the Government are now waiting on the wings for upward adjustments.

In the past three years, Hong Kong has gone through the financial turmoil. People were living in straitened circumstances and the business of all trades and industries was sluggish. As both employers and employees are required to make contribution under the impending Mandatory Provident Fund Scheme, their income will be reduced indirectly. Should the Government and the public utilities race ahead of each other to increase the fees and charges of their services, it will only aggravate the plights of the public and create additional burden of costs for various trades and industries. I am afraid this will only further slow down the economic recovery.

Let us take a look at the economic statistics just released by the Government. The economic statistics for the third quarter of this year indicated a growth of 10.4%, but it was driven mainly by trade and imports, and other industries were still in the doldrums. Many small and medium enterprises still faced financial difficulties and there was no sign of improvement in the income of the grassroots. This precisely demonstrated weak consumer confidence and the sluggishness of the consumer market.

The Financial Secretary has hinted to the media the tight finances of the Government and estimated a deficit of \$10 billion in the current fiscal year, which is even worse than the original estimate of \$6 billion, but he has never made any accurate projection since he took office as the Financial Secretary. Take last year as an example. The Financial Secretary projected a fiscal deficit of \$36 billion and advised the public not to have high expectations of the budget. But in the end, the final figure was a surplus of \$9.9 billion, and that projection was eventually found to be a false alarm that caused unnecessary panic among members of the public. Thus we can see that his projection this time has yet been proved and it is very difficult to believe that the Government is so badly off financially. Further, we still have a fiscal reserve of over \$400 billion. Under the present circumstances, should the Government not continue to freeze its fees and charges across the board more from the angle of relieving the people of their plights?

Next, I wish to talk about increases in fees and charges of the public utilities. Since the Government has frozen four major items of fees and charges relating to the people's livelihood on the ground that the public has not fully benefited from the recovering economy, should the public utilities not take the same position and freeze their fees and charges? Many public utilities have submitted applications to the Government for increases in their fees and charges. They include the Star Ferry, buses, trams, Western Harbour Crossing, Tate Cairn's Tunnel and New Territories taxis. The Kowloon-Canton Railway Corporation has also stated that, given higher costs of investment and train fares having been frozen since 1997, the Corporation will review the need to effect a fare increase next year. The Government will gradually propose increases in business-related fees and charges in the name of "user pays", but the costs so incurred will eventually be passed on to consumers. By then, members of the public will have to shoulder an even heavier burden.

Therefore, my view is that in terms of the timing, it is definitely unwise for the Government and the public utilities to increase their fees and charges or apply for such increases at this stage. As I said at the outset, I would understand this subject from the point of view of social justice and sense of responsibility. Should the Government and the public utilities swarm to increase their fees and charges, it would absolutely reflect that they are completely devoid of these two elements, which form the basis of social stability and prosperity, and lack basic conscience.

Madam President, I so submit.

**MRS MIRIAM LAU** (in Cantonese): Madam President, over the past few years since the outbreak of the financial turmoil, most public transport operators have refrained from increasing their fares, showing that they have tried their utmost to stand by the people in tiding over the difficult times. At a time when the public are still experiencing immense difficulties, I naturally hope that public transport operators can still refrain from increasing their charges, or defer their fee increases, or minimize their rates of increases whichever way possible. The Liberal Party urges the Government to continue to freeze all those fees and charges that directly affect the people's livelihood and the business environment. However, we do not agree that we should insist on adopting a uniform approach whereby all public transport operators are required to freeze their charges, because public transport services in Hong Kong are provided on a private commercial basis without any government subsidy. Naturally, in case some operators ask for fee increases, we should still try to find out why and make sure that the increases proposed are both justified and reasonable. We also urge that whenever any public transport operators ask for fee increases, they can take account of the important fact that many people are still very "hard up".

Private organizations are very much unlike the Government. The Government possesses fiscal reserves in billions of dollars and so, when the people are in any difficulties, it can afford to relieve their plight by returning some of the wealth to them. And, of course, despite its huge reserves, even the Government may "complain" if it has to freeze its fees and charges for a prolonged period of time. So, asking those private organizations which are suffering losses to freeze their charges will only plunge them into unspeakable misery. This is especially the case with companies operating under fixed-term franchises. If they are forced to freeze their charges for a prolonged period of time, how are they going to account for this to their investors and shareholders?

The three tunnels pinpointed by Mr Fred LI, namely the Western Harbour Crossing (WHC), the Tate's Cairn Tunnel and the Tai Lam Tunnel, are precisely some examples of those companies which have been operating in a state of losses. It is understood that the WHC has incurred a loss of more than \$800 million, and the losses incurred by the Tai Lam Tunnel and the Tate's Cairn Tunnel are \$680 million and \$800 million respectively. In the face of such huge losses, the three tunnel companies have not thought only about toll increases; rather, they have actually been trying to identify new sources of revenue and reduce their expenditure. The WHC, for example, has in fact reduced its originally estimated operating costs by as much as 22%.

Some may understandably argue that toll increases may instead bring reduced revenue to the tunnel companies. I think whether this is true really involves a pure commercial decision which has to be made only by the tunnel companies themselves. They know best how to do the calculations. If toll increases really bring reduced revenue, they must naturally bear the consequences of their own erroneous commercial decision, and we need not worry about this for them. Having said that, I must point out an incontestable fact, and that is, that once the WHC has increased its tolls, the toll differences between it and the other two harbour crossings will be further widened. This will intensify the already uneven distribution of traffic flows through these tunnels, thus leading to many traffic problems. In order to make full use of the three cross harbour tunnels to achieve diversion effect, the Government must look into this problem. One possibility that can be considered is to adopt standardized tolls for all the three tunnels.

As regards another transport operator that has been pinpointed — the New World First Bus Services Limited (First Bus), it should be pointed out that ever since its inauguration in September 1998, it has made a total investment of \$2 billion, and it has, among other things, purchased 550 environmentally-friendly air-conditioned buses and reduced the age of its fleet from 11 years to three years. Besides, it has also switched to ultra low sulphur diesel and installed particulate traps on its buses to reduce vehicle emissions. These measures have increased its operating costs by more than 10%. I often say that environmental protection cannot be achieved at no cost, and that lip service alone is not enough. Are we not paying pure lip service if we ask the bus company to install smoke abatement equipment and use ultra low sulphur diesel but do not allow it to increase its fares? Environmental protection is more than slogan chanting, and we must try to support it with actual deeds. I hope that members of the public can look at the issue of fee increases with compassionate understanding.

Yet another transport operator that has been pinpointed is the Star Ferry Company Limited. All along, this company has been regarded by us as a responsible and quality transport operator. It too has been facing the problem of rising operating costs, but it has still spent a lot of resources on improving its services. For example, when I took the Star Ferry yesterday, I saw that it had already installed the Octopus system. It is understood that if the Star Ferry cannot increase its fares, it will not only fail to get any reasonable profits, but will also incur huge losses in the next two years. When this happens, it may need to ask for even more drastic fare increases.

