

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 13 December 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

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE 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 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

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

MEMBERS ABSENT:

THE HONOURABLE WONG YUNG-KAN

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

PUBLIC OFFICERS ATTENDING:

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 GORDON SIU KWING-CHUE, J.P.
SECRETARY FOR PLANNING AND LANDS

MR NICHOLAS NG WING-FUI, J.P.
SECRETARY FOR TRANSPORT

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

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

CLERKS IN ATTENDANCE:

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

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TAKING OF LEGISLATIVE COUNCIL OATH

PRESIDENT (in Cantonese): Members will please remain standing for the taking of the Legislative Council Oath.

The Honourable Audrey EU Yuet-mee took the Legislative Council Oath

PRESIDENT (in Cantonese): On behalf of Members, I would like to welcome Ms Audrey EU to this Council.

PRESENTATION OF PETITION

PRESIDENT (in Cantonese): Presentation of petition. According to the Rules of Procedure, a petition may be presented to the Council by a Member. A Member who wishes to present a petition shall inform the President not later than the day before the meeting at which he wishes to present it. The Member shall also certify in writing to the President that the petition is respectful and deserving of presentation.

Mr Albert HO informed me last night in accordance with the provision of the Rules of Procedure. He has also submitted the petition to me today. Therefore, in accordance with Rule 20(5) of the Rules of Procedure, I call on Mr Albert HO to give the Council a summary statement of the number and description of the petitioners and the substance of the petition. However, Mr Albert HO may not make any other speech beyond this.

MR ALBERT HO (in Cantonese): Madam President, thank you very much for granting me consent to present a petition today. This petition is jointly presented by me, Mr SZETO Wah and Mr Martin LEE on behalf of all Members of this Council.

The substance of the petition can be summarized as follows: today is 13 December, the 63th anniversary of the Nanking Massacre. We call on this Council to remember the suffering brought to the people of our country and of other countries by this massacre and other similar massacres. While urging the

Japanese Government to recognize the fact of the Nanking Massacre and other war crimes it committed in Asia during the Second World War and apologize to and compensate the victims, we also call on Members to support the long-standing efforts of the United Nations Commission on Human Rights to prevent any inhuman acts, genocides and massacres from taking place again.

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>
Country Parks and Special Areas (Amendment) Regulation 2000.....	349/2000
Marine Parks and Marine Reserves (Amendment) Regulation 2000.....	350/2000
Electricity (Registration) (Amendment) Regulation 2000.....	351/2000
Electricity (Wiring) (Amendment) Regulation 2000.....	352/2000
Electrical Products (Safety) (Amendment) (No. 2) Regulation 2000.....	353/2000
Entertainment Special Effects (General) Regulation.....	354/2000
Entertainment Special Effects (Fees) Regulation.....	355/2000
Entertainment Special Effects Materials List Regulation.....	356/2000
Statutes of The Chinese University of Hong Kong (Amendment) (No. 2) Statutes 2000.....	357/2000

Other Papers

- No. 38 — Social Work Training Fund
Thirty-ninth Annual Report by the Trustee for the year ending on 31 March 2000
- No. 39 — Emergency Relief Fund
Annual Report by the Trustee for the year ending on 31 March 2000
- No. 40 — Queen Elizabeth Foundation for the Mentally Handicapped
Report and Accounts 1999-2000
- No. 41 — Equal Opportunities Commission
Annual Report 1999/2000

ORAL ANSWERS TO QUESTIONS

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

First question.

Trial Scheme on Two-mode Teaching in Junior Secondary Classes

1. **MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, it is learnt that the Education Department (ED) will soon conduct a three-year trial scheme on "two-mode teaching" in junior secondary classes. In this connection, will the Government inform this Council of:*

- (a) *the names of the schools which will participate in the scheme;*
- (b) *the resources required for the scheme; and*

- (c) *the impact of the scheme on the existing policy on the medium of instruction, and how it ties in with the policy of mother-tongue teaching?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese):

Madam President, the Government's objective in implementing mother-tongue teaching is to enable students to acquire subject knowledge and develop higher-order thinking in an environment with the least language barrier.

Since the implementation of the Medium of Instruction Guidance for Secondary Schools in 1998, it has been generally recognized in the education sector that mother-tongue teaching helps enhance students' cognitive and learning ability. It facilitates more lively discussion in the classrooms, expedites the progress of teaching, and promotes more in-depth learning. Thus, I would like to emphasize the Government's affirmation of the benefits of mother-tongue teaching to learning, and its commitment to the policy of using mother-tongue as the principal language in teaching.

In reviewing the secondary school places allocation system, the Education Commission (EC) proposed that starting from 2001, the number of banding will be reduced from five to three, and that five years later, students' banding will solely be determined according to their internal assessment. In other words, each primary school will have students of band one to band three. Under the proposed allocation system, the diversity in students' ability in a secondary school may widen, and it would be difficult to ensure that each and every student allocated to an English secondary school is suited to learning through English as the medium of instruction.

In view of the above, the Joint Working Group on Medium of Instruction (JWG) has discussed whether schools should be allowed greater flexibility in deciding on the medium of instruction so that they can properly take care of the diverse student abilities. Some JWG members suggested that secondary schools should be allowed to adopt different media of instruction for certain subjects or classes at Secondary One to Secondary Three, but the JWG could not reach any consensus. The JWG recommended in September 2000 that the ED should study the desirability of "two-mode" teaching for reference by the EC in reviewing the secondary school places allocation system in 2003-04.

The ED has formed a steering committee comprising expert academics and principals to formulate the scope and other details of the study on "two-mode" teaching. This work is still at an early conceptual stage. The ED has also contacted a number of schools to see if they are willing to participate in the trial scheme and to solicit practicable options. There is no pre-set policy direction for this study. The role of the ED is to facilitate local experts and academics in jointly examining this issue. It is hoped that by collecting views from different parties, the study will accommodate a diversity of viewpoints so that the outcome of the study will be more credible and can serve as a more useful reference in policy formulation.

I must stress that the starting point of the study is to explore effective ways to deal with the widened range of abilities among students at the same level in a secondary school which may arise in future. In designing the study, we will remain committed to achieving the objective of mother-tongue teaching, that is, to ensure that students can learn in an environment with the least language barrier. The specific objectives of the study are to explore, on the premise that students' acquisition of subject knowledge will not be affected, the feasibility of "two-mode" teaching on a group, subject or topic basis, the preconditions for success, and the support measures required.

The ED has not yet finalized the list of participating schools. The resources required for the study will be determined by the number of participating schools, the methodology of the study, and the support required for the schools. Insofar as school sampling is concerned, we aim to include schools adopting different admission standards and medium of instruction. For greater comprehensiveness, we may also conduct the study at different class levels.

The Government's policy on medium of instruction is very clear. We must, taking into account the language ability of both teachers and students, adopt the suitable medium of instruction to ensure the effectiveness of learning. At the same time, we have to take appropriate support measures to create a favourable language environment to enable students to become biliterate and trilingual. The basic policy of mother-tongue teaching will remain unchanged.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary made it clear at the outset that mother-tongue teaching could enable students to acquire subject knowledge and develop higher-order thinking. However, the*

Secretary went on to say that due to the change in the secondary school places allocation system, there was a need to study the implementation of "two-mode" teaching. Is the Secretary of the view that the principle of mother-tongue teaching should be subordinated to the allocation system?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I believe the effectiveness of mother-tongue teaching has been generally recognized by the public. However, we have to face a very realistic question, that is, some students may not be suited to learning through English as the medium of instruction in future. But under the new allocation system, they may be allocated to English schools. We undertake this study in the hope of acquiring some theoretical basis and practical experience to decide whether we should adjust the allocation system or relax the language policy in future. There is in fact no set policy direction for this study. Our basic consideration is the effectiveness of learning.

MR SZETO WAH (in Cantonese): *Madam President, in the main reply, the Secretary said that the ED had not yet finalized the list of participating schools. However, this list has already been revealed in newspaper reports. The reports also pointed out that the staff of these schools had special connections with the steering committee or certain divisions of the ED. Does the Secretary have any clarification to make with regard to these newspaper reports?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, this is an unfortunate affair for the education sector. First, as I said just now, the list of participating schools has not been finalized. We have only made initial contacts with some schools to solicit practicable options for the steering committee's consideration. When the ED contacted these schools, it made it clear that it would like to keep it low-profile and that it had no intention of announcing the scheme before finalizing the design of the study and the list of participating schools. Why have some schools made it public? I have no idea, and I fail to understand the reasons behind it.

As to why some schools have connections with the steering committee or the JWG, it is because they are more enthusiastic about this study. Since they find this study desirable and meritorious, we have contacted these schools to

solicit practicable options for the steering committee. The ultimate criteria for selecting the schools will depend on the scope of the study, the kind of answers we are seeking and which types of schools can best provide answers to our question. In short, we have not yet finalized the list of schools.

MR JASPER TSANG (in Cantonese): *Madam President, a trial scheme on education will inevitably affect the students participating in the scheme. In the main reply, the Secretary said that the objective of the trial scheme on "two-mode" teaching was to solve the problem of greater diversity in the ability of students entering English secondary schools after the secondary school places allocation system is changed in the future. In that case, in selecting the schools for the trial scheme, should we not focus on existing English secondary schools, while sparing the schools using mother-tongue teaching, so that their students will not be adversely affected by this trial scheme?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, the ED has contacted both schools using English and those using Chinese as the medium of instruction. However, it appears that most of the schools which have leaked the news are Chinese secondary schools, while the English secondary schools contacted by us have not said anything. As I said, the reasons behind it are quite mysterious. In any case, with regard to school sampling, we will certainly choose from both Chinese and English schools. I wish to reiterate that no decision will be made until the steering committee has finalized the methodology of the study.

I would also like to comment on the Honourable Member's remark that the trial scheme will affect students. Let me stress that our fundamental premise is that it must not affect the effectiveness of learning, that is, the effectiveness of acquiring subject knowledge. This is the precondition. The content of the scheme carried out in Chinese secondary schools may differ from that of the scheme carried out in English secondary schools. In carrying out the scheme in English secondary schools, we will also explore how to help students who are not adapting very well to the English secondary schools now.

MR JASPER TSANG (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. My question was since the trial scheme is meant to solve the problem that English secondary schools will be facing in future, why is it not carried out in English secondary schools only?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, when we say that the diversity in students' ability in a secondary school may widen under the new allocation system, two scenarios are possible. The first scenario is that students allocated to English secondary schools may not be suited to learning through English. The second possibility is that some students who can adapt to learning through English might otherwise be allocated to Chinese secondary schools. In any case, while carrying out the scheme in Chinese secondary schools, we will not assume that all students can adapt to learning through English. Our preliminary view is that students in a Chinese secondary school can learn faster thanks to mother-tongue teaching. They may need less than a lesson to learn the content of the whole lesson. In that case, teachers can adopt other teaching methods so that students can acquire knowledge in both Chinese and English. This is the initial idea of the steering committee, but certainly not the final plan.

DR YEUNG SUM (in Cantonese): *Madam President, I am sure the education sector or academics have conducted studies on "two-mode" teaching before. If so, what is the difference between this study and those studies in the past?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I believe certain schools used to adopt "two-mode" teaching. However, if you ask whether systematic studies have been conducted, my answer is that we are not aware that any systematic studies have been carried out to examine the effectiveness of this mode of teaching. The object of the study mentioned by me is first to explore the feasibility of "two-mode" teaching. This will of course be based on the criterion of the effectiveness of learning. It will also examine the prerequisites for the successful implementation of the mode, as well as the support measures required.

MR HOWARD YOUNG (in Cantonese): *Madam President, in the last paragraph of the main reply, the Secretary stressed that the basic policy of mother-tongue teaching would remain unchanged. In the second paragraph of the main reply, she also mentioned that the effectiveness of mother-tongue teaching had been generally recognized in the education sector. However, she did not mention the views of parents at all. Can the Secretary tell us whether it is because parents do not embrace mother-tongue teaching as eagerly as the education sector that the Administration proposes to conduct a study on "two-mode" teaching to cater to the education market's demand?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): *Madam President, during the past two years when mother-tongue teaching was practised, we have seen an increasing acceptance of mother-tongue teaching in the education sector and among parents. When we formulated policies in the past, we often made considerations from the administrative or political perspective. This time around, we wish to conduct a study on the effectiveness of the mode from a relatively academic angle. This will make our arguments more convincing later on, since we will have conducted a study, rather than just "racking our brains".*

MR BERNARD CHAN (in Cantonese): *Madam President, just now, the Secretary said that both Chinese and English secondary schools were contacted to see if they were willing to participate in the trial scheme. Can the Secretary tell us the relevant ratio, that is, how many Chinese and English secondary schools were contacted respectively?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): *Madam President, we have contacted more than 20 English secondary schools and more than 10 Chinese secondary schools. The Chinese secondary schools have responded more enthusiastically. However, as far as school sampling for this study is concerned, we will certainly take into account both types of schools.*

MRS SELINA CHOW (in Cantonese): *Madam President, I was very glad to hear the Secretary say in the last paragraph of the main reply that consideration would be given to the language ability of both teachers and students in adopting*

the suitable medium of instruction. Generally speaking, one only talks about the ability of students and seldom about the ability of teachers. As we all know, this is also one of the considerations in the implementation of mother-tongue teaching. Can the Secretary tell us how the language ability of teachers will be assessed to ascertain if they can cope with "two-mode" teaching, rather than just "one-mode" teaching, in deciding which schools are suited for this trial scheme.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, theoretically, when we decided to implement the policy of mother-tongue teaching in 1998, those teachers now teaching in English secondary schools were already certified capable of teaching in English by a committee. With regard to the Chinese secondary schools, we also have to talk to the principals about the implementation of the same procedures to assess whether teachers can speak fluent English before they will be allowed to teach in English. Nevertheless, not all subjects in the Chinese secondary schools can be taught in English, since the study is to be conducted on the condition that students' acquisition of subject knowledge will not be affected.

PRESIDENT (in Cantonese): Last supplementary question.

MISS EMILY LAU (in Cantonese): *Madam President, why did the Secretary say that those people who decided to implement the policy of mother-tongue teaching two years ago were merely "racking their brains"?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, the Honourable Member claimed I had said that those who had decided to implement the policy of mother-tongue teaching two years ago were merely "racking their brains". Actually, I did not say that. The decision to implement the policy of mother-tongue teaching was backed by a lot of academic arguments. If we have to consider whether to implement "two-mode" teaching, we cannot do it just by "racking our brains", saying that because the new allocation system has created some problems, we will deal with the matter flexibly and implement the mode regardless of the actual effectiveness of teaching. In our view, we cannot just make reference to literature overseas. We have to conduct a study on the situation in Hong Kong before deciding how to deal with this tricky problem in future. This problem will emerge in three years' time, since we have to review the allocation system in 2003-04.

PRESIDENT (in Cantonese): Second question.

Traffic Accidents Involving Light Goods Vehicles

2. **MR ANDREW CHENG** (in Cantonese): *Madam President, will the Government inform this Council:*

- (a) *of the number of traffic accidents involving light goods vehicles (LGVs) and the number of the drivers causing such accidents who had been issued a relevant driving licence for less than one year, in each of the past three years;*
- (b) *as the probationary driving licence system for motorcycles already came into operation on 1 October this year, whether it will extend the system to cover driving licences for LGVs and other classes of motor vehicles; if so, of the implementation date; if not, the reasons for that; and*
- (c) *given that it is stipulated in the existing legislation that goods vehicles with a gross weight not exceeding 5.5 tonnes are classified as LGVs, whether it will consider amending the legislation to the effect that a goods vehicle having a gross vehicle weight of 5.5 tonnes is classified as a medium goods vehicle (MGV), so that any person who drives such a goods vehicle is required to hold a driving licence for MGV; if so, when the legislative amendment will be made; if not, of the reasons for that?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, for the past three years, the numbers of LGVs involved in traffic accidents are 3 490, 3 075 and 3 114 respectively, accounting for 15%, 14% and 14% respectively of the total number of vehicles involved in traffic accidents. Of the above, the numbers of cases involving drivers who have held an LGV driving licence for less than one year are 208 (6%), 188 (6%) and 223 (7%) respectively.