In recent years, public expectations about transport operators in respect of environmental protection and service quality have kept on rising, and these operators have been trying hard to meet these expectations as much as possible. However, if they cannot get any reasonable returns, or if they even have to incur losses, how can they possibly improve their services or upgrade their equipment?

At the beginning of my speech, I called upon public transport operators not to increase their charges whichever way possible. I know that many public transport operators do not actually want to increase their charges, knowing that this will certainly arouse widespread opposition. Instead, they will try as much as possible to identify new sources of revenue and reduce expenditure. And, if they can get the resources required, they will try their best to refrain from increasing their charges. The Kowloon Motor Bus Company (1933) (KMB) is a good example of this. Because the KMB has succeeded in identifying new sources of revenue and reducing expenditure, it is able to promise that it will not increase its fares in the short run. We very much encourage others to follow suit. However, is every company capable of doing the same? Many companies want very much to do the same, but this is not that easy. They may not be able to identify new sources of revenue, or they may not be able to reduce expenditure. So, when these companies come to a stage where they must increase their charges, we must look at their requests with a different attitude. Should we always turn down their requests? Assuming that these companies really increase their charges, do members of the public really have no other alternatives? We have a diversified public transport system and infrastructure in Hong Kong; many of the transportation routes are overlapping in part or in whole, and there is also keen competition among various modes of transport. If the First Bus increases its fares, people can switch to the Citybus, or trams, or minibuses, or estate coaches. Or, in case there are several people travelling in a group, they can even take a taxi, and the cost per head may even be lower. If

the Tate's Cairn Tunnel increases its tolls, driver can switch to the Lion Rock Tunnel, or they may even use Tai Po Road at no charge at all. If the WHC increases its tolls, drivers can switch to the Cross Harbour Tunnel at Hung Hom, though I certainly do not encourage them to do so. People may also stop using their private cars and use the public transport system as I do. If people find the fares of the MTR much too high, they can take a bus or a minibus. There are actually many different modes of transport, and there are numerous choices.

Finally, when Honourable Members advocate the freezing of public transport charges, they seem to have ignored the dedicated employees of the public transport operators. These employees have not had any pay rise for two years. They certainly do not wish to have more work without more pay. If we insist on rejecting the fee increases of public transport operators, the first ones to suffer will be these employees.

With these remarks, Madam President, I support the amendment proposed by Mr James TIEN.

**MR LAU KONG-WAH** (in Cantonese): Madam President, a recent news article in the press has touched a chord in me. It was reported a couple of days ago that a woman and her family, because of owning negative equity, had to scrimp and save, eating just one meal daily and working two jobs, in order to pay the mortgage installments. In this way, the woman was driven by the heavy financial pressure to contemplate suicide, but, fortunately, no tragedy occurred in the end. Although the story of this woman may not reflect the situation of all those families which own negative assets, I am convinced that there are certainly many similar families in Hong Kong, families which have been plunged into frustrations by the plummeting property market and economic downturn. In marked contrast, almost at the same time, there was an advertisement of a new property development which featured the ascendancy to "nobility". Perhaps, in Hong Kong, there is really a gap between the "nobility" and the commons. A fee increase of several percents imposed by either the Government or the public utilities will not mean anything to the "nobility", but to the common people, even such an increase will add very significantly to their already heavy burden. Hong Kong has indeed experienced very drastic changes since the outbreak of the financial turmoil. In the past, property prices would only soar and never dropped, with the Government having to work out many different measures to slow down the rise of property prices. Today, however, it has become

"difficult for property prices to rise, but easy for them to drop". We are already very lucky if property prices can remain stable. When the economy of Hong Kong was booming in the past, employees' salaries and wages would, again, "only soar and never dropped." Over the past few years, however, wage freeze and reduction have been all too common. The 100 000 or so civil servants in Hong Kong, for example, have had no pay rise for two consecutive years already. Despite Hong Kong's economic growth of more than 10% in the third quarter of this year, the salaries and wages of employees have not been adjusted accordingly, and the people have therefore failed to enjoy the fruits of such growth.

The unemployment rate in Hong Kong has remained at a high level for a very long time; the people have all tried to scrimp and save, thus seriously affecting the business of the retail industries. As shown by the statistics of the Census and Statistics Department, the total turnover of the retail industries in money terms in the first nine months of this year has dropped by more than 20% compared to the figure for 1997; the total revenue of food establishments has also gone down by more than 20%. There is no doubt that the people's quality of living has been seriously affected by the economic downturn in recent years. When consumption desire dwindles, the prospects of economic recovery are dim, and fee increases will only deal a further blow to consumption desire, thus working against economic recovery. I am sure that the constituency of Mrs Selina CHOW — the retail sector — knows this only too well. Therefore, let me tell the Liberal Party that "bosses" will have business only when people are willing to spend. That is why the Democratic Alliance for Betterment of Hong Kong (DAB) wishes to look after both sides, that is to have regard for the interests of both employers and employees, and to approach this issue from the perspective of the overall economy. Mr Selina CHOW said a moment ago that normally she would support our original motions, but that this time around, she could not do so because we had failed to consider the interests of all sides. However, from the perspective of our overall economic development, we have in fact considered the interests of all sides. Therefore, we hope that she can change her mind.

I also wish to say a few words on the fare increases of public transport services. Transportation is an absolutely necessary item of expenditure in people's daily life, for given the demographic distribution in Hong Kong today, practically everybody will have to commute either to school or to work every day. Every one will have to spend at least \$500 to \$600, or even \$1,000 a month on transportation. This is something very common.

What frustrates the people and motorists most is that the tunnels now asking for toll increases, that is, the Western Harbour Crossing (WHC), the Tate's Cairn Tunnel and the Tai Lam Tunnel, have all failed to attract the designed vehicular throughput. Under the existing economic conditions in Hong Kong, how can they possibly increase their tolls without driving away their customers? The point is that their increases will certainly widen the toll difference between their tolls and those of their rivals, and will thus only drive their customers to other tunnels: users of the WHC may switch to the Cross Harbour Tunnel at Hung Hom (CHT); users of the Tate's Cairn Tunnel may switch to the Lion Rock Tunnel (LRT); and users of the Tai Lam Tunnel may simply switch to Tuen Mun Road where no toll is charged. In the end, more people may be using the CHT, the LRT and Tuen Mun Road. In this way, all these new tunnels, which are supposed to relieve the pressure of traffic congestion, will simply fail to achieve the aim of diverting the flows of traffic.

In respect of public bus services, the New World First Bus Services Limited (First Bus) has asked for a fare rise of 9.2%. I am sure that many people are really very surprised, because we are now in the age of deflation instead of inflation.

The proposal of the First Bus has certainly made its competitors very happy because it is somewhat like a test case of fare increases. If the Government approves of its fare increases, then other public bus companies, the Island Line of the MTR and even minibus operators will certainly raise their fares without any more worries. When this happens, people living on Hong Kong Island will certainly have a very hard time.

For all these reasons, the DAB urges all public transport operators and public utilities to pay heed to this saying: "Commit no sin, however small it may seem; avoid no good deed, however minor it is." What I mean is that they should not try to deceive themselves and others by saying that their fee rises will produce only a very insignificant effect on the people. They should instead withdraw their decisions of fee increases.

Finally, I wish to respond to Mr LEUNG Yiu-chung's comments on the DAB, in particular his views about the original motion. Honestly speaking, I must thank him for reminding the people of the fact that the DAB has been working hard to serve them. However, while he said that he could "acknowledge receipt" of the original motion, he also said that he could not support it. This is obviously a typical example of "opposition for the sake of opposition", something which is against good sense and reason. If Mr LEUNG wishes to avoid making any irrational decision, he may well change his mind and join hands with me to support the original motion. Thank you, Madam President.

**MR FREDERICK FUNG** (in Cantonese): Madam President, first of all, let me welcome the Government's announcement on freezing these four items of fees and charges affecting the people's livelihood, namely water charges, sewage charges, school fees and public medical fees. As explained by the Government, the main objective of this measure is to relieve the financial pressure on the people at the initial stage of the implementation of Mandatory Provident Fund Scheme, and to give some breathing space to those people who cannot get any benefit during the early stage of our economic recovery.

If this is really what the Government thinks, why does it appear to have failed to realize that it is very unreasonable of it to propose to increase the fees and charges of other government services on the ground of the "user pays" principle at a time when the financial situation of most people has not yet really improved? The Government should withdraw all its proposals on increasing the fees and charges of government services and continue to freeze them, so as to bring home to other public utilities that the Government really has no intention of taking the lead in increasing fees and charges.

I shall now explain why I support today's motion on "opposing the surge of fees and charges". The growth in the Gross Domestic Product (GDP) in the third quarter of this year recently released by the Government continues to show a double-digit increase of 10.4%, and at the same time, the unemployment rate of Hong Kong has also seen a downward adjustment for three consecutive quarters, from 5.6% in the first quarter to 4.8% in the third. At a glance, these figures seem to indicate that our overall economic recovery has pulled the development of many local other trades and industries. But is this really the case in reality? The impetus of growth in the third quarter came mainly from

trade and the imports/exports. Besides, the robust economic growth of Hong Kong has also shown signs of slowing down, and even the Government now forecasts that the GDP will go down to 4.93% in the fourth quarter. In addition, the drop in unemployment rate has been caused basically by the fact that many workers have taken up part-time jobs. But their wages are still very low, which means that even if they can find any part-time jobs, their living standard cannot be improved in any way.

Whether the overall economy of Hong Kong can see any stronger growth will have to depend on the rates of pay rises offered to employees in general at the beginning of next year. I say so because I am convinced that only when there is real growth in the wages of workers that local consumption can be stimulated to improve the general living standard in Hong Kong. For this reason, it is really not appropriate for the Government to increase its fees and charges at this stage, lest the public utility companies may follow suit.

Also, following the Government's extension of the effective period for duty concession for ultra low sulphur diesel by half a year, the pressure of rising operating costs felt by public transport operators should have been eased significantly. That being the case, I do not think that it is proper for them to ask for any fare rises. They should follow the example of Lantau taxis and withdraw their applications, lest their applications may trigger off a chain of public utility fee increases and impede the development of our recovering economy.

Some Honourable Members have described Mr LAU Chin-shek's motion as not sensible. This I do not agree because there may be two reasons for a fee increase request. First, the operator concerned may really want to have a fee increase; and second, it may merely want to sound out such an intention, so as to create an atmosphere of fee increases and make people psychologically prepared for imminent fee increases. In a way, such requests for fee increases are largely meant as some sort of anaesthetic to kill people's pain when the fee increases become real. Is the amendment of Mr LAU Chin-shek really not sensible? Over the past six months or so, the Financial Secretary and the Secretary for the Treasury have been echoing each other, saying, "We have to increase our fees and charges." At the end of this year, the Government will submit proposals on some 100 items of fee increases to the Legislative Council for deliberation. When the Government talks repeatedly about fee increases, what will public utility operators think? These operators may well say, "Even

the Government wants to increase its fees, why should we not do the same? The Government has \$400 billion in fiscal reserves, and there was even a surplus of \$9.9 billion last year, but it still wants to increase its fees and charges. We are in the red, so why should we not increase our charges?" I therefore think that Mr LAU Chin-shek's amendment can actually serve the purpose of removing the "anaesthetic".

I support the amendment of Mr LAU Chin-shek. In fact, whatever we may support today, the amendments or the original motion, I would say that none of them could be worse than allowing the Government and public utility companies to increase their fees and charges. I really do not wish to see Honourable Members negating the motion and all the amendments after eight whole hours of discussion from 2 pm to 10 pm today. To us Legislative Council Members, this will be a waste of time, a total waste of time. Since I do not wish to see this, I will support Mr LAU Chin-shek's amendment. On the amendment to be moved before Mr LAU's amendment, I will cast a negative vote because I hope that Mr LAU's amendment can be passed. But if Mr LAU's amendment is negated, I hope that this Council can still "achieve one thing" today. That is why I hope that Honourable Members can support the other amendment and the original motion. At least, we should pass one motion, and that is better than allowing the Government to increase its fees and charges. This will be my position in the voting later on.

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

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, in the past two months, I kept remembering a Canto Pop song in the 1960s and 1970s: "Prices rise, prices rise — oil prices rise and water charges also rise." Many people have approached us, saying that strictly speaking, if we care to analyse the whole issue calmly, we would see that it is the Government that is responsible for stirring up the "surge of fees and charges". We now see a very horrible situation, for once after the Government has proposed to increase water charges and postage fees, many public utility companies have scrambled to join the queue of fee increases. There is now what seems like an impending avalanche of fee increases, an imminent storm, and the people are really scared.

But what is the real situation of the people of Hong Kong now? Hong Kong has no doubt had some economic growth, but even the Government admits that the "petty employees" in Hong Kong have so far failed to benefit from the economic growth. For example, as pointed out by the Hong Kong Institute of Human Resources Management, the average rate of pay increase in Hong Kong next year will be 2.8% only, and for my "old-time trade", the retail trade, the rate will even be as low as 0.2%, which in effect means no pay rise at all. Moreover, according to the findings of a survey conducted by the Federation of Trade Unions (FTU), 72% of the workers would have no pay rise next year, and the percentage of those who would have reduced wages or fringe benefits is also very high. I wish to point out that the forecast of a 2% pay rise next year is actually based on the levels of wages after the series of wage reductions that took place in the past two to three years. It is not based on the levels of wages before that. For example, the entry pay of workers in the retail trade is now 30% lower than that before the financial turmoil, meaning that their wages are first cut by 30% and then increased by a mere 0.2%. That being the case, it will be very surprising if people do not grumble.

I also wish to say a few words on a topical issue of late — the Mandatory Provident Fund Scheme to be implemented with effect from 1 December, something that bring our "petty employees" both delight and pressure. Given the current economic conditions, contributions to the schemes will certainly give our "petty employees" quite a hard time. It was precisely because of this reason that when we first discussed mandatory provident fund schemes, we repeatedly urged the Government to raise the threshold from \$4,000 a month to \$6,000. Unfortunately, the Government did not accept our advice.