Under the current licensing requirement, persons with no driving experience are only eligible to apply for three types of driving licences — motorcycle, private car and LGV. The average traffic accident involvement

rate of motorcycle driving licence holders for the past three years is about 19.4 per 1 000 drivers while the average rates for private car and LGV driving licence holders are 6.0 and 3.4 per 1 000 drivers respectively. Among these driving licence holders, the traffic accident involvement rate of motorcyclists who have held a driving licence for less than one year is about 74 per 1 000 licensed drivers. For private cars and LGVs, the corresponding rates are 10 and 5 respectively. Hence, there is no indication that the accident involvement rate of inexperienced LGV or private car drivers is on the increase. We therefore do not intend to extend the probationary driving licence scheme to these categories at this point. We will, however, continue to closely monitor the traffic accident statistics to see whether the scheme should be extended to other classes of vehicles in future.

LGV covers vehicles with a permitted gross vehicle weight not exceeding 5.5 tonnes. Despite the variation in size, the driving skills required for such vehicles are similar. Hence from the driver training point of view, LGV driving licence holders are considered to have the competence to drive goods vehicles up to 5.5 tonnes. At present, a person applying for an LGV driving licence must be tested on a goods vehicle with permitted gross vehicle weight of not less than 2.7 tonnes to ensure that he possesses the necessary skills to manoeuvre all types of LGVs.

MGV covers a totally different type of vehicles which is much larger in size and with a significantly higher gross vehicle weight, (normally around 16 tonnes). This type of vehicle requires a higher level of driving skills and road experience, hence drivers are required to have three years of driving experience before they can apply for such licences.

MR ANDREW CHENG (in Cantonese): *Madam President, in the third paragraph of the main reply, the Secretary pointed out that a person applying for an LGV driving licence only needs to be tested on a goods vehicle with permitted gross vehicle weight of not less than 2.7 tonnes. I find this policy a very strange one. Since LGV covers vehicles with a permitted gross vehicle weight not exceeding 5.5 tonnes, but goods vehicles weighing 5.5 tonnes and ordinary LGVs are markedly different in terms of weight and length, why does the Government require that a person applying for an LGV driving licence only needs to be tested on a goods vehicle with a permitted gross vehicle weight of not less than 2.7 tonnes rather than 5.5 tonnes? Will the policy pose any serious threats to road safety?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I have stated the relevant premise in the main reply. Though LGVs have different types and weight, the gross permitted vehicle weight must be below 5.5 tonnes. Irrespective of the weight of a LGV, the driving skills for such vehicles are basically similar. Hence, the Government considers it sufficient for the same driving skills and test standards to cover vehicles of different weights in terms of skills or requirements to deal with that type of vehicles. We require a person applying for an LGV driving licence to be tested on a goods vehicle with permitted gross vehicle weight of not less than 2.7 tonnes because that figure is the median weight of LGVs. If the applicant is capable of handling a LGV of the median weight during the test, he or she should also be capable of handling heavier LGVs below 5.5 tonnes.

MRS MIRIAM LAU (in Cantonese): *Madam President, at present, driving tests for LGVs use vans with a weight of 2.8 tonnes. In addition to the length and weight differences pointed out by the Honourable Andrew CHENG in respect of goods vehicles weighing 5.5 tonnes, 2.7 tonnes or 2.8 tonnes, vehicles nowadays weighing below 5.5 tonnes have a "horse power" much greater than vehicles weighing 5.5 tonnes in the past. Driving instructors, being aware of the situation, recommended that the Government should limit the weights of LGVs to 3.5 tonnes or 4 tonnes two to three years ago. The Government, however, did not adopt the recommendation. Will the Secretary inform this Council of the reasons why the Government did not adopt the recommendation? If the Government adopts the recommendation of driving instructors to lower the limits for LGVs, what problems will arise?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, in the last review relating to driving safety laws, the Government already made a large-scale revamp of the categorization of goods vehicles. Whereas private cars and LGVs were categorized as one type of vehicles before, and heavy goods vehicles (HGVs) and MGVs as another, now vehicles are categorized into four types, namely, private cars, LGVs, MGVs and HGVs. The Government regards this classification sufficient to cater to the different requirements in driving skills and experience for the vehicles. To a certain extent, the classification is similar to standard international classification in other regions. We do not see a need to further refine the classification mentioned. We will be happy to review the classification if in future there are data and reasons pointing to a clear need to do so.

MRS MIRIAM LAU (in Cantonese): *Madam President, the Secretary has not answered the part of my question on what problems will arise if the permitted vehicle weight is limited to below 4 tonnes.*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, we have not considered the issue on that level because we have not yet come to considering the need to lower the limit. We may study the issue again if there are other data or information in support.*

MR ALBERT HO (in Cantonese): *Madam President, when the Secretary answered Mr Andrew CHENG's question, he said the Government used the median weight — a weight calculated from the upper limit (5.5 tonnes) and the lower limit of LGVs — which is 2.7 tonnes as a standard for the driving test. I find this hard to understand. For safety considerations, the Government should require that applicants be capable of driving goods vehicles of up to 5.5 tonnes. In fact, if the applicant is granted a licence, he or she is permitted to drive LGVs with a gross permitted vehicle weight of 5.5 tonnes. Why then does the Government not use that weight as a testing standard, or a higher weight as a safety index? I find it incomprehensible to use 2.7 tonnes as a standard for the driving test of LGVs. If 16 tonnes is the gross permitted vehicle weight of HGV, would the Government use 8 tonnes as a testing standard? Will the Secretary inform this Council what the standard of driving test for HGV is? Based on what I said, why does the Government not use the maximum gross permitted vehicle weight of LGVs, that is, 5.5 tonnes, as a requirement for the driving test for that category of vehicles?*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, in fact, we have the same driving test arrangements for MGVs and HGVs as we have for LGVs. MGVs are defined as vehicles with a gross permitted vehicle weight from 5.5 tonnes up to and below 24 tonnes. Vehicles used for driving tests in this category weigh no less than 9 tonnes. HGVs are defined as vehicles with a gross permitted vehicle weight of between 24 and 38 tonnes. Vehicles used for driving tests in this category weigh 30 tonnes, which is the standard. In other words, we do not use the maximum weight or fill vehicles with stones up to the maximum weight to test an applicant's abilities.*

DR RAYMOND HO (in Cantonese): *Madam President, previously, LGVs were defined as vehicles with a gross permitted vehicle weight of not more than 5 tonnes. Later, the weight was changed to 5.5 tonnes. Will the Secretary inform this Council of the reasons for raising the gross permitted vehicle weight of LGVs to 5.5 tonnes and whether this has to do with the weight limits of vehicles at certain roads being set at 5 tonnes?*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, the review mentioned by me was a comprehensive review by the Transport Advisory Committee in 1998 in the light of traffic accidents involving goods vehicles then. Later, there were recommendations to change the classification of goods vehicles and conditions in the issue of driving licences. I do not have information on hand to explain why the limit for gross permitted vehicle weight was raised by 0.5 tonnes. The change could be due to some very fine details. If I could obtain the relevant records for a clue to it, I would provide a written reply later. (Annex I)*

MR ANDREW CHENG (in Cantonese): *Madam President, in answering the Honourable Mrs Miriam LAU's question, the Secretary indicated that unless there was further reasons to support a change in the present policy, the Government would not make the change.*

Madam President, when I asked the question, a serious traffic accident had just happened in Hong Kong. A driver who had just obtained a LGV driving licence caused a serious traffic accident while driving a 5.5-tonne goods vehicle. Now, the Secretary says he has no data or reason on hand to support a change in the present policy. Will the Secretary inform this Council what further data he needs? Does he need to see a rapid rise in the number of casualties before the Government is willing to change the existing policy? The Secretary has been saying the median weight of vehicles is used to conduct driving tests. I think this is absurd. Will the Secretary inform this Council of the experiences in overseas countries?

PRESIDENT (in Cantonese): *Mr CHENG, you need not give your opinion.*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, Mr Andrew CHENG may have forgotten the focus of his question, which is: Is the accident rate of drivers who have just obtained driving licences for LGVs so high as to warrant the issue of provisional driving licences by the Government? But Mrs Miriam LAU's supplementary question was about whether the classification of LGVs should be subclassified so that vehicles with a gross permitted vehicle weight of 2.8 tonnes or above became a separate class. Hence, Mr CHENG's question and Mrs LAU's supplementary question are completely different. We must not be confused in the first place.

As regards Mr CHENG's question about the accident rate of drivers who have just obtained driving licences for LGVs, I have indicated clearly in my main reply what the rate was. From figures obtained for the past three years, compared to accidents involving motorcycles, the number of accidents involving private cars and LGVs is indeed not so high as to warrant the issue of a one-year provisional driving licence for the type of vehicles. It was because there had been an alarming number of accidents involving motorcycles that the Legislative Council passed a law for the issue of one-year probationary licences for motorcyclists. Based on the relevant data, the Government does not think it necessary to issue provisional driving licences to drivers who have just obtained driving licences for LGVs.

PRESIDENT (in Cantonese): Mr CHENG, has your supplementary question not been answered yet?

MR ANDREW CHENG (in Cantonese): *Madam President, obviously, you let me follow up because I was not asking another question. I was asking about numbers. In answering Mrs Miriam LAU's supplementary question, the Secretary indicated some new data were needed before the Government would be convinced to consider a change in the existing policy. I just want to ask: If the Secretary could not provide the relevant data today, would he provide the same to this Council later in writing?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, in fact I will not have the data. If I had them, I would have answered Mrs Miriam LAU's supplementary question, which was about the definition of LGVs,

meaning vehicles with a gross permitted vehicle weight of 5.5 tonnes or below. Mrs LAU indicated some driving instructors found that different skills and manoeuvres might be required for driving goods vehicles weighing over 2.8 tonnes. I said there was no data in this regard to prove different driving skills were required and different testing standards had to be designed so that separate driving tests were necessitated for the two categories of vehicles. If there were data and information to the contrary, the Administration would be happy to reconsider the issue.

MR HENRY WU (in Cantonese): *Madam President, my supplementary is very similar to Mr CHENG's. I am also asking for some data. Will the Secretary inform this Council whether information on the weights of LGVs and MGVs involved in accidents is available and whether the information will affect the review of the weight standards for the goods vehicles adopted in driving tests?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I do not have information about a further subclassification of individual category of goods vehicles at hand. That means I do not have data on the subclassification of MGVs into small MGVs, medium MGVs and large MGVs, and LGVs into small LGVs, medium LGVs and large LGVs, but I will see if such subclassification is available in the computer. (Annex II)

PRESIDENT (in Cantonese): This Council has spent over 16 minutes on this question. We will proceed to the third question.

Protection of Labour Rights and Benefits of Government Employees on Non-civil Service Contract Terms

3. **MR LEUNG FU-WAH** (in Cantonese): *Madam President, regarding the protection of labour rights and benefits of government employees on non-civil service contract terms, will the Government inform this Council:*

- (a) *of the number of complaints received from these employees last year in respect of their employment conditions, with a breakdown by subject of the complaint and outcome; of the measures to ensure that*

the complaints of these employees are handled in an impartial, fair and proper manner;

- (b) given that these employees are not civil servants, whether it will consider extending the applicability of the Employment Ordinance to them for the sake of protecting their rights and benefits; if not, of the reasons for that; and*
- (c) whether it will consider authorizing the Labour Department and conferring statutory powers on the Labour Tribunal to handle such complaints; if not, of the reasons for that?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, at present, apart from recruiting civil servants to fill posts on the permanent establishment, government departments may also employ from time to time staff outside the civil service establishment on a temporary or short-term contract basis, to meet service needs which are short-term or part-time. Staff employed on non-civil service contract terms are also government employees.

Notwithstanding that the Employment Ordinance does not bind the Government, I would like to emphasize that the Government's clear and established policy is that the employment terms of government employees should be no less favourable than the provisions under the Employment Ordinance. I would also like to point out that all government employees, regardless of civil servants or non-civil service contract staff, may lodge complaints on employment and related matters through the existing complaint channels. Government employees may address their complaints to their heads of department, or to the Secretary for the Civil Service or even higher authorities.

My replies to the specific questions raised are as follows:

- (a) Government employees' complaints, be they in written or verbal form, are dealt with in accordance with established procedures. According to the staff complaints procedures set out in the relevant Civil Service Bureau circular, all complaints would be kept in confidence and handled by a designated officer responsible for investigating, reporting and replying, in order to ensure that complaints are handled in an impartial, equitable and proper manner.

If a complainant is not satisfied with the outcome of the department's handling of the complaint, the Civil Service Bureau will follow up to investigate and assist in conciliation if necessary.

According to departments' records, the Administration received a total of 31 complaints on employment matters lodged by non-civil service contract staff in the past year, among which 28 have been dealt with satisfactorily through conciliation and continued dialogue. The subject of complaints and the outcome are set out in the attached table. As the records show, the existing complaint channels are operating effectively.

- (b) Although the Employment Ordinance does not bind the Government, the Government's policy is that the employment terms of government employees should be no less favourable than the provisions under the Employment Ordinance. For non-civil service contract staff, their employment terms are formulated with reference to the provisions of the Employment Ordinance and are incorporated in their employment contracts, which are legally binding on the Government.

At present, when handling complaints from government employees regarding their employment terms, government departments will consult the Labour Department and seek legal advice on issues relating to the provisions under the Employment Ordinance or other employment legislation or contractual terms. This ensures that all employment terms are no less favourable than the provisions under the Employment Ordinance and that the Government fulfils its obligations under the relevant employment contract. We thus consider that there is no imminent need at this stage to extend the application scope of the Employment Ordinance to government employees.

- (c) One of the major functions of the Labour Department at present is to act as an impartial mediator to conciliate labour disputes in the non-government sector. On the other hand, the Labour Tribunal provides for a statutory, legally binding and expedient tribunal mechanism for labour disputes, for those in the non-government

sector which cannot be resolved after conciliation by the Labour Department.

The Government already has existing channels for government employees to lodge complaints about their employment terms. We also encourage departments to resolve any disputes over employment terms through effective communication and direct dialogue. The Civil Service Bureau may also handle and follow up complaints on employment terms lodged by government employees, and discuss with the departments concerned and mediate in the process as appropriate. We thus do not consider it necessary at this stage to replace the current effective complaint mechanism for government employees with the Labour Department and Labour Tribunal mechanism. As the Labour Department is responsible all along for conciliating labour disputes in the non-government sector, it would not be appropriate for the Department to be involved in complaints on employment terms involving government employees, or otherwise there would be role conflict.

I would like to stress that apart from lodging complaints through the existing complaint channels within the Government, government employees are also entitled to filing litigation and seeking redress on matters relating to employment terms through legal proceedings in the Court.