Despite the current economic conditions, the Government has still taken the lead in increasing fees and charges, and public utility companies have scrambled to follow suit. But then, on the other hand, our "petty employees" have not received any pay rises; instead, news against the interests of the grassroots have kept coming out one after another. The only comfort I could find under such circumstances comes in the Financial Secretary's sudden announcement several days ago on the freezing of four items of government fees and charges. He also emphasized that by doing so, he hoped to induce public utility companies to refrain from considering increases in their fees and charges. We welcome this measure of the Government.

But still I must point out that as a member of another Subcommittee on a basket of fee increases, I was given to understand that before the Financial Secretary announced the freeze on the relevant fees and charges, the Government had already submitted other items of increases to the Subcommittee, including sewage charges, storage charges and doctor registration fees. So, I am very worried. The Government has announced that it will freeze four items of fees and charges directly affecting the people's livelihood, but what about those which are indirectly related to the people's livelihood? At the Subcommittee meeting last week, I made it very clear that I would oppose all fee increases, however indirectly or remotely they are related to the people's livelihood. I hope that the Government can adopt a consistent position in this respect and refrain from taking the lead in raising fees and charges, so as not to give public utility companies any excuse to increase their fees and charges.

Yet still, I have one more worry, and this is about what the Financial Secretary told the Legislative Council early this month: Since the economy of Hong Kong has stabilized, the Government must reiterate the importance of the "user pays" principle. We certainly are not asking the Financial Secretary to act like Wong Tai Sin and yield to all demands. We simply hope that the Government will not become a miser. The Government possesses some \$400 billion in fiscal reserves, so if it still refuses to help the grassroots in dire straits, how can it possibly convince others? In fact, we have continued to record double-digit economic growth, and it is expected that the growth rate this year will be as high as 10.4%. So, why can the Government not wait a little longer? Why does the Government not give some thoughts to a "people-oriented" society mentioned in the policy address? I hope that in addition to freezing the four items of fees and charges announced by the Financial Secretary, the Government will also refrain from increasing other fees and charges in the foreseeable future. It will be best if it can even reduce storage charges and sewage charges. That way, it will be able to truly help the people.

From the macro perspective, if the Government can appreciate the people's difficulties and refrain from taking the lead in increasing fees and charges, if the people can be offered pay rises, if the Government can increase the salaries of civil servants to set an example, and if other organizations also do not increase their fees and charges, then the life of the people will certainly improve, much to the benefit of our economic recovery. Therefore, I hope that

when the Secretary for the Treasury gives her reply later, I can hear her say that the Government will withdraw all the fee increase proposals it has submitted to the Legislative Council. That way, the people of Hong Kong will be able to lead a better life; they can then have a break and gradually recover before they make other plans for the future.

Madam President, the FTU demands the Government to freeze all its fees and charges, including even those which are not directly related to the people's livelihood. We also hope that the passage of this motion can induce public utility companies to also freeze their fees and charges. This is the only way to enable the people to really enjoy the fruits of our economic recovery.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, you may now speak on the three amendments. You have five minutes.

**MR CHAN KAM-LAM** (in Cantonese): First of all, I must thank those Honourable Members who have spoken on my motion. I also have to thank Mr Fred LI, Mr LAU Chin-shek and Mr James TIEN for moving amendments to my motion.

Strictly speaking, Mr Fred LI's amendment cannot be taken as an amendment for he only rephrased the part of my original motion that calls on the Government to continue to freeze its fees and charges to mean opposing the Government to increase its fees and charges. He has only rewritten the sentence. Regarding the inclusion of the names of the various companies which have proposed fee increases, he was just citing examples for my original motion. Further, does it mean that apart from the public utilities and public transport operators listed out by Mr Fred LI, the Democratic Party will not raise objection to any application for fee increase from other companies? The original motion put forth a broad principle and I hope Members can express their views on the recent surge of fees and charges. Mr Fred LI's amendment can be considered

superfluous. On his comment that the wording of my original motion is too mild, I think it only reflected our different approaches of rhetoric. If the use of mild wordings can adequately spell out our opposition against the surge of fees and charges, why must we resort to blunt and offensive wordings? If Mr Fred LI's amendment is passed, how can the motion be plausible? The reason is that the Financial Secretary already announced the day before yesterday that water charges, sewage charges, and so on would be frozen. Mr LI's efforts are virtually fruitless for he originally thought about "borrowing a boat to reap crops", and it turns out that he has borrowed the boat but cannot reap any crop. Amending a motion for the sake of amending should not be encouraged in any sense. Therefore, although the amendment does not have any major conflict with the position of the Democratic Alliance for Betterment of Hong Kong (DAB) in principle, we will not support this amendment.

Mr LAU Chin-shek's amendment mainly seeks to freeze all government fees and charges across the board. Just as I said in my principal speech earlier, regarding fees and charges not having direct impact on people's livelihood, we call on the Government to seriously review their costs and adjust downward the percentage of their increases to 10% or below, so as to achieve full cost recovery over a longer period of time. The DAB does not blindly oppose to each and every fee increase proposal. Therefore, we will oppose Mr LAU Chin-shek's amendment.

Mr James TIEN urged the Government to freeze its fees and charges that have direct impact on people's livelihood and the business environment. The DAB has no objection at this point. However, the amendment also seeks to delete the part of the original motion that calls on the public utilities to freeze their fees and charges, and this runs counter to the basic position of the DAB. The DAB fully appreciates that the public utilities have the autonomy to effect fee increases, except those governed by franchise agreements, and that the Government cannot interfere with the process; nor should the Legislative Council do so. But if we cannot reflect public opinion and sentiments in reality and call on the public utilities to go through the hard times with the people by a continuous freeze on their fees and charges, the DAB certainly takes exception to this. We, therefore, cannot support the amendment of Mr James TIEN.

With these remarks, Madam President, the DAB will vote against the three amendments. Thank you.

**PRESIDENT** (in Cantonese): Mr James TIEN, do you consider that Mr CHAN has misunderstood your speech?

**MR JAMES TIEN** (in Cantonese): Madam President, I wish to make a clarification. Mr CHAN Kam-lam said that I had deleted the part on the "call" that he made. Would Mr CHAN please take a look at my amendment. The word "call" is still there. I have not deleted this word. (*Laughter*)

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, do you need to respond? If you do, please be brief.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, my apologies to Mr James TIEN had I misunderstood his wording.

**SECRETARY FOR THE TREASURY** (in Cantonese): Madam President, first of all, I would like to thank Members for having spent three and a half hours expressing their views on the motion on opposing the surge of fees and charges and the various amendments to it. In their speeches, a number of Members emphasized the point that the grassroots have yet to benefit from the slight improvement in Hong Kong economy, it is not opportune for the Government and various public utilities to raise fees and charges at this stage, thereby aggravating the burden on the public. In addition, the Government and public utilities should ride out the hard times together with the public by continuing to freeze their fees and charges. The Government fully understands the concerns of various sectors of the community and Honourable Members. We also understand the revision of certain government and public utilities charges will directly affect the people's livelihood. Therefore, we must handle the matter with prudence and take full consideration of the public's affordability and acceptability.

I believe Members would remember that the freeze on government fees and charges was one of the short-term relief measures announced by the Financial Secretary in the 1998 Budget. The arrangement was originally

scheduled to last one year and expire in February 1999. Yet taking into account the fact that the economy had not fully recovered at that time, the Financial Secretary decided to extend the arrangement for six months. Subsequently, after listening to the views expressed by Members and various sectors of the community, the Financial Secretary decided on 11 June 1999 to suspend the proposed fee revision scheduled to take effect in October 1999 until there are obvious signs of positive economic growth.

We have stressed more than once that the freeze should be considered a special concession granted because of the economic downturn. When the economy resumes growth, the fair "user pays" principle should be put in place again. I would like to stress that the "user pays" principle is not tantamount to seeking full cost-recovery. A Member mentioned earlier that the Government wanted to recover costs in the areas of education and medical care in pursuance of the "user pays" principle. This is completely wrong. Fees charged in these areas are meant to ensure that the level of subsidy will not rise constantly with the passage of time. For instance, our policy objective of charging university tuition fees is to recover 18% of the cost only. When we proposed to the various Panels of the former Legislative Council between April and June this year to adjust certain fees and charges not directly related to the people's livelihood and most of the enterprises, most Members raised no objection with the exception of a few items. Just now, a Member accused the Government of being the main culprit responsible for dividing Members for only fees and charges directly related to the people's livelihood would be frozen. The Government should definitely not be "made a scapegoat". This is because the Government has already emphasized that only fees and charges directly related to the people's livelihood and most of the enterprises would continue to be frozen.

I would like to take this opportunity to explain briefly the importance of revision of government fees and charges. As pointed out by the Financial Secretary on 1 November on the resumption of the debate on the Motion of Thanks in this Council, the public accounts have shown operating deficits since the financial year of 1998-99. This means that recurrent expenditure has exceeded recurrent revenue. If this is allowed to continue, our sound fiscal foundation will definitely be undermined. As a responsible government, we cannot sit still and let the wealth accumulated by the people of Hong Kong over a long period of time be exhausted completely. Actually, government fees and

charges account for an important part of the Government's annual recurrent revenue. For instance, government fees and charges account for 10% of the total recurrent revenue of \$153 billion in this financial year. Faced with the problem of operating deficits, we find it hard to continue freezing fees and charges. What is more, we cannot easily abandon the charging principle of requiring users to share all or part of the cost of government services.

Because of the freeze on fee revision, many fees and charges have remained unchanged for the past three years. In the previous financial year, taxpayers subsidized as much as \$2 billion in various government services enjoyed by the people. The longer we defer the revision, the greater the subsidy from the taxpayers will be. This is not fair for substantial subsidy over a long period will only aggravate government deficits. Should this continue, it will only increase the pressure of increasing tax or introducing new tax items.

Revision of government fees and charges will not only reduce the huge subsidy made by taxpayers, but also comply with Article 108 of the Basic Law which requires the SAR Government to maintain the low tax policy. Moreover, prudent financial management is an important pillar of Hong Kong society and the source of our stable finance. In accordance with the requirements of Articles 107 and 108 of the Basic Law, apart from maintaining a low tax rate, we should also ensure that the Government has sufficient and stable revenues, particularly recurrent revenue, to meet the expenses of various public services and to achieve a fiscal balance. Timely revision of various government fees and charges in an orderly manner can enable us to comply with the requirements of the Basic Law. Moreover, it can help maintain the confidence of international investors and the general public in the Government's ability to manage finance with prudence. This is of paramount importance to the long-term prosperity of Hong Kong.

I would also like to point out in particular that the revision of government fees and charges is effected not only for implementing the "user pays" principle, but also for preventing public resources from being abused or wasted. Furthermore, certain government charges are aimed at giving impetus to environmental protection, examples being charges for handling chemical wastes, pollutants discharged by ships, and so on. Freezing these charges on a long-term basis will reduce their positive effect of protecting the environment.

According to the third-quarter economic report of the year 2000 published last Friday, Hong Kong economy will continue to grow robustly. This is yet another indication of the fact that our economy has fully recovered. While the projected annual growth for this year has been adjusted upward from the previous 8.5% to 10%, external trade and export of services has also grown remarkably. At the same time, internal spending and investment expenditure saw a rising trend and the number of employed people has continued to grow. In fact, the labour market has seen an improvement in the first half of this year, with the unemployment rate coming down to 4.8% from its peak of 6.3% recorded between March and May 1999. We believe continued economic growth will continue to ameliorate unemployment. Following the revival of spending demands, we believe prices will see gradual improvement too. Recently, various organizations have announced one after another plans of wage increases. We believe Hong Kong economy will further prosper and consolidate next year and the general public will thus be benefited.

Economic recovery provides us a good opportunity to re-establish the "user pays" principle and to revise the remaining government fees and charges. In spite of economic growth, the Government understands that in the wake of the financial turmoil and the economic adjustment over the past two years, members of the public, particularly the low- to medium-income salaried employees, are still in a stage of recovery both psychologically and in terms of actual income after experiencing wage freezes or reductions. Before receiving actual wage increases, they have yet to fully benefit from the economic recovery.

Members also mentioned the point that, starting from 1 December, the Mandatory Provident Fund (MPF) Scheme will take effect to provide employees with long-term retirement protection. As the most important social policy introduced in recent years, the MPF Scheme will have a profound positive impact for it represents a consensus reached among members of the public over a long period of time. We must not fail at this very last stage. The MPF Scheme must be implemented as scheduled. We fully understand that because of the need to make contributions, employees must prepare psychologically for a period of adaptation at the initial implementation of the Scheme. We recognize there is a need to minimize the worries of the public in this area as far as possible to ensure the smooth implementation of the MPF Scheme.

After spending considerable time considering the abovementioned factors and securing support from the Chief Executive, the Financial Secretary announced the day before yesterday that four major livelihood-related fees, namely water, sewage, school and medical fees, will continue to be frozen until the time is right for revision. The first two charges will not only directly affect people's livelihood, but also help control operating costs of businesses. Instead of setting a timetable in advance for revising these fees and charges, we will take into consideration the overall economic environment of Hong Kong and the situation of the general public before making a decision. Various relevant Bureau Secretaries will consult the relevant Panels of this Council on the most suitable time for revision.

As for the remaining charges to be revised in the coming few months, they are basically regulatory charges and have no substantial impact on the daily life of the public and the operating costs of the business sector. I will consult the Legislative Council Panel on Financial Affairs on revision of these charges on the coming Monday.