Annex

Complaints on Employment Terms by Non-Civil Service Contract Staff
(December 1999 to November 2000)

<i>Subject of complaint</i>	<i>No. of cases</i>	<i>Outcome of handling (no. of cases)</i>
Calculation of Salary	1	Investigation revealed that the calculation error was caused by a technical problem. The department has rectified the problem immediately. (1)

<i>Subject of complaint</i>	<i>No. of cases</i>	<i>Outcome of handling (no. of cases)</i>
Unreasonable dismissal	2	<p>The department has explained in detail to the complainant that the reason for dismissal was due to his unsatisfactory performance. (1)</p> <p>The complaint was received in late November 2000 and is now under processing. (1)</p>
Overtime compensation	1	<p>The complainant has filed his case to the Labour Tribunal. The Civil Service Bureau is following up on the case with the department. (1)</p>
Calculation of pay for leave/rest day	2	<p>The departments have explained in detail to the complainants how the pay on leave/rest day was calculated in accordance with the relevant provisions under the Employment Ordinance and contract terms. (2)</p>
Calculation of pay for sickness day	1	<p>The department has granted pay for sickness day to the complainant having regard to the special circumstances of the case. (1)</p>
End-of-contract gratuity arrangement	3	<p>The complaints were caused by misunderstanding. The departments have explained in detail to the complainant the arrangement for granting end-of-contract gratuity. (2)</p> <p>The complaint was received in late November 2000 and is now under processing. (1)</p>

<i>Subject of complaint</i>	<i>No. of cases</i>	<i>Outcome of handling (no. of cases)</i>
Not offered new contract	4	The departments have explained in detail to the complainants the reasons for not offering a new contract to the complainants. (4)
Salary/fringe benefit arrangement under new contract	9	The departments have explained in detail to the complainants the relevant arrangements for adjusting pay and fringe benefit. (7) In view of the special circumstances of the case, the department has adjusted the employment terms of the complainant accordingly. (1) Anonymous complaint which contains inadequate information. The department cannot process further. (1)
Medical benefits	1	The department has explained in detail to the complainant that no general medical benefits is provided under the non-civil service contract scheme. (1)
Time for salary payment	7	Investigation revealed that the error was caused by technical problems. The departments have rectified the problems immediately. (6) Anonymous complaint. Allegation unfounded as revealed by investigation. (1)
No. of cases received by the Government :	31	
No. of cases settled :	28	
No. of cases being processed :	3	

MR LEUNG FU-WAH (in Cantonese): *Madam President, in his main reply, the Secretary lays a very heavy emphasis on the internal procedures of government departments, and he also highlights the Labour Tribunal as a statutory and legally binding tribunal mechanism. However, the Secretary refers only to terms of employment, and this seems to be a wrong answer to my main question. My concern is that government employees involved in labour disputes can only hire lawyers at their own expenses to file litigation against the Government, instead of being allowed to use the expedient, economical and formality-free conciliation services provided by the Labour Tribunal. May I ask the Secretary why government employees are not allowed to enjoy the expedient, economical and formality-free services provided by the Labour Tribunal like all other "petty employees"? Why is it that when a government employee gets involved in a labour dispute with the Government, he may have to seek redress by hiring a lawyer at his own expenses to file litigation, as the Secretary points out in the last sentence of the main reply?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): *Madam President, actually, as is pointed out repeatedly in my main reply, the Government has put in place a very sound mechanism to handle staff complaints. Any staff member who thinks that he has been treated unfairly in terms of employment terms or other matters may seek to redress his grievances by making full use of this complaint channel, and the complaint channel of the Government is able to ensure that all complaints are handled impartially, fairly and properly. Therefore, we do not think that there is any need to resort to the Labour Tribunal. Besides, the existing complaint mechanism is not only open to non-civil service contract staff, but also to all civil servants. The Government now employs some 100 000 civil servants, and there are also 10 000 or so non-civil service contract employees. I think that all of them are generally satisfied with the existing complaint mechanism of the Government.*

MR LEE CHEUK-YAN (in Cantonese): *Madam President, will the Secretary agree that the Government is a "despotic" employer? When the Secretary replied to the supplementary question, he pointed out very clearly that government employees were not entitled to the conciliation services provided by the Labour Tribunal. There were some actual cases in which government employees filing litigation against the Government in Court were eventually forced to give up because they did not have sufficient funds to meet the expenses.*

Does the Secretary think that the practice of the Government will set a very bad example for employers in Hong Kong? Does the Secretary think that the Government is a "despot"?

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, I think differently from the Honourable Member. I am sure that not only civil servants, but also people in general, would think that the Hong Kong Government is a very good employer; with respect to staff relations, especially the handling of staff complaints, the Government has in place a very sound mechanism. As I mentioned a moment ago, the existing complaint mechanism of the Government has been operating for many years, and it is applied not only to non-civil service contract staff, but also to the 180 000 civil servants. The fact is that staff union representatives, whether at the central or departmental levels, have never expressed any obvious or strong demand to the Government that civil servants should be brought under the ambit of the Employment Ordinance or other relevant legislation.

MR NG LEUNG-SING (in Cantonese): Madam President, in part (b) of his main reply, the Secretary says that when handling complaints from government employees regarding their employment terms, government departments will consult the Labour Department and seek legal advice. May I ask the Government whether it will at the same time also consult the staff unions of the complainants? If not, why?

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, I think I have to answer this question by explaining two separate scenarios involved. First, if a complaint is mainly about an individual staff member's dissatisfaction or queries about the terms in the employment contract, then it will not be necessary to consult his staff union, as this is purely a contract problem between him and the Government. Second, if the complaint in question has nothing to do with the employment contract of the complainant, but is about general policy issues instead, we may not classify it as a staff complaint, and may treat it as a representation about certain civil service matters. When necessary, we may refer the views to the relevant consultative bodies, such as departmental consultative committees or the central consultative council. Therefore, we must ascertain the nature of a complaint very clearly before starting to handle it.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, what the Secretary has said seems to suggest that he does not find anything wrong with the existing mechanism. However, this is not the case in reality. Over the past two years, I have received many complaints from non-civil service contract staff, and all of them are against the Government, and I am still trying to handle them. The Secretary seems to think that the existing mechanism can already solve the labour disputes within the Government very effectively. But has the Government ever tried to draw any lesson from the recent spate of labour disputes involving government employees? Many government employees, whether as individuals or in groups, have approached us for assistance, and this is good proof that the existing mechanism of the Government is unable to solve problems effectively. So, why does the Government refuse to conduct a review in this respect?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): *Madam President, in the Annex to my main reply, the complaints received from non-civil service contract staff this year and their outcomes are listed. Our analysis reveals that basically, most of these complaints were dealt with satisfactorily. Some individual non-civil service contract staff might have sought assistance from Members, in the hope that they could discuss some specific issues with the Government on their behalf, but in many cases, I think the matters concerned might not be related to the interpretation of any contract terms, but to some policy issues instead. That is why I think we must differentiate the two in the process of handling. Members can see from the Annex all the complaints lodged by individual employees. Our statistical findings do indicate that there are no adequate justifications and urgent reasons to support a revision of the existing mechanism.*

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the Annex to the main reply contains a complaint on overtime compensation, and it is indicated that the complainant has filed his case to the Labour Tribunal. Honestly speaking, does the Secretary think that it is largely a waste of time for the complainant to file his case to the Labour Tribunal? I ask this question because the Government is simply not bound by the Labour Tribunal, and so, even if someone complains to the Labour Tribunal, it will take no action in the end anyway. Does the Secretary agree that this actually amounts to the deprivation of a complainant's right to lodge his complaint with the Tribunal?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, the Annex to the main reply simply states a fact concerning this particular complaint — the complainant has filed his case to the Labour Tribunal. The Tribunal has not yet made any ruling on this case, so we are not in a position to say anything further. But this does not mean that our existing mechanism is not satisfactory enough. As I already pointed out, the aim of our complaint mechanism is to ensure that all complaints can be handled fairly and properly. Every government employee is free to exercise his legal right of suing the Government and claiming compensation from it in Court.

PRESIDENT (in Cantonese): Last supplementary question.

MR HENRY WU (in Cantonese): *Madam President, it is listed in detail in the Annex to the main reply that the Government received a total of 31 complaints last year, and that 28 of them have been satisfactorily handled. Some Members have expressed the hope that even government employees can be allowed to use the services of the Labour Tribunal, so that their labour disputes can be handled expediently. In regard to the 28 completed cases listed in the Annex, may I ask how much time was required on average to settle one complaint case? How does the time taken compare with the average processing time required by the Labour Tribunal? A simple comparison like this will enable us to see whether there is any need to refer the complaints from government employees to the Labour Tribunal.*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, if Members look carefully at the subjects of the complaints listed in the Annex, they will notice that many of them were in fact lodged because of the complainants' inability to understand their contract terms. And, once an explanation was offered, their problems were basically solved. It can be seen that many complaints had nothing to do with claims for money, and complaints relating to claims for money are typical cases handled by the Labour Tribunal.

In regard to the average amount of time required to handle a case, I should point out that under our complaint mechanism, there is actually a complaints officer in every government department. Basically, a complaints officer is required to complete the handling of a complaint within one month, whether it is

an oral complaint or a written one. If he fails to do so, he is obligated to offer an explanation to the staff member concerned. Actually, the handling of all the complaints listed in the Annex to the main reply did not take anything longer than one month, because in many cases, we could close a case after offering a clear account of the relevant contract terms to the non-civil service contract employee.

Madam President, let me also add a few words on the Annex to the main reply. The Annex contains 31 complaint cases, but let us not forget that the Government employs more than 10 000 non-civil service contract employees every year. So, those who lodged complaints really occupied a small proportion indeed. This also explains why I said just now that there was no urgency and any significant reasons to revise the existing complaint mechanism. This is a figure which Members should note.

PRESIDENT (in Cantonese): Fourth question.

Research and Development in Science and Technology

4. **DR RAYMOND HO** (in Cantonese): *Madam President, it has been reported that, according to a study of the Organization for Economic Co-operation and Development (OECD), Hong Kong's expenditure on research and development (R&D) in science and technology represents only 0.25% of the Gross Domestic Product, and such percentage 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 Hong Kong are engaged in R&D in science and technology. In this connection, will the Government inform this Council:*

- (a) *of the amount of public funds used in supporting researches in science and technology in each of the past three years, and the reasons for the changes in such amounts;*
- (b) *whether priority funding is given to certain specified types of researches in science and technology; if so, of the details; if not, the reasons for that; and*
- (c) *of the number of employees currently engaged in researches in science and technology, together with a breakdown by the country of origin of such employees?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, I have checked the relevant information prepared by the OECD but cannot locate the statistics mentioned by Dr the Honourable Raymond HO. However, I have been able to find such statistics in the "World Competitiveness Yearbook 2000" published by the International Institute for Management Development (IMD).

In response to the questions raised by Dr Raymond HO, my reply is as follows:

- (a) The amount of public funds that the Government of the Special Administrative Region (SAR) used in supporting R&D in science and technology in each of the past three university academic years (from July of each year to June in the following year) was as follows:

1997-1998 (that is, from July 1997 to June 1998)	HK\$2 billion
1998-1999 (that is, from July 1998 to June 1999)	HK\$2.16 billion
1999-2000 (that is, from July 1999 to June 2000)	HK\$2.23 billion

In 1998-99, the R&D expenditure in science and technology increased by 8%, largely due to a significant increase in the total amount of grants provided by the University Grants Committee (UGC) for the triennium starting from 1998-99. In 1999-2000, the expenditure increased by 3% over the previous year, mainly because of the establishment of the Innovation and Technology Fund (ITF) in November 1999 to support applied research activities.

I would like to point out that the figures quoted in IMD represent the total contributions by both the Government and the private sector. Besides, the figures clearly reflect a serious disproportion between the expenditure incurred by the Government and the private sector on R&D in science and technology in Hong Kong. In Hong Kong, the government expenditure in this aspect accounted for 91% of the

total amount concerned. This compares with 25% in the United States. In Asia, the corresponding figures in South Korea, Singapore and Taiwan were 28%, 38% and 37% respectively.

- (b) There are two sources of government funding for R&D in science and technology. The funding for basic R&D is mainly administered by the UGC whereas that for applied R&D is mainly by the Innovation and Technology Commission (ITC). In considering funding for basic R&D projects, the UGC does not give priority to any discipline since its objective is to build a strong research base on a broad front so that applied R&D can be further pursued in all possible areas.

As for applied R&D, the ITC does not accord priority to any technology areas. In vetting projects applying for funds, the main consideration is whether the projects can contribute to innovation and technology upgrading of the industries in Hong Kong. However, in order not to spread the limited resources too thin, in November this year when the ITC invited a new round of ITF applications, it started to proactively solicit applications from the local research institutions with specific themes which are important to the development of the industries in Hong Kong. We hope that by making such an additional arrangement, our applied research projects will better meet the needs of the industries in Hong Kong. We also hope that by doing so, we will be able to concentrate our resources in areas which Hong Kong has a competitive edge or development potential. This will in turn enable Hong Kong to reach a high research standard, both qualitatively and quantitatively, in these areas so as to achieve a critical mass and a clustering effect. We plan to extend such proactive solicitation arrangement in future.

- (c) According to the latest figures of the Census and Statistics Department, about 7 000 employees in private firms and tertiary institutions were engaged in researches in science and technology in 1998. The Census and Statistics Department is now conducting a survey on the number of persons engaged in such researches in government departments and quasi-government organizations. The result is expected to be available in February next year.

The Census and Statistics Department does not have any breakdown by country of origin for persons engaged in researches in science and technology.

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary has stated in part (b) of his main reply that there is government funding for basic R&D and applied R&D in science and technology. Can the Secretary inform this Council of the proportion of funding in these two aspects? In respect of basic R&D, has the Government considered minimizing the number of projects as far as possible while making the best use of the basic R&D projects already carried out in the Mainland instead?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, perhaps I can list the public money spent on applied R&D and basic R&D in the academic year for comparison by Members. In 1999-2000, the Government spent \$0.42 billion on funding for applied R&D and \$1.81 billion on funding for basic R&D. In other words, less than 20% was spent on applied R&D while about 80% was spent on basic R&D. How the public money for basic R&D should be allocated and utilized is the work of the UGC. Upon receipt of the funding, the universities will determine the use of the funding on their own. If they think that they can make use of mainland scientific and technological talents and facilities to assist in their researches, I believe they will make use of such talents and facilities.

DR RAYMOND HO (in Cantonese): *Madam President, I asked the Government whether it had considered using the R&D results of the Mainland, but I was not referring to the mainland talents and facilities.*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, was Dr HO referring to basic R&D? I would collect such information from the UGC and then give Dr HO a written reply. (Annex III)

DR LUI MING-WAH (in Cantonese): *Madam President, the Secretary has explicitly indicated in his main reply that the contributions by the private sector*

on R&D in science and technology in Hong Kong are seriously inadequate. The governments of other countries, for example, use taxation policies to encourage the private sector to invest in R&D in science and technology and technical training. Will the SAR Government adopt similar or more preferential policies to encourage the private sector to invest in R&D in science and technology and training? If not, why?

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, under the existing tax regime, the Government actually gives tax concessions to the investments by enterprises in R&D in science and technology. For example, the expenditure by enterprises on R&D in science and technology is 100% tax deductible while the expenditure by enterprises on information technology equipment such as computer hardware, software and systems is also 100% tax deductible in the relevant year of assessment. Through the schemes under the ITF, the Government also encourages enterprises to invest in R&D projects. For instance, through the innovation and technology support scheme, the Government encourages universities and scientific research organizations to seek enterprises who will sponsor their applications for funding, and sponsoring enterprises can enjoy priority right to the results of R&D in science and technology. Moreover, the university and industries co-operation scheme and the small business research subsidy scheme under the ITF also support the R&D projects of enterprises through matching funding co-operation by the Government and enterprises. According to our well-established and very effective economic policies, we will not directly subsidize any private enterprise in making investments in this respect.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, my supplementary question is actually somewhat similar to that of Dr the Honourable LUI Ming-wah, but may I ask the Government whether it had considered why industrial and business enterprises were unwilling to beef up their R&D? We can see from part (a) of the main reply that the funding contributed by the Government to R&D in science and technology accounts for 91% of the total amount. The industrial and business sector actually knows that R&D in science and technology is beneficial to them but apart from taxation, why are they unwilling to carry out R&D projects?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, I think the major reason is very simple. In the past decades, the industries and businesses, especially industries in Hong Kong mainly produced consumer products and most of them took on the so-called "OEM" orders, that is, foreign enterprises placed orders with them asking them to produce certain kinds of products. The products they produced basically did not involve R&D in science and technology or were they required to develop them on their own. They only needed to produce the products such as garments on the basis of the orders placed by foreign investors. Thus, they did not need to invest in R&D in science and technology. As this was the direction of the industrial and economic development of Hong Kong in the past decades, industrial projects that entailed substantial investments in R&D in science and technology had seen little development. That was precisely why there was less investment in this regard.

PROF NG CHING-FAI (in Cantonese): *Madam President, 25% of the existing funding by the Government actually accounts for the remuneration of the teaching staff in the tertiary sector, therefore, the funding for R&D projects is actually very limited. As compared with places like South Korea, Taiwan, Singapore and Israel, although there is little difference between the scale of their economies, Hong Kong is lagging far behind them. Can the Secretary inform this Council how the Government can achieve the objective of becoming a centre for the development of innovation and technology if it continues to make small increases in funding?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, in our view, it is actually not very meaningful to compare our investment in R&D in science and technology with that of other countries and regions because every economy has its unique process, environment and background of economic development. If we were to increase the government expenditure on R&D in science and technology to the level of certain countries, the Government will incur enormous expenses on R&D in science and technology which will account for a very large proportion of the total public expenditure.