It has been the Government's usual practice to exclude charges of various trading funds from its measure of freezing fees and charges. For this reason, postage will be excluded from the consultation exercise to be held on the coming Monday in respect of the revision of fees and charges. Postage was last revised in 1996. The Government has yet to make any decision with respect to postage revision although the proceed from philately products has continued to drop since the peak between 1996 and 1997. We need to conduct a detailed review of the financial situation of the trading fund of the Post Office and carefully consider the acceptability and affordability of the public in relation to postage revision before making a decision.

The fees and charges of public utilities have been mentioned in the motion and the amendments. We understand the Hong Kong and China Gas Company has indicated publicly that it has no intention to raise charges at the present stage and the China Light and Power Company has also indicated publicly that it sees no pressure to raise charges next year. The annual review reports on electricity charges published by both electricity companies, the China Light and Power Company and the Hongkong Electric Company, have been presented to the Economic Services Bureau, which is now examining the relevant data in detail and actively following up the matter with both companies. The Government will, in discussing next year's electricity charges, consider a series of factors,

including electricity demands, the sale of electricity, operating costs, shareholders' returns, measures for controlling costs and enhancing productivity, the affordability of clients, and so on. Its objective is to ensure, on the one hand, clients are provided with reliable and efficient services at the lowest reasonable price and, on the other, shareholders are given reasonable investment returns.

We fully understand the public's concern with fare increases of public transport. We will carefully examine the fare increase applications lodged by public transport operators. At the same time, we understand the need of these operators to, based on such factors as their own financial situation, operating costs, and so on, review their fares on a regular basis and consider whether or not to apply for fare adjustment. We have requested various public transport operators to consider views expressed by various parties and the impact on commuters before applying for fare increases. Various major public transport operators have frozen the fees and charges of their services over the past several years. In examining applications from these organizations, we will give prudent and comprehensive consideration to all relevant factors, including the financial situation of the organizations concerned, the projected costs and revenues, the performance of the organizations, the acceptability of the fare increases to the public, and so on.

In making their decision to raise tunnel tolls, tunnel companies are required to consider such factors as the overall economic situation of the community, the acceptability of the toll increases to the public, the companies' financial situation, the impact of the increases on the flows of vehicles, and so on. The Government has urged tunnel companies to balance the interests of the public and shareholders in determining tunnel tolls.

We see that the fare increase timetables of various public transport operators are varied and the information presented by them also varies in detail. Therefore, the time required for handling individual cases might vary. There will also be variation in the timing for approving or vetoing fare increase applications.

Madam President, I would like to thank Honourable Members for supporting the Financial Secretary's decision to defer the fee revision of four types of government services. I hope Members will not take a broad-brush approach and demand the Government to continue freezing some government charges which have no significant impact on the people's livelihood and general

businesses. Examples of these charges are registration fees for aircraft and licence fees for aircraft personnel, charges for issuing travel permits to tourists, registration fees for birth, death and marriage, as well as charges on medical services provided to ineligible persons, that is, non-Hong Kong residents. I earnestly hope that Members can examine the Government's fare increase proposals, which are reasonable and fair, with an objective, positive and constructive attitude. Furthermore, I hope Members of this Council, the Government and the whole community can jointly face and take responsibility for the problems brought about by fiscal deficits and difficulties in increasing revenue.

As for the fare increase applications lodged by public utilities, the relevant authorities will definitely consider various factors carefully, in particular the affordability of the public and the financial situation of the operators, before making a final decision with respect to individual applications.

Thank you, Madam President.

**PRESIDENT** (In Cantonese): Mr Fred LI, you may move your amendment.

**MR FRED LI** (in Cantonese): Madam President, I move that Mr CHAN Kam-lam's motion be amended, as set out on the Agenda.

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

"To delete "urges" and substitute with "strongly opposes"; to delete "to face up to the surge of fees and charges, and continue to freeze government" and substitute with "increasing its"; to add ", including charges for water, sewage and postage" after "direct impact on people's livelihood"; to delete "calls on" and substitute with "strongly opposes increases in fares and charges by"; and to delete "to go through the hard times with the public by freezing their fees and charges" and substitute with "and transport companies, such as Hongkong Electric Company Limited, Tate's Cairn Tunnel, Tai Lam Tunnel, Western Harbour Crossing, New World First Bus Services Limited and Star Ferry Company Limited". "

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Fred LI to Mr CHAN Kam-lam's motion be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. 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 Fred LI rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Fred LI 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:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying and Mr Michael MAK voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, 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.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr Andrew WONG, Dr YEUNG Sum, Miss Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN and Mr WONG Sing-chi voted for the amendment.

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Frederick FUNG, Mr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, five were in favour of the amendment and 20 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, 11 were in favour of the amendment and 14 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 amendment was negated.

**MRS SELINA CHOW** (in Cantonese): Madam President, in accordance with Rule 49(4) of the Rules of Procedure, I move that in the event that further divisions being claimed at this meeting in respect of the motion "Opposing the surge of fees and charges" or any amendment thereto, this Council do proceed to the division immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Selina CHOW be passed. Does any Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now put the question to you as stated. 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.

I order that if a Member claims a division at this meeting in respect of the motion "Opposing the surge of fees and charges" or any amendment thereto, this Council shall proceed to the division immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek, please move your amendment.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, I move that Mr CHAN Kam-lam's motion be amended, as set out on the Agenda.

**Mr LAU Chin-shek moved the following amendment: (Translation)**

"To delete "which have a direct impact on people's livelihood"; to add "in order to safeguard people's livelihood," after "at the same time,"; to delete "calls on" and substitute with "strongly opposes"; and to delete "to go through the hard times with the public by freezing" and substitute with "increasing"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr LAU Chin-shek to Mr CHAN Kam-lam's motion be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. 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)

**PRESIDENT** (in Cantonese): I think the question is not 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 negated.

**PRESIDENT** (in Cantonese): Mr James TIEN, you may move your amendment.

**MR JAMES TIEN** (in Cantonese): Madam President, I move that Mr CHAN Kam-lam's motion be amended, as set out on the Agenda.

**Mr James TIEN moved the following amendment: (Translation)**

"To delete "which have a direct impact on people's livelihood"; to add "in order to safeguard people's livelihood," after "at the same time, "; to delete "calls on" and substitute with "strongly opposes"; and to delete "to go through the hard times with the public by freezing" and substitute with "increasing"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr James TIEN to Mr CHAN Kam-lam's motion be passed.

**PRESIDENT** (in Cantonese): I now put the question to you as stated. 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 James TIEN rose to claim a division.

**PRESIDENT** (in Cantonese): Mr James TIEN has claimed a division. The division bell will ring for one minute.

**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:

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, 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 and Dr LO Wing-lok voted for the amendment.

Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK and Mr IP Kwok-him voted against the amendment.

Geographical Constituencies and Election Committee:

Dr TANG Siu-tong, Mr Frederick FUNG, Mr David CHU, Mr NG Leung-sing and Mr Ambrose LAU voted for the amendment.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Albert CHAN, Mr WONG Sing-chi and Mr YEUNG Yiu-chung voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 17 were in favour of the amendment and eight against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, five were in favour of the amendment and 20 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 amendment was negated.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, you may now reply and you have five minutes 44 seconds.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, although the financial turmoil has passed, the economic adjustment in Hong Kong has not yet completed, particularly as the third economic restructuring has just begun and all sectors of the community are gradually adapting to the new economic changes.

This year, the Gross Domestic Product has registered a substantial increase mainly because the base figure of last year is comparatively low and the rate of increase has therefore become more significant. However, economic recovery is seen only in some domains, and the substantial economic growth seems to have nothing to do with a great majority of the grassroots who only have a low level of education and skills, and who are not young at age. This precisely explains why members of the public have remained discontented despite the substantial economic growth. The Government must appreciate this home truth before it can truly understand the people's sentiment and implement policies with an open mind.

The Financial Secretary has remarked that he does not want to be "Wong Tai Sin" who answers every prayer for he fears that excessive demands from Members would prevent the Government from achieving a fiscal balance. The Democratic Alliance for Betterment of Hong Kong (DAB) fully appreciates this. Having said that, I must say that the freeze of four major fees and charges relating to the people's livelihood as announced by the Financial Secretary the day before yesterday has won praises from all walks of life. While the Government is not "Wong Tai Sin", it can be said as the "Goddess Guanyin" — the saviour of the suffering masses. Where the overall financial conditions allow and where they are appropriate, the introduction of some fiscal measures to relieve the public is like "rainfalls in times of drought". It also makes the public feel the Government's care for them and the Government's benevolent policies.

Madam President, some Members are concerned that if the Legislative Council called on the public utilities to freeze their fees and charges, it would contravene the principle of free economy, interfere in the operation of enterprises and scare investors away. In my earlier response to the amendments, I already stressed that the Government could not interfere with the autonomy of public utilities. Nor should the Legislative Council interfere with it. Any

person who invests in Hong Kong should appreciate the profitability of long-term operation. As many friends in the commercial sector have said that they have already taken Hong Kong as their home, why can we not ride out the hard times together?

Mrs Selina CHOW is not happy with my motion in that there is no mention of the operational problems faced by enterprises. She also remarked that we would be divided by the Government's concept on the people's livelihood. I think this is all driven by the undue emphasis that the Liberal Party has put on the commercial sector, thinking that improvements to the people's livelihood would mean discarding the interests of the commercial sector to the neglect of the viability of the sector. That they have such misconception is grossly unfortunate. Could it be that when asking the Government to freeze the four major fees and charges relating to the people's livelihood, we must add that the Government should freeze the four major fees and charges relating to business operation? I have repeatedly stated in my speech that the Government and the public utilities should freeze all increases directly affecting the people's livelihood and the operating costs of the small and medium enterprises. Can it be said that we do not have regard for the business environment?

Mr Tommy CHEUNG said that I had been a boss myself so I should be well aware of the operational difficulties of enterprises. This is true. Now, they can see that the DAB has all along been rational in formulating policies, that our emphasis is always on the people's livelihood and that we do not have bias towards any sector. So, I hope that the Liberal Party can change their mind.

Madam President, at this point, our debate has seen all the three amendments being negated one after another. The remaining original motion is couched in mild terms and carries a clear-cut and straightforward meaning. I hope Members can put aside their own political conviction and unanimously support the original motion to demonstrate the determination of the Legislative Council in opposing the surge of fees and charges to the benefit of the people's livelihood. The Financial Secretary's announcement of freezing four major fees and charges relating to the people's livelihood the day before yesterday is the best response to and support for this motion. How could we disappoint the Financial Secretary? If the original motion is negated, it would mean a total defeat of the motion together with all of the three amendments, and this would give the public all the more reason to mock at the ineptness of this Council.

With these remarks, Madam President, I urge Members to support the original motion. Thank you.

**MRS SELINA CHOW** (in Cantonese): Madam President, can I ask for clarification?

**PRESIDENT** (in Cantonese): Mrs CHOW, you can ask for clarification if Mr CHAN has misunderstood any part of your speech.

**MRS SELINA CHOW** (in Cantonese): He did not misunderstand my meaning. But can I ask him to clarify the content of his earlier speech?

Madam President, it is because his speech is in conflict with his original motion.

**PRESIDENT** (in Cantonese): I know it is, Mrs Selina CHOW. But if you would like Mr CHAN to make a clarification, you should rise to make this request in the course of his speech just now. Since Mr CHAN has finished his speech, you cannot ask him to make any clarification.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHAN Kam-lam, as set out 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 CHAN Kam-lam rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam has claimed a division. The division bell will ring for one minute.

**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:

Mr Eric LI, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Timothy FOK, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Henry WU, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Dr Raymond HO and Dr LO Wing-lok voted against the motion.

Mr Kenneth TING, Mr James TIEN, 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 Abraham SHEK and Mr Tommy CHEUNG abstained.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the motion.

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Mr LAU Chin-shek voted against the motion.

Mr David CHU, Mr NG Leung-sing, and Mr Ambrose LAU 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, 11 were in favour of the motion, two against it and 12 abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, 19 were in favour of the motion, three against it and three abstained. 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 negated.

### **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 6 December 2000.

*Adjourned accordingly at twenty-eight minutes to Eleven o'clock.*

**Annex I****WRITTEN ANSWER****Translation of written answer by the Secretary for Economic Services to Mr Henry WU's supplementary question to Question 2**

With China's impending accession to the World Trade Organization (WTO), the securities market of the Mainland will be further opened up. This will bring about more opportunities of co-operation and development for Hong Kong. In order to consolidate Hong Kong's position as the prime international financing channel for the Mainland, we have to maintain and develop a sound, flexible and international regulatory framework for our financial market. At the same time, we have kept abreast of the development of the financial system in the Mainland and strengthened our contact with the relevant authorities in various areas. We are also committed to promoting our financial industry.

To enhance our competitiveness, the Government has adopted, in recent years, a series of reform measures for improving the efficiency of the local securities and futures markets. These include the merging of the exchanges and the clearing houses, the enhancement of the local financial infrastructure and the regulatory reform in the securities and futures markets. The merging of the exchanges and the clearing houses has been completed. The Securities and Futures Commission (SFC) has already re-convened the Steering Committee on the Enhancement of the Financial Infrastructure for implementation of various long-term improvements. On regulatory reform, the Securities and Futures Bill is being considered by the Legislative Council with a view to enactment in this Legislative Session so that the proposals to further improve the existing framework can be implemented as soon as possible.

In the meantime, the Hong Kong SFC has had close liaison and co-operation with the China Securities Regulatory Commission. Recently, the two regulatory bodies have exchanged staff for attachment training and sharing of experience in market development and regulation. The Hong Kong Exchanges and Clearing Limited has already planned to set up a liaison office in Beijing in the first quarter of the year to strengthen business network in the Mainland. It will also launch programmes for continuous promotion of Hong Kong's Main Board and Growth Enterprise Market in the Mainland to attract state-owned and private enterprises to apply for listing in Hong Kong.