Taking South Korea as an example, if we were to attain the level of its total expenditure on R&D in science and technology, that is, around 2.68% of its Gross National Product (GNP), with rough estimation, our expenditure on R&D

in science and technology would reach \$33 billion, that is, 8% of the total public expenditure. If we want to keep up with Singapore — Singapore spends 1.79% of its total public expenditure in this respect — our expenditure on R&D in science and technology would reach \$22 billion, accounting for 12% of the total annual expenditure of the Government. As the Government has limited resources and I do not believe the Financial Secretary can play any magic and set aside such a large sum for this purpose. So, if I tell Members that this is possible, I am really daydreaming or having lunatic ravings, for it will never come true. Yet, within the scope of our ability, we have made great efforts indeed and we have formulated many new policies for promoting R&D in science and technology. For example, \$5 billion has been injected into the ITF and it is projected that the amount will be used up within the next five to seven years and we are not going to get any investment return from the funding. This is already a very large investment for Hong Kong. With the \$5 billion, we will establish an applied technology institute to conduct Chinese medicine studies related to the trade and we will establish a Chinese medicine institute under the applied technology institute. Actually, we have earmarked 60% out of this \$5 billion funding for the applied technology institute. In other words, \$3 billion funding can be utilized within the next five to six years. Thus, we think that we have tried our best.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary has stated in part (b) of his main reply that the ITC would specify certain themes in November this year. What are those specific themes and what is the importance of these themes to the future development of local industries?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, when we invited a new round of applications in November this year, the ITF applications had two specific themes, namely Electronic Commerce Using the Internet and Secure Internet Communications Over a Wireless Network. The two specific themes are chosen by the ITC because we think that the Internet has developed into a decisive business platform under the new economic circumstances and Hong Kong has good potential to develop into an outstanding regional electronic commerce centre. Therefore, we think that we should focus on the search for innovation and scientific research development projects in order to develop new methods and technologies so that Hong Kong can more effectively use the Internet as an electronic commerce platform.

Furthermore, as G3 mobile phones will be introduced into Hong Kong, electronic commerce over a wireless network will definitely become an indispensable part of our daily life, therefore, it is very important for people to be provided with highly secure Internet communications over a wireless network so that they will feel at ease when using mobile phones for electronic commerce purposes.

PRESIDENT (in Cantonese): Last supplementary question.

MR NG LEUNG-SING (in Cantonese): *Madam President, the Secretary has stated in the second paragraph of part (b) of his main reply that in order not to spread the limited resources too thin, the ITC started to proactively solicit applications from the local research institutions with specific themes. May I ask, in setting the specific themes, what mechanism the Government has in place to ensure compliance of those themes with actual needs?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, the ITC will consult the relevant organizations, for instance, the Commission on Innovation and Technology directly accountable to the Chief Executive or the relevant groups under the Commission. The ITC also has a series of advisory bodies that give advice in respect of different technological scope and assist the ITC in vetting applications. Therefore, the ITC will not hastily choose projects with no potential for development.

PRESIDENT (in Cantonese): Fifth question.

Elderly Recipients of Disability Allowance Not Eligible for Old Age Allowance

5. **MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, regarding the existing policy whereby elderly recipients of the disability allowance (DA) are not eligible for the old age allowance (OAA), will the Government inform this Council:*

- (a) *of the rationale for implementing such a policy;*
- (b) *whether the Equal Opportunities Commission (EOC) has been consulted to ascertain if such a policy contravenes the provisions in the Disability Discrimination Ordinance; if so, of the outcome of the consultation; if not, the reasons for that; and whether it knows the EOC's specific stance on the policy; and*
- (c) *of the number of elderly persons who received the DA and, among them, the respective numbers of those who were not allowed to apply for the normal or higher OAA because they had been granted the DA, in each of the past two years; as well as the annual amount of OAA required to be paid out if these persons were granted the allowance?*

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

- (a) The Social Security Allowance (SSA) Scheme, which comprises two components, namely the OAA and DA, was established in 1973 and was formerly known as the Disability and Infirmity Allowance Scheme. Because the severely disabled and the elderly infirm were considered to have extra needs, the original objectives of the scheme were to give some financial help to the families concerned and to reduce demand for institutional care for these two groups.

An applicant was considered severely disabled if he was certified by the then Director of Medical and Health Services as being in a position broadly equivalent to a person with a 100% loss of earning capacity according to the criteria in the First Schedule of the then Workmen's Compensation Scheme (now Employees' Compensation Ordinance) (Cap. 282). On the other hand, an applicant aged 75 or above would be eligible for the then infirmity allowance. As the extra needs of an infirm person are generally fewer than those of a severely disabled person, the Infirmity Allowance was fixed, as a matter of administrative convenience, at 50% of the DA. In this regard, the mutually exclusive arrangement of the OAA and DA was based on the fact that no one would incur more than 100% loss of earning capacity.

As two components of one single scheme catering for two different groups, it has always been the policy that anyone can choose to apply for either of the two benefits, but not both. This is to avoid paying double benefits to an individual.

- (b) The EOC approached the Social Welfare Department (SWD) in mid-November and the SWD has already provided the EOC with the requested information. The EOC has not yet made known their stance on the issue to us. We have sought legal opinion which has confirmed that the existing policy of DA recipients not eligible for OAA does not contravene the provisions of the Disability Discrimination Ordinance.
- (c) The information on the number of DA recipients of 65 or above is:

	<i>As at March 1999</i>	<i>As at March 2000</i>
DA recipients of 65 or above	32 195	35 528

The SWD has not maintained record on those DA recipients who have tried to apply for OAA in parallel. In fact, it has been stated clearly in the SWD's publicity pamphlets on the SSA that applicants are not eligible for receiving both allowances at the same time. The SWD's staff will also explain this policy to those who have questions regarding this arrangement.

Since the eligibility criteria for OAA and DA are different, we cannot estimate how many DA recipients would be eligible for OAA if they made an application. It is therefore not possible to estimate the amount of public expenditure involved.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary in the main reply clearly states that the Government in 1973 had the idea that two groups of people, that is, the severely disabled and the elderly infirm had extra needs and so some financial help was given to them. Under the existing policy, even if disabled persons are aged 65 or above, they can only apply for DA and they are not eligible for OAA. It defeats the objectives of the policy, for the*

Government thinks that elderly persons aged 65 or above need financial help. Therefore, may I ask the Secretary whether a review will be made of this policy so that assistance can be given to those elderly persons with disability? If these persons are only eligible for the DA, then the needs arising from age and infirmity will not be taken care of. Would the Secretary consider making a review of the policy so that remedies can be made to cater for their financial needs?

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, in fact, these two allowances are both components under the SSA Scheme. Applicants can choose to apply for one of these allowances but not both concurrently. This is the established practice of the SSA Scheme. The original objectives of the Scheme was to give help to the elderly and the disabled, for some of them need extra care or they may have difficulties in earning a living. The disabled and the elderly meet the same requirement. We cannot provide two kinds of benefits for them under the SSA Scheme. Therefore, a review of this policy is out of the question.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, recently I attended a seminar and there were some elderly people in the meeting who asked why it was not possible for the DA and OAA to be paid out as one lump sum to those elderly who needed these allowances. Meanwhile, the Government has undertaken to conduct a thorough review of the OAA within the next 12 months. Would the Secretary think by that time it would be opportune to consider this proposal?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, with regard to the OAA, we would consider the objectives that the related principles set out to achieve. However, we think that the existing arrangements are appropriate insofar as the original objectives are concerned. It remains of course that a review can be conducted at any time and considerations made to set aside extra resources to help those elderly persons in need. When we review our policy, we will examine what we can do to help the elderly in need.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the rationale put forward by the Secretary in the main reply dates back to 1973. Has it ever occurred to the Secretary that the present rationale may have already become entirely different? It struck me as very strange when the Secretary mentioned in the main reply that the original objectives of implementing the Scheme in 1973 were to reduce demand for institutional care for these two groups and to give some financial help to the families concerned. It was only then that I came to learn that these allowances are paid out with the objectives of reducing the demand for institutional care for these two groups of people. However, the concept we have nowadays regarding OAA is that the community should pay back the elderly for the contributions they made when they were young, and this point has not been noted by the Administration. Under this concept, why can an elderly person not be eligible for OAA while at the same time also for DA? If this view on OAA as held by the community at present is accepted, the Government should pay out these two allowances concurrently to the eligible elderly. Does the Secretary not think that there is a need to make a review from this perspective?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): *Madam President, I have replied to questions on OAA before and our policy objectives on this issue have not changed since then. We may need to undertake some educational efforts in this respect to enable members of the public to understand the objectives behind the allowance. We can also make a review of the overall policy to see whether the various allowances and social security assistance payments are able to meet the present needs of society and whether public money is used in a most cost-effective manner. A review of the overall policy in this area can certainly be made.*

PRESIDENT (in Cantonese): *The sixth question.*

Resumption of Buildings by Urban Renewal Authority

6. **MR CHAN KAM-LAM** (in Cantonese): *Madam President, will the Government inform this Council how it will co-ordinate with the soon-to-be established Urban Renewal Authority (URA) in order to avoid the situation in which URA resumes a building for development soon after the owners concerned have completed maintenance works on the building?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, after the enactment of the Urban Renewal Authority Bill in June this year, the Government is now reviewing the compensation arrangements for owners and residents affected by urban renewal projects. We plan to submit a package of proposals to the Finance Committee (FC) of this Council early next year, and when the package has been approved by the FC, the URA will be established.

The URA's programme of activities spans a period of 20 years. The programme covers nine target areas and the 25 ongoing projects of the Land Development Corporation. A comprehensive and holistic approach will be adopted to carry out urban renewal projects. It is not limited to demolition of buildings and construction of new buildings. Urban renewal will include the preservation of buildings of historical, cultural or architectural interest, repair and improvement of old buildings, and redevelopment of dilapidated buildings. For the nine target areas, the URA will first decide which buildings should be preserved, rehabilitated or demolished and redeveloped, and then draw up detailed plans for consultation and for processing under the Urban Renewal Authority Ordinance and the Town Planning Ordinance. In some cases, replanning and restructuring of the target areas will be centred around preserved historical buildings as landmarks of the district. In line with the policy of sustainable development, the Government will encourage and support owners to carry out rehabilitation and maintenance of their buildings which are not required to be demolished.

For the safety of the occupants, visitors and passers-by, we have to ensure the safety of buildings included in the URA's redevelopment programme until they are actually demolished. Essential and timely maintenance will be required for buildings which are to be preserved or rehabilitated. Even if some of the buildings are earmarked for redevelopment, they still have to be maintained for safety reasons until demolition.

We are aware that some building owners in the areas targeted for urban renewal may be reluctant to undertake repairs because of the possibility of redevelopment of their properties. However, it is the responsibility of building owners to maintain their buildings. In order to assure building owners that they would not incur unnecessary expenses as a result of the repair works, the Government is considering allowing building owners to recover from the URA part of the costs of repairs which are required by the relevant authorities if their

properties are eventually resumed for redevelopment. We will work with the URA, once it is set up, to draw up a scheme whereby building owners would be reimbursed part of the costs of the repair works. For example, if a building has to undergo repair works and such safety improvement should last for seven years, and if the building is resumed and demolished three years after the works are completed, the building owners would be reimbursed for the costs of the remaining four years of the works.

MR CHAN KAM-LAM (in Cantonese): *Madam President, with regard to the arrangement for building owners to recover part of the costs of repairs mentioned by the Secretary just now, I believe this could have some encouragement effects. But then as we all know that owners of flats in old buildings are mostly elderly persons or people having financial difficulties, may I ask the Secretary whether the Government will further consider giving financial assistance to owners of old buildings who are genuinely unable to afford the costs of repairs due to their financial difficulties, or disbursing payments for the repair works for such owners?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, actually we treat all building owners on an equal basis, for we urge owners to keep their buildings in regular maintenance, regardless of whether the buildings are located inside the nine target areas of the URA or in other districts across Hong Kong Island, Kowloon and the New Territories. I fully agree with the Honourable CHAN Kam-lam in that the Government may need to put in more efforts to encourage and assist the owners of buildings situated in old areas. For this reason, the Buildings Department (BD) has already set up a special task force to keep a close watch on certain buildings and to list such buildings as a major item for which efforts must be made to encourage the owners concerned to apply for loans jointly. In the nine target areas, we can see examples in which organized owners of old buildings have successfully applied for loans to repair their buildings. While the value of their buildings could be enhanced in the future, as I said just now, these owners could also apply to recover part of their costs of repairs if their buildings should be demolished later on. If it is not necessary for their buildings to be demolished, the investment made by these owners in their buildings will not be wasted because the value of their buildings will be enhanced after the repair works are completed.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, in the fourth paragraph of the main reply, the Secretary mentioned that if a building has to undergo repair works and such safety improvement should last for seven years, and if the building is resumed and demolished three years after the works are completed, the building owners would be reimbursed for the costs of the remaining four years of the works. However, the Secretary has not mentioned the criteria for determining the need or otherwise of a building to undergo repair works. In this connection, may I ask the Secretary whether the Government will formulate such criteria in collaboration with building owners? I raise this point because in carrying out the repair works for their buildings, most owners would carry out fitting-out works for their homes as well. Besides, I should also like to find out what arrangement would be made if the relevant building should be resumed after the repair works have been completed for more than seven years, since we know that land resumption is generally a rather time-consuming process. Could the Secretary inform this Council whether the building owners concerned would be compensated under such circumstances?*

PRESIDENT (in Cantonese): Mr LAU Ping-cheung, do you wish the Secretary to answer your first supplementary or the second one? Normally, Members should only raise one question when asking supplementaries; however, if the Secretary agrees, he may also answer both of your supplementary questions. Mr LAU, will you please first indicate which of the supplementary questions you wish the Secretary to answer?

MR LAU PING-CHEUNG (in Cantonese): *I should like the Secretary to answer the first one. But if possible, I would be most grateful if the Secretary could answer both. (Laughter)*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Actually my reply will cover both of the Member's supplementaries. Concerning the so-called seven-year effective period of safety improvement works, in some cases, such as the case of building owners organized with the help of the BD to determine the type of repair works their buildings should undergo, the works concerned may not be required to last for seven years. This is because some of the repaired buildings may not need to undergo any major repair works in the subsequent eight to 10 years'. As regards the questions of how required repair

works and optional repair works are to be defined, and how compensation is to be calculated in the future, like I said just now, we still need to conduct negotiations concerning many details in these aspects as the URA has yet to be established. From an engineering point of view, actually Honourable Members can easily identify which repair works are eligible for compensation and which are not. However, if the effective period should be set at seven years, there would be no basis for compensation if more than seven years had lapsed.

MR JAMES TO (in Cantonese): *Madam President, it is mentioned in the fourth paragraph of the Secretary's main reply that the Government would consider reimbursing building owners part of the costs of repairs if their buildings should be resumed for demolition after undergoing repair works. However, the fundamental problem remains that while the Government may consider a certain building suitable for repair works, the owners concerned may consider the building too old and request the Government to resume it for redevelopment because they are unwilling to waste money on the repair works. Supposing a certain building is considered dilapidated from an objective point of view and the collective wish of its owners is to have it redeveloped, and that the owners have even invited me to join their demonstration to request the Secretary to earmark the building for redevelopment, could the Secretary inform this Council what important factors the URA or the Government would consider under such circumstances?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, our concept is that upon establishment, the URA will point out in each district the buildings and relics of historical value it wishes to preserve, as well as the buildings to be repaired and redeveloped. As provided under the relevant legislation, all affected building owners are entitled to raising their objection or lodging complaints. Hence, while some building owners may prefer the Government not to redevelop their buildings because they have made an effort to keep their buildings in the existing proper condition, there are other owners who consider it necessary to redevelop their buildings irrespective of how much money they have spent on repair works maybe because the buildings are not equipped with lavatories or other facilities. In this connection, building owners may apply to the URA to have their buildings included in or taken out from the redevelopment programme concerned. According to the relevant legislation, there is still an appeal mechanism for building owners to voice out their requests

after the relevant assessment process has been completed. However, I should like to remind the Honourable Member before he joins the said demonstration that no matter how long the resumption process would take, the building concerned should still be repaired. This is because the older the building, the greater will be the threat it poses. It is possible that something will fall from their old buildings when the Honourable Member joins their demonstration. So, I believe that apart from helping building owners to lodge complaints in respect of individual buildings, it is also very important to encourage building owners to consider the safety needs.

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

MR JAMES TO (in Cantonese): *Madam President, my supplementary mainly asked about the important factors that the Government would take into consideration if the strong collective wish of the owners of a dilapidated building was to have the building earmarked for redevelopment. So, this is the thrust of my supplementary question.*

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

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, we do have in place a set of criteria to help us determine which buildings should undergo repair works, which should be preserved and which should be redeveloped. Normally we will take into consideration the age of the building, its condition, the facilities inside it, and the planning for the relevant district as a whole in determining the buildings to be resumed for development. From a sustainable development point of view, in making development plans, it would be better if the number of buildings to be demolished could be minimized. By making an effort to preserve as far as practicable buildings that are structurally sound, not only the number of affected residents could be minimized, the waste materials that must be dumped at landfills or used for land reclamation purposes would also be minimized. So, it is true that we have to look into each and every building in the various districts, but we do have in place a set of criteria.

DR RAYMOND HO (in Cantonese): *Madam President, in the event of relevant government departments requiring building owners to expeditiously repair their building on the ground that the building's external walls are spalling off and posing a threat to public safety, the building owners concerned might be unwilling to commission repairs works if the Government did not make it clear that they would be fully refunded or reimbursed a certain percentage of the costs of repairs should their buildings be resumed for redevelopment later on. Should a dispute of this kind arise, could the Secretary inform this Council on what basis would the Government determine the level of compensation payable; and whether such disputes would lead to legal proceedings in the future?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): *Madam President, my reply to this supplementary is that if the Government should consider the external walls or other parts of a certain building require repairs and issue an order to that effect, this may not necessarily have anything to do with urban renewal. Under the existing legislation, the Government is empowered to issue such orders. With regard to repair orders issued in respect of buildings within the ambit of the URA, as I said in the fourth paragraph of the main reply, the Government will work with the URA, once it is set up, to draw up a scheme whereby building owners would be reimbursed part of the costs of the repair works. But then again, we may also set up mechanisms for determining the undertakings to be made under different circumstances as well as the qualifying number of years for reimbursement of costs of repairs. These are some of the details we need to discuss with the URA upon its establishment.*

MR IP KWOK-HIM (in Cantonese): *Madam President, the Secretary mentioned in the second paragraph of the main reply that apart from preserving historical buildings that could be preserved as landmarks of the district, to keep in line with the policy of sustainable development, the Government would also encourage and support owners to carry out rehabilitation and maintenance of their buildings not required to be demolished. While I have no trouble figuring out the support mentioned by the Secretary, I really cannot understand what the Secretary meant by encouragement. At present, there is really nothing the Government can do about the repairs and maintenance of old buildings. In most cases, the repair works can be carried out only after the owners concerned have agreed that they have the responsibility and are willing to carry out such works. On the other hand, it is quite impossible for these building owners to*

apply successfully for the meagre support provided by the Government. But then just now the Secretary said very proactively that the Government would encourage building owners to carry out repair works. May I ask the Secretary whether the Administration has formulated some special measures, or it has already come up with some new ideas?

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, actually we have been doing a lot of work within the existing work procedures. The BD, for example, has introduced a "one-stop" service scheme for owners of buildings selected under the Department's Old Building Pilot Scheme. Under the scheme, a joint working group comprising officers from the BD, the Home Affairs Department, the Fire Services Department and the Lands Department will help the building owners concerned to organize themselves. Besides, the joint working group will also give guidance to the building owners on commissioning professionals to draw up repair plans for their buildings, to apply for loans, and so on. These are the encouragement I referred to just now, and there are some successful cases. Our objective is that while it is not necessary to demolish all existing buildings and replace them with new buildings in areas earmarked for redevelopment, we must at least ensure that the owners concerned can have comfortable and safe homes in the old buildings we consider suitable for preservation.

PRESIDENT (in Cantonese): Council has spent more than 16 minutes on this question. The question time shall end here.

WRITTEN ANSWERS TO QUESTIONS

Working Holiday Scheme for Young People of Hong Kong and New Zealand

7. **MR NG LEUNG-SING** (in Chinese): *Madam President, the Government announced early last month that it had reached an agreement with the New Zealand Government to set up a Working Holiday Scheme (the Scheme) for young people of the two territories. Under the Scheme, 200 young people each from Hong Kong and New Zealand can take up short-term educational courses or short-term employment while they are on holiday in each other's territory each year. The Government also hopes to recruit some of the New Zealand holiday-*

makers as English language teaching assistants in local schools to reinforce the Native-speaking English Teachers (NET) Scheme. In this connection, will the Government inform this Council:

- (a) how it will assess if the New Zealand participants are qualified to work as English language teaching assistants, and of the party who will pay for their salaries as well as their board and lodging; if the expenses are to be borne by the schools concerned, whether it will provide funding for such schools;*
- (b) of the restrictions the New Zealand participants will be subject to while working in Hong Kong, and the kinds of evidence they need to produce to the Government to show that they have sufficient means to pay for their return journeys and to maintain themselves in Hong Kong;*
- (c) whether it will assist Hong Kong participants in seeking employment in New Zealand; if so, of the relevant details;*
- (d) whether it will consider increasing the quota of participants under the Scheme; if so, of the relevant details; if not, the reasons for that; and*
- (e) whether it will consider holding discussions with other countries on setting up similar schemes; if so, of the relevant details; if not, the reasons for that?*

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

- (a) The purpose of setting up the bilateral Scheme with New Zealand is to provide young people of the two places with the opportunity to broaden their horizons by allowing them to take up short-term employment or educational courses while they are on holiday in each other's territory. Participation in the Scheme is entirely voluntary. Holiday-makers would have to bear their own travelling expenses and the cost of maintaining themselves.

We welcome and encourage New Zealand participants to take up employment as English language teaching assistants in local schools to reinforce the NET Scheme. Interested schools may, using existing resources, select and employ those New Zealand participants whom they consider suitable to join their schools. Job contents and remuneration should be discussed and agreed upon by the schools and participants concerned. The Government will assist in publicizing and promoting the Scheme to local schools and New Zealand participants. For example, the Education Department will promote the Scheme to local schools through school councils and circulars, and appeal to them to forward vacancies on English language teaching assistants to the Labour Department. To facilitate the recruitment by local schools, the Labour Department will set up a special webpage for the Scheme to disseminate vacancy information with schools so that New Zealand young people may have quick and easy access to the most updated information.

- (b) Participants will have to provide proof of their ability to pay for their return journeys and to maintain themselves for a period of time while they are on holiday. We are discussing with the New Zealand Government on the implementation details, including the types of proof that applicants would be required to provide. We hope to be able to announce the necessary details by early next year.
- (c) We are discussing with the New Zealand Government on how best to assist participants of the Scheme in finding employment. We hope to be able to announce the details by early next year.
- (d) The Hong Kong and New Zealand Governments have agreed to review the effectiveness of the Scheme two years after its implementation. We will consider whether there is a need to increase the quota for participants, taking into account the response and utilization rate of the Scheme.
- (e) We hope to gauge Hong Kong people's response to the Scheme before considering whether to work out similar schemes with other countries. In considering further schemes, we will take into account what benefits individual schemes would bring to Hong Kong's young people as well as to our community.

Regulation of Health Food Products

8. **PROF NG CHING-FAI** (in Chinese): *Madam President, a test report published by the Consumer Council last month reveals that of the 14 health food products containing ginkgo biloba leave extract available for sale in Hong Kong, none could meet the relevant standards prescribed by the World Health Organization in terms of its composition. In this connection, will the Government inform this Council:*

- (a) *of the follow-up actions it has taken in respect of the above report; and*
- (b) *whether it plans to enact legislation to regulate the composition of health food products; if so, of the details; if not, the reasons for that?*

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

- (a) At present, the Department of Health conducts random tests on the Chinese herbs sold in Hong Kong, including Folium Gingko, to ensure that they are safe for human consumption. The Government is taking action to follow up the test findings published by the Consumer Council on those food products containing Folium Gingko.
- (b) Folium Gingko is classified as Chinese medicine under the Chinese Medicine Ordinance (Cap. 549) (the Ordinance), which has yet to be fully implemented. Subsidiary legislation to implement controls over the manufacture and sale of Chinese medicines, including the registration of products containing Chinese medicine, are being prepared and will be introduced into the Legislative Council next year. Under the Ordinance, the registration authority will take into account the safety, quality and efficacy of the medicines when considering their application for registration.

As regards food products in general, 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. In the light of the many health claims being advertised by different food products, the Health and Welfare Bureau is planning to conduct a study in 2001 on the feasibility of developing a statutory framework to monitor and regulate health claims.

Redress Channel for Prostitutes Operating One-woman Brothels

9. **MR FREDERICK FUNG** (in Chinese): *Madam President, will the Government inform this Council whether there are redress channels for prostitutes operating one-woman brothels to lodge complaints about harassment by police officers; if so, of the details; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President, the police will not tolerate any malpractice by police officers during operations. The police take a very serious view of the allegation that some prostitutes have been harassed by police officers. Prostitutes, if harassed by police officers, should report to the police immediately. The relevant police district will take necessary follow-up actions depending on the nature of the complaints, or refer the cases to the Complaints Against Police Office (CAPO) for investigation if necessary. Complainants can also choose to lodge their complaints direct to the CAPO. All complaints received by the CAPO are monitored by the Independent Police Complaints Council to ensure that they are thoroughly and impartially investigated.

The co-operation of and information provided by those who might have been harassed are crucial in the police's investigation into any malpractice and the elimination of harassment referred to in the complaints. The police will carefully study all information provided by the complainants as well as those obtained during the investigation. Appropriate actions will be taken against the officer concerned once a complaint is substantiated.

CSSA Recipients Transferred from "Unemployment" to "Low Earnings" Category

10. **MISS CHAN YUEN-HAN** (in Chinese): *Madam President, according to the statistics supplied by the Government, between June last year and August this year, there were 1 376 cases in which the Comprehensive Social Security Assistance (CSSA) recipients who had participated in the Active Employment Assistance (AEA) Programme were transferred from the "unemployment" to the "low earnings" category after securing employment. In this connection, will the Government inform this Council:*

- (a) *of a breakdown of these cases by:*

 - (i) *age band and gender of the recipients, as well as household size;*
 - (ii) *the number of children aged 12 or below in the recipient families; and*
 - (iii) *post and trade of the jobs found by the recipients, as well as employment mode and duration of their employment; and*

- (b) *of the number of cases in which the recipients became unemployed again after finding jobs?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): *Madam President, on the basis of information collected on successful job searchers, the required information on the participants of the AEA Programme who have been transferred from the "unemployment" to the "low earnings" category after securing employment is as follows:*

(a) (i) Breakdown of profile of those participants

<i>Age</i>	<i>%¹</i>
15 – 24	30
25 – 34	11
35 – 44	40
45 – 54	15
55 - 59 ²	3
<i>Gender</i>	<i>%</i>
Male	71
Female	29
<i>Number of Eligible Members in Household</i>	<i>%</i>
1	3
2	8
3	21
4	35
5	21
6 or above	12

- (ii) The information on the number of children aged 12 or below in the recipient families is not readily available, as we have not collected this information.

¹ The percentages do not add up to 100% because of rounding.

² CSSA recipients of 60 or above are not required to join the AEA Programme.

(iii) <i>Types of jobs found</i>	<i>%³</i>
Labourer	17
Clerk	11
Delivery worker	10
Sales person	10
Construction worker	8
Waiter/Waitress	8
Cleaner	7
Watchman/Security guard	7
Decoration worker	5
Driver	4
Others	14

The information on the employment mode and duration of employment is not available.

- (b) A survey has just been completed by the Social Welfare Department to follow up the employment situation of CSSA recipients who reported having secured a job during the first year of implementation of the Support for Self-reliance Scheme. We should be able to provide the requested information in the near future.

Plan to Bid for Staging All China Games in Hong Kong

11. **MR ERIC LI** (in Chinese): *Madam President, will the Government inform this Council whether it plans to bid for staging the All China Games in Hong Kong; if so, of the details and whether it will expedite the implementation of building a large multi-purpose sports stadium which meets international standards; if it has no such plans, of the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, my reply to the question raised by the Honourable Member is as follows:

³ The percentages do not add up to 100% because of rounding.

The venue for the All China Games, which is held every four years, is determined by the State Sport General Administration. The 1st to the 4th Games were all held in Beijing. Since 1983 (the 5th Games), Shanghai, Guangzhou and Beijing have been holding the Games in turn. The 9th All China Games will be held in Guangzhou in November 2001.

The Hong Kong Special Administrative Region has to date participated in the 8th All China Games and is now preparing for the 9th Games in 2001. As the arrangements for hosting the 10th All China Games have yet to be announced, we have not come up with any plans to host the Games.

Classification of Land Use in New Territories

12. **MR LAU WONG-FAT** (in Chinese): *Madam President, regarding the classification of land use in the New Territories, will the Government inform this Council of:*

- (a) the respective total areas of land in the New Territories currently designated as country parks, coastal protection areas, sites of special scientific interest, green belts or for other specified uses that promote conservation or protection of the environment;*
- (b) the current total area of the land in the New Territories declared as water gathering grounds, together with a breakdown by category (direct, indirect, minor supply and flood pumping) of water gathering grounds; and*
- (c) the respective areas of privately-owned land in respect of each type of land mentioned above?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President, the total areas of land in the New Territories currently designated for the conservation or protection of the environment and those in private ownership within these areas are as follows:

	<i>Total Area (hectares)</i>	<i>Area of land in private ownership (hectares)</i>
Country parks and special areas	38 600	580
Conservation areas	4 300	600
Coastal protection areas	500	100
Sites of special scientific interest	1 000	30
Green belts	10 000	1 200
Other specified uses that promote conservation or protection of the environment	200	100
Total	54 600	2 610

At present, the total area of land in the New Territories declared as water gathering grounds is approximately 27 600 hectares, of which 9 000 hectares are direct water gathering grounds and 18 600 hectares are indirect water gathering grounds. About 6 600 hectares of land outside the water gathering grounds are flood pumping gathering grounds. As for minor supply gathering grounds, the Administration has not maintained a formal record of their areas.

The plans of the water gathering grounds have not been completely digitized. The Administration is considering how to computerize the plans of the water gathering grounds and calculate the areas of privately-owned land therein. We shall pass the information to the Legislative Council Secretariat when ready. (Annex IV)

Provision of Computer Courses for Elderly

13. **MR IP KWOK-HIM** (in Chinese): *Madam President, it has been reported that according to a survey, 60% of the elderly respondents have expressed interest in learning how to operate a computer and among them, 80% have indicated that they can only afford a maximum tuition fee of \$250. In this connection, will the Government inform this Council:*

- (a) of the public-funded organizations currently organizing basic computer literacy courses for the elderly, and the alternative means available to them to learn computer operation;*
- (b) whether it will consider sponsoring the elderly to attend relevant courses; if so, of the details; if not, the reasons for that; and*
- (c) of the other measures in place to encourage more organizations to offer opportunities for the elderly to learn computer operation?*

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

- (a) The Administration encourages the learning of information technology (IT) by all sectors of the community. The Information Technology and Broadcasting Bureau, the Information Technology Services Department (ITSD) and the Home Affairs Department have co-organized an "IT Awareness Programme" to provide free introductory courses on IT to the general public, in particular older persons, housewives and the disabled to enhance their interest in IT. Since its launching in October 2000, more than 3 900 people have attended courses under the programme and out of the 252 sessions conducted, over 1 100 of the attendants are older persons. Plans are in hand to conduct a further round of such courses.