**WRITTEN ANSWER** — *Continued*

The Government is also committed to the promotion of our financial services industry overseas. A Financial Services Advisory Committee has been formed under the Hong Kong Trade Development Council (TDC), comprising members from regulatory bodies, stock exchanges, financial sectors and relevant government departments. The Committee consults its members on the development of the local financial services industry, the major overseas markets and the promotion of the local industry. Promotion programmes are held in Hong Kong, the Mainland, Europe, the United States and Japan annually. In recent years, the above bodies have jointly organized seminars in major cities in the Mainland like Beijing, Shanghai, Dalian and Chengdu to introduce Hong Kong's securities market and the financing channels to the mainland entrepreneurs. At the end of last year, the TDC held seminars on Hong Kong Finance in Beijing and Xian to introduce Hong Kong's financial services to government departments and business in the Mainland. Our Bureau was one of the representatives of the Hong Kong Special Administrative Region Government.

I trust that you will agree, seeking business opportunities and promoting business is in essence a business activity. Therefore, we encourage the local industry to communicate with organizations of the mainland market on different levels. I believe that members of the industry, with their experience and resources, will expand their business taking into account their own conditions and commercial considerations. The Government will continue to spare no efforts in the above areas of work to create a favourable business environment for the industry.

**WRITTEN ANSWER****Translation of written answer by the Secretary for Commerce and Industry to Mr SIN Chung-kai's supplementary question to Question 2**

According to our understanding, the services offered by the Hong Kong Trade Development Council (TDC) were well received by Hong Kong companies. In 1999-2000, the TDC organized 382 promotional events and provided a wide range of information services. Hong Kong businesses' participation and utilization of these are as follows:

*Promotional Events*

- (1) *Arranging Hong Kong companies to participate in major trade fairs around the world and organizing activities to promote Hong Kong's products and services*

In 1999-2000, the TDC arranged Hong Kong companies to participate in 115 major international trade fairs around the world and arranged various activities to promote Hong Kong's products and services. A total of 3 186 Hong Kong companies participated.

The fairs involved a wide range of trades including clothing, machinery, construction materials, electronic gifts and toys, and so on. The organizing economies of these fairs included Mainland China, Australia, Brazil, Germany, the United States, Japan, Russia, Switzerland, Spain, Italy, Peru, Argentina, the United Kingdom, France, Canada, Mexico, South Korea, and so on.

- (2) *Organizing outbound study missions for Hong Kong companies*

In 1999-2000, the TDC organized 21 Hong Kong trade/professional study missions to different parts of the world. A total of 325 representatives from Hong Kong companies participated.

**WRITTEN ANSWER** — *Continued*

Sectors covered by these missions included clothing, food products, automobile parts and components, as well as electronics. Economies visited by the missions included Mainland China, Vietnam, Japan, the United States, Thailand, South Africa and the Middle East, and so on.

(3) *Organizing international trade exhibitions as well as expos for service industries in Hong Kong*

In 1999-2000, 20 international trade and service exhibitions were held by the TDC at the Hong Kong Convention and Exhibition Centre. These events attracted a total of 11 580 exhibitors, of which 7 338 were Hong Kong companies. 264 370 buyers visited the fairs, of which 37.8% were overseas buyers.

As these events have become a major attraction to buyers from around the world, many local companies see them as an important forum for promoting their products and services.

(4) *Organizing or co-organizing business conferences, trade symposia and fairs in Hong Kong and around the world*

In 1999-2000, the TDC organized/co-organized 65 business conferences, trade symposia and fairs in Hong Kong and around the world. These attracted 18 115 participants including representatives from Hong Kong companies and businessmen from other economies.

The purpose of these events is two-fold: (a) to invite government officials and business leaders from different parts of the world to give talks in Hong Kong to help update local enterprises on the latest trade policies and economic developments in overseas markets, and to provide opportunities for overseas delegations to explore business opportunities with local enterprises; and (b) to publicize the competitive advantages of Hong Kong and further expand our trade links with overseas companies.

**WRITTEN ANSWER** — *Continued**Information Services*(5) *Launching an Internet portal site — tdctrade.com*

In February 2000, the TDC launched the "tdctrade.com", a new Internet portal site offering a wide range of trade information on the Mainland and international markets. Through this site, local enterprises are kept informed of the market developments in the Mainland and around the world. The site also features a matching service known as TDC-Link, through which local enterprises can gain instant access to information on their mainland and overseas business contacts.

The average daily hit rate of the TDC website stands at 800 000.

(6) *Research reports*

Research reports published by the TDC provide local businesses with detailed international market information. In 1999-2000, a total of 155 research reports were published and more than 268 000 copies were distributed. Some of them have already been uploaded on the Internet for easy access.

(7) *The TDC Business InfoCentre*

The TDC Business InfoCentre is the largest business information centre in Hong Kong. It has a collection of 40 000 titles of business books, directories and reference materials, and offers visitors the use of its computers and multi-media facilities. About 13 000 visitors patronize the Centre each month.

(8) *Free distribution of "SME Newsletter"*

To keep local small and medium enterprises (SMEs) abreast of the latest market situation, the TDC issues a monthly publication named the "SME Newsletter" for free distribution to more than 14 000 local companies. In addition, the TDC also sends out "SME News Flash" by e-mail to 20 000 registered local companies to provide timely information on important developments.

**WRITTEN ANSWER** — *Continued*(9) *Trade enquiries*

The TDC Dialog, currently the largest database of its kind in Asia, contains information on 100 000 Hong Kong companies and 500 000 mainland and overseas companies.

Local businesses can gain access to information on business contacts and trade-related issues through the "tdctrade.com", e-mail, fax or direct contact with the Trade Enquiry Officers of the TDC. In 1999-2000, the TDC handled a total of 760 000 Hong Kong-related trade enquiries, of which 622 053 were from local companies and 144 000 were from overseas.

*Customer Service*(10) *Customer Service Centre*

In June 2000, the TDC set up a Customer Service Centre, a one-stop shop offering a full range of services, to cater for the needs of local companies, especially SMEs. Since its establishment, the customer Service Centre has been handling about 500 enquiries every week.

The TDC has also set up a dedicated team to advise SMEs on business operation matters. The service, which is free of charge, is popular among businesses.

(11) *Organizing business training courses*

The TDC organizes business training courses for local SMEs on a regular basis to enhance their competitiveness. These cover various practical courses with contents ranging from writing business plan to financing know-how. The courses have been well received.

In 1999-2000, the TDC organized 140 training activities attracting more than 8 000 participants from the local business sector.

**WRITTEN ANSWER** — *Continued*

It can be seen from the above-mentioned figures that the promotional events and services offered by the TDC have been well patronized by local companies.

As the statutory body responsible for promoting Hong Kong's external trade, TDC regards the provision of high quality services to local businesses as one of its top priorities. To ensure that it is providing services that best meet the needs of local businessmen, the TDC regularly collects the views of the business sector through different channels. For example, the Customer Service Centre was established in June 2000 in response to the views expressed by local companies. The Centre has been providing user-friendly services which have proven to be popular among the local business community since its establishment.

To ensure that its services meet the needs of local companies, the TDC undertakes that it shall continue to heed their views and improve its services accordingly.