Under the Adult Education Subvention Scheme, the Education Department (ED) provides subvention to non-governmental organizations (NGOs) to run education courses for persons aged 15 or over. The educational programmes include computer training. In the 2000-01 school year, 29 NGOs were subvented to organize 63

basic computer training programmes which provided about 1 830 training places for the public, including older persons. The course fees charged ranged from \$2 to \$190.

Specifically to encourage the use of IT among older persons, the ITSD and the Social Welfare Department (SWD) have co-organized an "IT Awareness Programme for the Elderly" to promote the learning and usage of IT among older persons. Under the programme, free courses on basic computer operation for those aged 60 or over are provided. The main elements of the programme include the introduction of the basic component and operation of computers, multimedia functions and the Internet. The programme commenced in November 2000 and will complete in March 2001. It will provide about 3 000 training places for older persons. The programme will continue if the community demonstrates a clear demand for such courses.

In addition, 21 multi-service centres of the elderly subvented by the SWD provide computer training courses for older persons. During the period between January and November 2000, these centres organized some 310 computer training classes providing about 4 300 training places. The majority of these training courses are either free or charge a course fee lower than \$250. The number of centres providing such courses is expected to increase to 33 early next year.

Apart from the public-funded computer training courses, there are also training courses for older persons provided by non-subvented organizations such as the Hong Kong Seniors IT Advocates. Some private sector training providers also provide similar courses but these are subject to usual commercial considerations.

- (b) As seen from (a) above, the public-funded computer training courses for the older persons are subsidized. They are either free of charge or charge only a very affordable fee.
- (c) As a means of encouraging organizations to provide computer training opportunities for the older persons, under an Opportunities for the Elderly project of the SWD, district and welfare

organizations are invited to organize activities and programmes that promote, *inter alia*, computer and IT learning for the older persons. To encourage the use of computer by older persons, the SWD will install 280 computers at 246 multi-service and social centres for the elderly by end-2001. These computers have Internet access and will be available for use by members of these centres free of charge.

Review of Land Resumption Procedure

14. **MR ALBERT CHAN** (in Chinese): *Madam President, given that some factory operators of Wah Kai Industrial Centre in Tsuen Wan who were affected by the land resumption of the Government had to move out or close down their factories before the compensation issue was duly resolved, will the Government inform this Council how it will improve the land resumption procedure and the calculation method for compensation so that factory operators affected in the future will have sufficient preparation time to vacate the site and to do so only after having received reasonable compensation?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President, a number of ordinances provide for compensation for land resumption and for claims for business loss, removal costs and professional fees. Industrial property owners whose properties are resumed by the Government will receive statutory compensation based on the open market value of the resumed properties. Industrial operators, including owner-occupiers and tenants, who run their business out of the resumed properties, are entitled by law to make claims for business loss, removal costs and professional fees.

The Government also offers an *ex gratia* allowance to owner-occupiers and tenants of industrial properties in lieu of the right to make statutory claims for loss or damage to the business conducted out of the resumed properties. This *ex gratia* allowance is based on a formula which consists of the rental costs for the removal period, removal costs, decoration costs, stamp duty, legal fees and estate agents' fees.

Once a decision to resume land is made under the relevant ordinance, the Lands Department will publish a resumption notice in the Government Gazette and serve notice on the owners within the resumption area. The Lands

Department will issue statutory compensation offers for the interest in the land to owners within 28 days from the date on which the land reverts to the Government. It will also make offers to owner-occupiers and tenants as soon as possible in respect of disturbance payments for loss or damage to their business.

If an owner-occupier accepts the Lands Department's offer of compensation for the interest in the land and the *ex gratia* allowance for disturbance, he will normally receive 90% of the agreed statutory compensation and 75% of the *ex gratia* allowance in the first instance, with the balance being paid upon vacating the premises. In case an owner-occupier does not accept the Lands Department's offer of statutory compensation and *ex gratia* allowance, he will normally receive 90% of the statutory compensation after and 75% of the *ex gratia* allowance in the first instance, but he still has the right to put forward a claim for a higher statutory compensation for the interest in the land and make statutory claims for business loss, removal costs and professional fees. If agreement cannot be reached between the Lands Department and the owner on the open market value of the property or the amount of statutory claim, either party may refer the matter to the Lands Tribunal for a ruling.

In carrying out future land resumption exercises, the Government will draw reference from the experience of the Wah Kai Industrial Centre resumption. We are also reviewing the resumption procedures for industrial properties.

The Government is conducting a comprehensive review on *ex gratia* allowances, including the *ex gratia* allowance for industrial operators. As a result of changes in Hong Kong economy, the resumption of industrial properties might result in some cases in the partial or total extinguishment of the business operations concerned. We will take these factors into account when reviewing the allowance. We will report to the Legislative Council Panel on Planning, Lands and Works on the results of our review in due course.

Consumption of Perchloroethylene by Dry Cleaning Industry

15. **MISS CYD HO:** *Madam President, given that the widely-used dry cleaning solvent perchloroethylene (PCE) is a carcinogenic and hazardous ground and air pollutant, will the Government inform this Council:*

- (a) *of the total quantity of PCE consumed by the dry cleaning industry in the past three years and the expected total consumption in the following three years;*
- (b) *of the respective numbers of dry cleaning machines using*
- (i) *PCE;*
 - (ii) *petroleum-based solvents; and*
 - (iii) *other solvents;*
- at present and at the end of each of the past three years, as well as the expected corresponding numbers at the end of each of the next three years;*
- (c) *of the respective percentages of PCE used by dry cleaners last year which was:*
- (i) *recycled;*
 - (ii) *released into the atmosphere; and*
 - (iii) *washed down the drains along with process water; and*
- (d) *whether it plans to take measures to phase out the use of dry cleaning machines running on PCE as a cleaning solvent; if so, of the relevant details, including the target time frame; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT AND FOOD: Madam President, PCE is the most commonly used dry cleaning agent both locally and overseas. Exposure to high concentrations of PCE may cause skin and eye irritation, dizziness, nausea, headaches and liver and kidney damage. PCE is classified by the International Agency for Research on Cancer as a "probable human carcinogen". This means that long-term exposure to high concentrations of PCE may increase the risk of cancer in human bodies but there has not yet been sufficient evidence on this. The annual ambient PCE level recorded in Hong

Kong in 1999 was 2.34 μg per cu m, which is significantly lower than the actionable level of 17.9 μg per cu m recommended by the California Air Resources Board.

Our replies to the specific question are as follows:

- (a) We do not have information on the quantity of PCE consumed by the local dry cleaning industry every year. But according to a survey conducted by the Hong Kong Productivity Council on behalf of the Environmental Protection Department, the industry consumed 920 tonnes of PCE in 1997. Based on this, we estimate that 2 760 tonnes of PCE was consumed by the industry in the past three years. It is not possible to have any meaningful forecast of the quantity of PCE that will be consumed by the industry in the next three years as this will depend on the number of dry cleaning machines using PCE, the volume of business of the industry and when the proposal to reduce PCE emission from dry cleaning machines is implemented.
- (b) The survey mentioned in (a) above identified that there were about 400 dry cleaning machines in 1997 and that all of them used PCE. The Laundry Association of Hong Kong has estimated that the number of machines has remained more or less the same. It is not possible to have any meaningful forecast of the number of dry cleaning machines using PCE, petroleum-based solvents and other solvents in the next three years as this will depend on whether the local dry cleaning industry will opt for non-PCE dry cleaning machines having regard to the proposal to reduce PCE emission from dry cleaning machines.
- (c) We estimate that 99% of the PCE used by the dry cleaning machines is recycled and 1% is released into the atmosphere during each dry cleaning operation. The total percentage of PCE recycled or released into the atmosphere last year depended on the number of such operations conducted but we have no such information. No water is used in a dry cleaning process and, therefore, no PCE is discharged into the drain. Recycled PCE would eventually be disposed of when it becomes heavily soiled and less effective. Dry cleaning operators are required to dispose of used PCE in accordance with the requirements in the Waste Disposal (Chemical Waste) (General) Regulation.

- (d) We do not intend to phase out dry cleaning machines that use PCE but propose to reduce their PCE emission by:
- (i) requiring that all new dry cleaning machines sold in Hong Kong to be of the non-vented type with a maximum residual PCE concentration of below 300 ppmv;
 - (ii) requiring all existing vented machines to be either modified to meet the above standard or replaced with new approved machines within five years from the commencement of the proposed regulation; and
 - (iii) requiring all existing non-vented machines that do not meet the standard to be modified to meet the standard or replaced with new approved machines within seven years from the commencement of the proposed regulation.

Our plan is to table the proposed regulation within the current legislative session.

Uploading Gazette onto Government Website

16. **DR DAVID LI:** *Madam President, the Government is arranging to upload various parts of the Government Gazette (except Supplement No. 6) on its website by the end of this year. In this connection, will the Government inform this Council of:*

- (a) *the measures it has taken to inform the current subscribers of the availability of the Gazette on the government website; and*
- (b) *the respective numbers of copies for the different parts of the Gazette now printed each week, and the projected numbers to be printed next year; and if the projected numbers of printed copies are not substantially reduced despite the availability of the Internet version, the reasons for that?*

SECRETARY FOR THE TREASURY: President, the uploading of the e-Gazette has been completed on 8 December 2000. The entire Government Gazette, including the Main Gazette and all six supplements, is now available on the government website and can be accessed at <http://www.info.gov.hk/pd/egazette>.

Since commencement of the phased introduction of the e-Gazette on 19 May this year, we have posted weekly notices in all printed copies of the Gazette and its supplements. The purpose of this is to inform readers and subscribers of the availability of the Internet version and the schedule for uploading the different parts of the Gazette to the government website. Upon complete uploading of the Gazette on 8 December, we placed advertisements in local newspapers and also issued a press release on the same day to promote public awareness and to encourage access. We shall sustain publicity through notices in the printed Gazette. We shall also remind subscribers of the availability of the e-Gazette upon future expiry of their subscriptions, so that they can decide whether or not to renew their subscriptions.

The Gazette and its supplements are printed and distributed in full sets. In early 2000, about 4 000 copies were printed each week. With the introduction of the e-Gazette this May, the number has dropped to 3 450 in November, or by nearly 15%. We estimate the number to be further reduced by 30%, to about 2 500 next year. We believe that there will continue to be demand for printed copies of the Gazette, for example, by the legal profession because of the requirement for authenticity of documents in Courts. We shall continue to closely monitor the situation and, as appropriate, adjust the number of copies to be printed.

Road Excavation Works

17. **DR TANG SIU-TONG** (in Chinese): *Madam President, with regard to road excavation works, will the Government inform this Council of the following in the past three years:*

- (a) *the average time required for approving Excavation Permit (EP) applications submitted by utility companies, and the average time gap between the expected commencement date of excavation works specified in the EP and the actual commencement date;*

- (b) *the respective numbers of road excavation projects proposed by government departments and utility companies, as well as the respective total numbers of days in which actual excavation works were carried out, together with a breakdown of these figures by the major excavation location (such as carriageways or pedestrian walkways) and the area of affected land; and*
- (c) *the respective numbers of cases in which the relevant government departments and utility companies applied for extension of the period of excavation works specified in the EP, and the respective average numbers of days granted for such extensions?*

SECRETARY FOR WORKS (in Chinese): Madam President,

- (a) The Highways Department has pledged to issue road EPs to public utilities within 12 working days of the receipt of the application. However, under normal circumstances, the Highways Department will complete processing of an application for EP within five working days upon application made by utility undertakers. On average the number of days for the actual commencement dates of road opening works are 12.2 days, 21.6 days and 13.6 days behind the commencement dates stated in the EP in 1998, 1999 and 2000 (up to September) respectively.
- (b) Regarding the number of road excavations and total number of days for actual excavation works, the statistics for 1998, 1999 and 2000 (January to September) are tabulated in Appendix A.

N.B.: We do not have statistics according to the area affected land.

- (c) The total numbers of EP extension application are 13 839, 16 608 and 14 065 in 1998, 1999 and 2000 (January to September) respectively and its average approved extension periods are 49.6 days, 48.7 days and 51.1 days respectively.

Table: Statistics of road opening projects

Year		1998		1999		2000 (Jan to Sep)	
		No.	Average duration of actual excavation work (Days)	No.	Average duration of actual excavation work (Days)	No.	Average duration of actual excavation work (Days)
Total	Government departments	34 183	18.1	36 824	16.9	26 247	14.0
	Utility undertakers	18 531	26.5	17 524	29.2	15 064	20.2
	Sub-total	52 714	21.0	54 348	20.9	41 311	16.3
On carriageway	Government departments	15 978	14.0	15 184	15.5	11 548	13.3
	Utility undertakers	3 946	39.3	4 078	41.6	3 647	28.3
	Sub-total	19 924	19.0	19 262	21.0	15 195	16.9
On footpath	Government departments	18 205	18.0	21 640	15.7	14 699	14.1
	Utility undertakers	14 585	23.2	13 446	25.6	11 417	18.1
	Sub-total	32 790	20.3	35 086	19.5	26 116	15.8

Use of Spyware by Software Manufacturers and Internet Website Operators

18. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, regarding the use of spyware by software manufacturers and Internet website operators to track the ways in which their software is being used by users and the Internet activities of individual surfers, will the Government inform this Council whether:*

- (a) *it knows which of the widely-used software in Hong Kong at present has spyware pre-installed by software manufacturers, and of a categorization of such software; and*

- (b) *it has assessed if the above tracking activities infringe upon personal privacy and breach the law; if they do not breach the law, whether it will consider enacting legislation to prohibit such activities?*

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

- (a) The term "spyware" generally refers to programmes/software capable of issuing instructions to computer systems, databases and e-mail boxes through the Internet to track their related records and their usage patterns. Under most circumstances, these programmes/software can also be used for the purposes of routine maintenance and fault detection in computer systems.

We understand that the so-called "spyware" available in the market is mostly found embedded in minor application software such as "shareware" and "freeware", which are available for free downloading from the Internet. Such application software is used for a variety of Internet activities such as file transmission, ICQ, e-mailing, data compression, downloading and playing of images and music, and so on. The Administration has no information regarding the popularity in the usage of such "spyware" or whether manufacturers have pre-installed "spyware" in their software.

- (b) "Spyware" is a general and vague description. Many types of software or programme with the function of "spyware" can also be used in routine security and maintenance works for computer systems. Thus, whether the use of these types of software/programme infringes upon personal privacy or breaches the law depends on a number of considerations, such as the purpose of the user, the nature of the data collected, the use of the data collected, whether the data owners or the persons concerned have given their consent to the collection and whether anyone has suffered any loss, and so on.

On the protection of personal information, the Personal Data (Privacy) Ordinance (Cap. 486) has already laid down clear principles on the collection, storage and use of personal data. These principles are also applicable to the use of the so-called "spyware" in collecting personal data from any computer systems or databases.

The existing legislation also has clear stipulation on illegal access to others' computer systems or databases. For instance, section 27A of the Telecommunications Ordinance (Cap. 106) stipulates that any person who, by telecommunications, knowingly causes a computer to perform any function to obtain unauthorized access to any programme or data held in a computer commits an offence. Section 161 of the Crimes Ordinance (Cap. 200) also provides that any person who obtains access to a computer with intent to commit an offence, with a dishonest intent to deceive, with a view to dishonest gain or with a dishonest intent to cause loss to another, commits an offence.

Persons Issued with Hong Kong Permanent Identity Cards in Accordance with Article 24 para 2(4) of Basic Law

19. **MR HOWARD YOUNG:** *Madam President, will the Government inform this Council of the latest number of persons, broken down by nationality, to whom Hong Kong permanent identity cards (HKPICs) have been issued in accordance with Article 24 para 2(4) of the Basic Law of the Hong Kong Special Administrative Region since the reunification?*

SECRETARY FOR SECURITY: Madam President, since the reunification and up to 2 December 2000, a total of 39 855 persons were issued with HKPICs upon establishment of their claims to the right of abode in accordance with Article 24 para 2(4) of the Basic Law, as implemented by paragraph 2(d) of Schedule 1 to the Immigration Ordinance. A breakdown by nationality is as follows:

<i>National of</i>	<i>No. of HKPICs issued</i>	<i>Percentage</i>
United Kingdom	7 136	17.9
India	5 779	14.5
Philippines	4 207	10.6
Thailand	4 472	11.2
Pakistan	3 115	7.8
Indonesia	3 557	8.9
Japan	1 698	4.3
United States	1 663	4.2
Republic of Korea	1 286	3.2
Australia	1 266	3.2
Other nations	5 676	14.2
Total	39 855	100

Management of Lai Chi Kok Hospital

20. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, I have learned that the Hospital Authority (HA) has decided to set up a new company to manage Lai Chi Kok Hospital (LCKH), and it intends to employ its staff on the basis of the employment contracts adopted by voluntary agencies. In this connection, will the Government inform this Council whether:*

- (a) *it has evaluated if the above decision of the HA complies with the requirements of the Hospital Authority Ordinance (Cap. 113); if the outcome of the evaluation is in the affirmative, of the provisions which confer such power on the HA;*
- (b) *it knows the details of that company, such as its organization structure and mode of administration;*
- (c) *it is aware of the impact of this decision on the existing staff of LCKH, and whether the HA has discussed with the staff concerned in this regard; if it has, of the outcome of the discussion; if it has not, the reasons for that;*

- (d) *it has evaluated if LCKH should retain the name "hospital" when it is managed by the new company and provides long-term convalescence service only; and*
- (e) *it knows if the HA plans to adopt the same management mode in the other hospitals under its aegis, if so, of the details?*

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

- (a) Many chronic mentally-ill patients who are now staying in hospitals have been assessed to be in stable medical and mental conditions and are eligible and waiting for long stay care placement. Plans are in hand to build two purpose-built long stay care homes to address the problem of shortage of long stay care places. In the interim, to improve the provision of long stay care places for chronic mentally-ill patients, the HA and the Social Welfare Department (SWD) are planning to provide, on a temporary basis, 400 long stay care places in LCKH, pending the commissioning of purpose-built rehabilitation premises by the SWD. And the 400 temporary long stay care place will mostly be taken up by chronic mentally-ill patients currently cared for in public hospitals.

The operation of these long stay care places in LCKH will be subvented by the SWD, with the HA taking up the management work. For this purpose, the HA proposes to set up a subsidiary company to ensure clear delineation of accountability, and facilitate the management of the long stay care places according to the SWD's subvention provision and requirements. In view of the change in the type of service provided, new hands will be recruited for the work and these staff will be employed under terms in line with the SWD's subvention arrangement.

Section 4 of the Hospital Authority Ordinance requires the HA to manage and develop the public hospitals system in ways which are conducive to improving the efficiency of hospital services. The provision of long stay care places in LCKH will expedite rationalization of the provision of psychiatric services by the HA

and facilitate further development of community-based psychiatric services. Section 5(n) of the Hospital Authority Ordinance empowers the HA to establish, subject to the approval of the Secretary for Health and Welfare, any body corporate to facilitate the provision of hospital services by the HA.

- (b) The management and operation of the long stay care places will be governed by a Funding and Service Agreement (FSA) signed between the HA and the SWD. The FSA is similar to all FSAs signed between the SWD and other non-governmental organizations under the Lump Sum Grant arrangement. A Board with nominated directors from the HA and the SWD will oversee the operation of the company.
- (c) The provision of long stay care places in LCKH will not affect the employment status of staff currently working in LCKH, who will continue to be HA employees. In view of the change in the type of service provided, these staff will be re-deployed to work in other HA hospitals by phases. The HA has been discussing with the management and front-line staff of LCKH on the proposed changes. Detailed arrangements are being worked out, taking into account the concerns of staff, which are mostly related to the redeployment arrangements.
- (d) We are considering how best to proceed taking into account the need to reflect the nature of services which will be provided in LCKH.
- (e) The HA has no plans to set up separate subsidiary companies to operate its existing public hospital services. The reasons for setting up a subsidiary company to manage the long stay care places in LCKH has been explained in the reply to (a).

BILL

First Reading of Bill

PRESIDENT (in Cantonese): Bill: First Reading.

EMPLOYMENT (AMENDMENT) (NO. 2) BILL 2000

CLERK (in Cantonese): Employment (Amendment) (No. 2) Bill 2000.

Bill 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 Bill

PRESIDENT (in Cantonese): Bill: Second Reading.

EMPLOYMENT (AMENDMENT) (NO. 2) BILL 2000

SECRETARY FOR EDUCATION AND MANPOWER: Madam President, I move that the Employment (Amendment) (No. 2) Bill 2000 be read the Second time. The principal amendments of the Bill aim to clarify that an employer may not terminate the employment of an employee during pregnancy or paid sick leave except in circumstances where summary dismissal is justified under section 9 of the Ordinance.

Section 9 of the Employment Ordinance provides that an employer may terminate a contract of employment without notice or payment in lieu, only if the employee has committed serious misconduct such as wilful disobedience, fraud, dishonesty or habitual neglect of duties. In all other circumstances, an employer should not dismiss an employee during pregnancy or paid sick leave. If he does, he will be liable to pay compensation to the employee and be subject to prosecution.

However, section 15(1) and section 33(4B) of the Ordinance are worded in such a way that they only prohibit dismissal of an employee during pregnancy or paid sick leave initiated under section 6 or section 7 of the Ordinance, which provide for termination of employment with notice or payment in lieu. Wrongful dismissals, which are not justified under section 9, are not included. In other words, if an employer wrongfully invoked section 9 to dismiss an employee during pregnancy or paid sick leave, and the summary dismissal was later found to be unsubstantiated, the employee may not receive the remedies provided for under sections 15(2) and 33(4BA), and the employer could not be prosecuted. This is not in line with our policy intent.

We, therefore, propose to amend the relevant sections of the Employment Ordinance to clarify that an employer shall not terminate a continuous contract of employment of a pregnant employee, or of an employee on paid sick leave, otherwise than in accordance with section 9. Employers who have terminated the contract of a pregnant employee or an employee on paid sick leave, unless the contrary is proved, shall be deemed to have terminated the contract otherwise than in accordance with section 9.

However, to protect employers who have acted in good faith, but whose decisions were later overturned by the Court, we propose to allow as a defence for the employer being prosecuted under section 15 or section 33 of the Ordinance to prove that, at the time of terminating the contract of the employee under section 9, he reasonably believed that he had a ground to do so.

We have also included in the Bill a number of other clarifying provisions. Under the existing provisions, an employee is entitled to the pro-rata payment of a contractual end-of-year payment to ensure that an employee's entitlement would not be adversely affected by early termination of a continuous contract of employment in circumstances beyond his control. For example, when it is the employer who initiates the termination of contract (except under section 9) or when the employee initiates the termination of contract in the special circumstances prescribed under section 10 of the Ordinance, which covers fear of violence or ill-treatment by his employer.

However, section 11F of the Ordinance, as it is presently worded, may give rise to a situation where an employee who wrongfully terminates a contract of employment would be entitled to pro-rata payment whilst an employee who has given proper notice or payment of wages in lieu of notice in accordance with section 6 or 7 would not. We, therefore, propose to amend section 11F of the Employment Ordinance to the effect that an employee who terminates his contract of employment otherwise than in the special circumstances prescribed under section 10 would not be entitled to pro-rata end-of-year payment.

Under section 25 of the Ordinance, an employer shall pay to his employee, not later than seven days after the day of termination, any sum due to him and that failure to make such payment within the time limit is a prosecutable offence.

This sum includes, for example, wages in lieu of notice, long service payment and compensation for dismissal during paid sick leave. However, there is no time limit for paying compensation for dismissal during pregnancy. We, therefore, propose to amend section 25 of the Employment Ordinance to require an employer to make compensation payable for dismissal of a pregnant employee within seven days after the day of dismissal and to make non-payment within the time limit an offence.

At present, acts of discrimination within the meaning of the Sex Discrimination Ordinance and the Disability Discrimination Ordinance are excluded from the Employment Ordinance. This is to avoid subjecting an employer to double penalties under different pieces of legislation in respect of a single act. The same principle should apply in respect of discriminatory acts covered by the Family Status Discrimination Ordinance, which was enacted in 1997. We, therefore, propose that the Employment Ordinance should be amended to exclude acts of discrimination which are covered by the Family Status Discrimination Ordinance.

Finally, we propose to delete from the Employment Ordinance all references to "women" in respect of the Women and Young Persons (Industry) Regulations which are to be re-titled the Employment of Young Persons (Industry) Regulations. This is a consequential amendment necessitated by the removal of the "woman-specific" provisions of the said Regulation following the enactment of the Sex Discrimination Ordinance.

Madam President, the Bill contains amendments which aim to clarify the policy intent on a number of issues concerning employment protection. They are essential and largely technical in nature. I commend the Bill to Honourable Members. Thank you.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Employment (Amendment) (No. 2) 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' BILL**First Reading of Members' Bill**

PRESIDENT (in Cantonese): Members' Bill: First Reading.

PRIOR OF THE ORDER OF CISTERCIANS OF THE STRICT OBSERVANCE INCORPORATION (AMENDMENT) BILL 2000

CLERK (in Cantonese): Prior of the Order of Cistercians of the Strict Observance Incorporation (Amendment) Bill 200.

Bill 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 Members' Bill

PRESIDENT (in Cantonese): Members' Bill: Second Reading.

PRIOR OF THE ORDER OF CISTERCIANS OF THE STRICT OBSERVANCE INCORPORATION (AMENDMENT) BILL 2000

MR AMBROSE LAU (in Cantonese): Madam President, I move the Second Reading of the Prior of the Order of Cistercians of the Strict Observance Incorporation (Amendment) Bill 2000.

The monastery established by the Cistercian Order of the Strict Observance on Lantau Island was upgraded from the status of a priory to that of an abbey in September last year. Since its establishment in 1950, the monastery has grown from a few brothers into a sizeable community of 20 at present. The title of the Prior of the community is therefore required to be changed to that of the Abbot.

The new Abbot has been appointed since January this year. Therefore, the change of the title of the Prior to that of the Abbot in the Bill is merely a change of title.

This private Bill conforms to the spirit of the Basic Law, the provisions of Rule 50 of the Rules of Procedure and the general form of the Laws of Hong Kong. I hope that colleagues of this Council will support the passage of this Bill so as to aid the development of a non-profiteering religious body.

Madam President, I so submit.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Prior of the Order of Cistercians of the Strict Observance Incorporation (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. Twenty-two proposed resolutions under the Interpretation and General Clauses Ordinance.

Miss CHAN Yuen-han and Mr LAU Chin-shek have each given notice to move nine proposed resolutions under the Interpretation and General Clauses Ordinance. The motions proposed by Miss CHAN Yuen-han and Mr LAU Chin-shek are identical and have the same effect. As Miss CHAN Yuen-han has submitted her notice at an earlier date, I will call upon Miss CHAN Yuen-han to move her motions. In accordance with the Rules of Procedure, irrespective of whether Miss CHAN Yuen-han's motions are passed or not, Mr LAU Chin-shek may not move his motions.

First motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the first proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, I move that the fees payable for permits for the import and export of waste and licences for collection and disposal of waste continue to be frozen. The reason is that, in our opinion, raising the fees will cause an indirect impact on the people's livelihood. Madam President, for this same reason, I shall move the other eight resolutions later on. I urge colleagues of the Legislative Council to consider the matter from the point of view of the people and reject the Government's proposal to increase its fees and charges. But I must stress that some of the resolutions proposed by the Government deal with reduction in its fees and charges, so I hope Member will support the proposals on fees reduction and those on the freeze.

In fact, in the motion debate on "Opposing the surge of fees and charges" on 29 November, the Hong Kong Federation of Trade Unions (FTU) had sent a clear message to the Government saying that it should not take the lead to increase fees and charges at a time when the economy had not yet fully recovered. It should, instead, allow people to rehabilitate and then enjoy the fruits of an economic recovery. We can see that people with housing properties found themselves in possession of negative equities after the financial turmoil. The life of the poor has been even more difficult. When there are signs of an economic recovery this year, the Government goes on to put forward eight proposals to increase fees and charges not directly but indirectly related to the people's livelihood, despite its moratorium on four livelihood-related fees. This very much worries us.

I can recall how happy everyone was when the Financial Secretary first announced the moratorium on the four livelihood-related items. Now, suddenly we hear that the Government intends to increase its fees and charges. Some people I have had contact with asked what this was all about. Why was there a change of government policy in the other direction? They regarded this government policy as capricious, making them feel delighted at one time and then dejected at another. They did not think the Government had given them any break at all.

I understand that, as the Government, particularly Secretary Denise YUE, often tells us the fees and charges not related to the people's livelihood should be increased as they have been frozen for two years. Another pet phrase of the Secretary was "the "user pays" principle" designed to achieve a balance in government income and expenditure and to adhere to the principle of prudent financial management. When faced with lobbying efforts or anti-lobbying

efforts, I often tell government officials, as I indeed often stress, the need to empathize with the people's sentiment, to consider which is more important: more fiscal reserves or better livelihood for the people. In the last motion debate, I reiterated the Government had reserves of over \$400 billion as at 30 November. In the light of what I said, and I do not want to use the word "miser" in the original draft speech of mine, I hope the Government can be more generous. I hope it would not keep pushing ahead with its way. What the Government has been doing is creating difficulties for us in our decision-making. The Government should simply give everyone, including the middle class with negative equities and the small and medium enterprises (SMEs), a better environment over a period in the future, before business improves or before people can enjoy the benefits of an economic success. Why does the Government not do that?

The resolution moved by me is on repealing the fee adjustment for permits and licences for the import and export of waste and licences for collection and disposal of waste. I believe contractors in the industry will surely transfer whatever increase onto the people. In fact, the FTU has been advocating persistently that the Government should support the environmental protection industry. If it now raises the fees for the import and export of waste, it will, I believe, strike home a message to the contrary. In his policy address, the Chief Executive said that it is necessary to support the environmental protection industry. But in practice, it is increasing the fees for the permits and licences in the industry. This is in my opinion inappropriate.

Several days ago, the Financial Secretary announced a moratorium on four livelihood-related charges. His consideration was that despite the economic growth of approximately 10% for the year, people are only recovering, mentally and in terms of real income, after experiencing the financial turmoil and the subsequent economic adjustment. That was why the Government proposed a moratorium on four items of fees. It would wait until wages have picked up and the economy fully recovered before increasing the charges. I fully support that idea. But I wish to point out that I very much hope the Government can apply that idea of the Financial Secretary as told to the media before to charges not related to the people's livelihood. The same considerations should be made. Moreover, I wish to remind the Government that at this stage, with the Mandatory Provident Fund Scheme (MPFS) having just been implemented, both employers and employees alike (as shown by a survey yesterday) will find it a financial burden that is not easy to shoulder.

For decades, we do not have a mechanism for retirement protection in Hong Kong. Thanks to the efforts of all parties, now that we finally have such a mechanism. Although the FTU does not like the system, we did what we could during the deliberation of the Bill. We knew if we debated the matter for another 10 or 20 years, it may be too much of a drag for us and our next generation. Later in our old age, we or the next generation will need to face the same plight as that which has to be faced by the elderly at present. It was against such background that we supported the MPFS. When the MPFS was implemented, Hong Kong was unfortunately in an economic downturn. Thus many people, employers and workers, grumbled. If wages increased, I think the situation would look more promising. But for now, from what we can see, even organizations making profits would not raise wages by any significant amount. Now, workers need to contribute 5% of their salary to the MPFS nonetheless, and the business sector needs to contribute the same amount. In the circumstances, the Government needs to consider the position of the people and the SMEs.

Earlier in the week, the Financial Secretary in a rare (or perhaps not that rare) move addressed a letter to Legislative Council Members to lobby for support for his proposal to increase fees that are not livelihood-related. His argument was that the "user pays" principle had to be followed, the increase was mild, there was a need for the Government to recover costs to reduce subsidies by taxpayers and the Government, and so on. I would like to talk about our views on the "user pays" principle. I believe Secretary Denise YUE knew all the time the stance of the FTU towards that principle. We take a very different view. As I said just now, we are at a time of difficulty. Workers need to contribute to the MPFS despite a freeze on their salary. We can also see the difficulties of the workers during their job search. They need to put up with very low wages. The problem of working poverty is very serious. The Government should ride out the storm together with the people. For the above reasons, I hope Secretary Denise YUE will in future (not possible today) refrain from tabling proposals to increase fees and charges indirectly related to people's livelihood before this Council. Though the Secretary may think they are mild increases on indirect fees, has she ever come to think they may nevertheless lead to a trend in the community? This is a situation similar to one that arose not long ago. When the Government indicated to raise water tariffs and postal charges, many public utility companies also indicated they would increase their charges. Later, when the Financial Secretary said there would be a moratorium, things began to change for the better, so it appeared. I am concerned that if the

increases on charges not directly related to the people's livelihood were passed today, the SMEs may find themselves in financial difficulties as the message may spark off another surge in fees and charges. Madam President, for these reasons, I move the amendment for this part. For the same reasons, I move the eight resolutions that follow. I must reiterate that I hope the Government can focus not just on its reserves but on the spirit of "Serving the Community, Sharing Common Goals" as enshrined in the Chief Executive's policy address this year. To my mind, "Serving the Community, Sharing Common Goals" is not just a slogan to be chanted. It should be a spirit upon which government policies are formulated. I often say I was delighted to see the title on this year's policy address. We have always thought that after the reunification, the SAR Government, practising "Hong Kong people ruling Hong Kong", should stand by the people for the betterment of Hong Kong. This spirit should indeed underline most government policies. The Government should not act rashly. Nor should it deal out policies that have adverse effects on the community mentality or cause hardships to our livelihood or business.

Lastly, I do hope Honourable colleagues of this Council can give some thoughts to the issues highlighted by me. Moreover, the greater part of the nine resolutions proposed by me targets on the SMEs. Should we not think in their terms? I hope Members would support my motions. Members should not be misled by the Government into thinking 0.8% is just a small increase, amounting to just several dollars and hence into supporting the Government. I think the surge in fees and charges will have adverse effects on the community. In a nutshell, I hope Members will give us their support. If there is a real need in the future to increase prices, I think the proposals may be tabled again before this Council for discussion, say, next year, depending on the prevailing situation then. We are not putting an indefinite block to government proposals to increase its fees and charges. Before I came to this Chamber today, some friends of mine told me, "Even if the Government did not increase its fees and charges proposed this time, it may increase other fees and charges." Many people have given me their opinions too, but I told them we were not opposing to any increase; we were of the view that the present position is so bad that it is inopportune for the Government to do anything now that would bring about a surge in fees and charges. It should wait till the second half or even the end of next year to raise the matter for discussion. That means to say it should wait till wages of our workers see some increase, or allow everyone to get used to the 5% contribution to the MPFS, so that when the matter is raised again, everyone is calm and discussion would proceed in an atmosphere that is better than now. I hope the

Government and colleagues of this Council would support the nine resolutions proposed by me. Let me stress once more that these nine resolutions affect companies, many of which are SMEs.

Thank you, Madam President.

Miss CHAN Yuen-Han moved the following motion:

"That the Waste Disposal (Permits and Licences) (Forms and Fees) (Amendment) Regulation 2000 published as Legal Notice No. 302 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be amended by repealing section 2(a), (c) and (h)."

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

I will call upon Mr LAU Chin-shek to speak on the motion.

MR LAU CHIN-SHEK (in Cantonese): Madam President, today there are 22 resolutions on freezing the increase in government fees and charges for debate and to be voted upon. I hope the time taken to complete the debates will not be too long.

I believe colleagues and government officials in this Chamber are very clear about my stance. First, I am not focusing on whether certain items should be increased, whether the rate of increase is reasonable, or whether the Government should recover the costs. My point is the Government has set its eyes on increasing fees and charges and this will drive home a negative message to the community, hence triggering off a wave of price increases by other public utilities. Second, I must point out that I do not mean to say the Government should never increase its fees and charges. My idea is that while the people's livelihood is difficult as at present, and wage earners do not have any increases in their wages, the Government must freeze its fees and charges. Today, the Hong Kong General Chamber of Commerce released the results of a survey, showing only 25% of the employers would increase the wages of their employees in the coming year. Thus, it can be seen that the prospects of our wage earners are not bright.

In the past six months or so, I think it was government officials who had been talking a lot about increases in fees and charges. My record shows the Secretary for the Treasury has been publicly sending messages for such increases on at least eight occasions. The Financial Secretary has just entered the Chamber, in good time. He has spoken on similar topics at least 12 times. He even said the Government would not take the lead to increase its charges. However, they have been talking about such increases in the past six months. Is that not an invitation to other public utilities to "follow suit"? Even though the Government's behaviour may not amount to "taking the lead", it is guilty of "inciting" the public utilities to increase prices!

In his letter addressed to Members a couple of days ago, the Financial Secretary defended the Government once more for the increase. I must respond on two aspects.

First, the Financial Secretary indicated taxpayers had subsidized users of government services as much as \$2 billion in the last fiscal year. He said the longer the revision of fees is deferred, the greater the subsidization by taxpayers and the deviation from the "user pays" principle.

I have to point out here that the Financial Secretary's argument is misleading. In the 2 000-odd items of government fees and charges, water tariffs and sewage charges occupy a large proportion. Since the Financial Secretary announced the freeze on water tariffs, sewage charges, school fee, medical fees, and so on last month, adjusting the various fees and charges as proposed by the Government now will have minimal effect on the balance sheet of the Government. In fact, even if the Legislative Council succeeded in passing all the 22 resolutions to freeze the fees and charges, including those resolutions proposed by the Honourable CHAN Yuen-han, the Honourable James TIEN and us, the revenue involved amounts to just \$7 million annually. With \$400 billion in its fiscal reserves, how can the Government say the freeze would cause it any financial burden?

Moreover, I must reiterate that although I oppose the increases in fees and charges today, that does not mean I will always be fighting for a freeze on fees and charges in future. I believe, Madam President, the Financial Secretary and the Secretary for the Treasury will note that in 1995-96, when the Legislative Council debated on the increases in fees and charges then, the Honourable LEE Cheuk-yan, the Honourable LEUNG Yiu-chung and I stated that our position

was we had never objected to adjustments in fees and charges not related to the people's livelihood. Today, I made a blanket request to freeze fees because the economy and the people's livelihood at this point in time are at their worst in 50 years. The entire community is rather fragile and I do not think it can weather a round of increases in fees and charges.

What the Government needs to do is, I think, extending the freeze on fees and charges for another year or so, waiting for an improvement in the economy and waiting for an increase in the wages of wage earners before proposing an increase for its fees and charges. Then I trust most of the Government's proposals will be passed easily.

Another argument of the Financial Secretary is debatable. He said, to this effect, "Continuing the moratorium will undoubtedly undermine our ability to maintain a low-tax system. It will also cause international investors and credit rating agencies to think we have deviated from our usual principles of financial management. This is not conducive to attracting inward investment or creating job opportunities. This will even undermine our efforts to improve Hong Kong's business environment." That was what the Financial Secretary said.

I think whenever we disagree with the Government's financial proposals, the Financial Secretary will threaten us with international credit rating. Frankly speaking, even the Government itself has imposed the moratorium for two years. Has the international credit rating of Hong Kong been severely affected?

Today, representatives from the workers and employees alike make their voices against increases in fees and charges heard. We can tell from this that different social strata and social groups maintain that the Government should not increase its fees and charges. I hope the Government will heed their voices, loud and clear.

The Financial Secretary's argument for a discontinuation of the moratorium is that the present situation is adversely affecting the financial position and credit rating of the Government. Indeed, the same argument can be applied to other privately-run public utility companies. So, the Government's argument is no different from a booster to public utilities intent on increasing their charges. Despite the numerous times that the Government has stated that it will not take the lead to raise charges, it can never be vindicated.

Some days ago, a famous commentator, Mr SHUM Yat-fei, wrote in his column to this effect: "A surge in fees and charges has led to hostility in society. The recent series of bomb attacks reflects a venting of steam rather than copy-cat crimes alleged by the police!" That view of Mr SHUM is close to mine generally. It seems the Government has not taken the phenomenon sufficiently seriously. Instead, it pushes Hong Kong to the brink of an erupting volcano.

Lastly, I must point out that whatever the voting results of the 22 resolutions will turn out to be, similar resolutions to resist increases in government fees and charges will certainly follow because the Government has recently gazetted notices of subsidiary legislation for such increases. Just this morning, a Subcommittee scrutinized a number of proposals to increase fees and charges, namely, charges involving temporary liquor licences, charges under the Firearms and Ammunition Regulation, fees and charges for the services provided by courts and tribunals, fees for providing certifications, alterations and duplicates of official documents by a public officer, and registration fees for legal practitioners, and so on. The Government's strategy is simple: it tests the limits of the community. If this Council fails to freeze fees and charges today, more proposals for increases will continue to come before us. Is this a good thing for Hong Kong? I hope colleagues in this Chamber can consider the matter carefully.

Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, first, I wish to speak in my capacity as Chairman of the Subcommittee. The Subcommittee held a meeting with the Administration on 24 November to talk about the various charges under discussion today. We only held one such meeting because members attending the meeting had diverse opinions. Some members were in favour of the Government's increase of fees and charges, while other members were against it. Some members thought that the charges for some items could be increased, but not those for other items. The Subcommittee submitted a report to the House Committee on 1 December, while members submitted their own reports and put forward their own views.

Madam President, I come now to the views of the Liberal Party on the increase of this group of government fees and charges. Since the Government hopes Hong Kong to run well, it must have a sound financial position.

However, let us look at the situation in Hong Kong over the past few years after the financial turmoil. In the past, there were three parties in Hong Kong society, that is, the Government, the business sector (employers) and the working population (employees), and they were all well-off. Now, the Government is to be congratulated for having done very well in terms of its fiscal reserves, Exchange Fund and investments. It is now better off than most businesses and the people whose assets may have become liabilities. In view of this, we feel that the Government is now the most well-off party in Hong Kong, while the local business sector and the public are worse off. Thus, should the Government not leave the money-making to the business sector and the people, while shelving its plans to make more money?

The Government claims that there might be a budget deficit of several billions of dollars. Since the recent listing of the Mass Transit Railway (MTR) has raised \$5 billion less than expected, the budget deficit may be as high as \$9 billion to \$10 billion. In my view, the listing of the MTR has raised \$5 billion less because of the Financial Secretary's decision. If more shares had been offered on the market, there might be over-subscription and an additional \$5 billion or so could be raised. However, the Government has promised many fund houses that it will not issue new shares in the short term. But if the Government issues new shares next year due to financial difficulty, it may be able to raise more than \$5 billion.

We have always been a little sceptical (the Financial Secretary is looking at me, this scares me a lot). Last year, around this time, we were discussing here the over \$36 billion budget deficit of the Government. I was sceptical about the truth of this figure. We had no proof, but we questioned that figure. In the end, the Government had a \$10 billion surplus. That is why I can now very well say that even if the Government claims there will be a \$10 billion deficit, there may well turn out to be a surplus, judging from the experience last year. The Government might say that if the charges cannot be increased this time, it will raise the profits tax. This will instantly make the business sector panic. The salaries tax may be increased too. This will make the people worry. Scared to death, we will support the increase of some charges by the Government, since the increase may only cost the public \$5 or \$10 more, while the registration fees for companies will only be increased by a few hundred dollars to some two or three thousand dollars.

However, I am sure the Government's budget deficit will not be as high as that. We can only guess whether there will be a surplus. I for one am making such guesses. Nevertheless, I very much doubt whether the Government will be in such dire straits then. If so, we will certainly be forced to support the Government's increase of charges and taxes, since a lot of government expenditure is used on education, health services and housing. We must help the unfortunate in society. However, in our view, the situation is not so bad now. There is still a lot that can be done about the Government's financial position and it is not necessary to increase fees and charges yet.

The Financial Secretary uses the phrase "to relieve hardship" in this year's Budget. For the Financial Secretary, apart from the grassroots, small and medium enterprises (SMEs), professionals and all employers are also the "people". The Government claims that it will not increase charges that will directly affect the people's livelihood this time. However, increasing the registration fees of SMEs or charges related to professionals, such as architects, accountants, doctors and lawyers will add to their already heavy burden. While they are also the "people" themselves, they will raise their charges on customers (that is, people who require their services) after their registration fees are increased. In my view, while the items directly affecting the people will have a direct impact on the people's livelihood, those items that do not affect the people directly will also have an indirect impact on the people's livelihood. Thus, I hope that the Financial Secretary will consider not increasing the fees and charges this year.

As we can see from the records, the Liberal Party has always been the Government's staunchest supporter over the years whenever it proposed increasing fees and charges. Most of the time, it supported the Government's increase of fees and charges. Only rarely would it ask the Government not to increase charges. This year, the situation is quite exceptional in that I have allied myself with Miss CHAN Yuen-han and Mr LAU Chin-shek. Reporters have asked me why I would support the motions proposed by Mr LAU Chin-shek and Miss CHAN Yuen-han, urging the Government to freeze all charges. Actually, the reason is quite simple. We support the Government's "cost recovery" and "user pays" principle. We may of course discuss whether the Government has put a sum of money to good use and whether public funds have been wasted. We may even criticize the Government for "giving a treat and asking the public to foot the bill", and urge the Government to enhance efficiency. The deflation rate in Hong Kong this year is 3.5% to 4%. Generally speaking,

if the deflation rate reaches 3.5% to 4%, we business people will not see any cost increase. Nor will the cost of the Government increase. Since cost has not increased, what justifications does the Government have for increasing fees? No doubt, I could give an answer on behalf of the Government, saying that the fees cannot recover 100%, but only 50%, 60%, 70% or 80% of the cost. That is why the Government wishes to increase fees and charges.

In view of the present circumstances, we hope the Government will not consider increasing fees and charges until next year, when there is no deflation in Hong Kong, when most people and employees can hope for a little pay rise, and most importantly, when the majority of SMEs are doing better business and making more money. In that case, there will also be no deflation. If people's wages increase and most businesses are making more money, there will be inflation. As I said, the Liberal Party has always supported the Government's increase of fees and charges. But today, before the above situation materializes, we urge the Government to freeze all fees and charges, whether they directly affect the people's livelihood and the business sector, or indirectly affect the people's livelihood.

With regard to the items that affect the business sector or directly affect the people's livelihood, the Legislative Council has scrutinized a lot of proposals over the past few weeks. We have questioned why a number of proposals for increase in fees and charges will not directly affect the people's livelihood. For instance, birth, marriage and death certificates all have to do with the people's livelihood. Birth, marriage and death have nothing to do with businesses — I beg your pardon, Madam President, the closing down of a company is also a kind of death. But generally speaking, these fees are very much related to the people's livelihood. However, the Government says these items do not affect the people's livelihood directly and wants to increase their charges. In its report, the Government proposes that the fee of photocopying documents be increased from \$140 to \$155. Such fees affect mostly the public, especially the fee of copying documents at the Court. The Government responded that they charge \$155 not just for copying a document. In fact, in order to copy a document, the staff in charge have to locate the document first and check whether the information contained in the document is correct. These procedures take some time to complete. The civil servants did not have a pay rise last year and the rent of government offices should also have been reduced. Under the present deflation, there should not be any increase in the Government's cost. Therefore, there is no reason why the charges for the use

of copying machines by the public should be increased from \$140 to \$155. While \$10 or so might sound very little and the people may not find it such a big deal, I think it is a matter of principle. The Government should not increase any fees or charges today.

Madam President, since a series of resolutions will need to be passed later today, Miss CHAN Yuen-han and I have included all our views today in one speech. On the whole, I hope colleagues will support the freeze on fees and charges this year. Lastly, when it came to increasing fees and charges in the past, all Members of the Democratic Party would raise strong objections in this Chamber. I am very much surprised that many Members of the Democratic Party are absent today. I heard that they would support the Government's increase of fees and charges this time. I am greatly surprised indeed. How did this come about?

Thank you, Madam President.

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

MR SIN CHUNG-KAI (in Cantonese): Madam President, I would like to take this opportunity to state the stance of the Democratic Party on the batch of proposals to increase fees and charges.

First, the Democratic Party firmly opposes any increase in fees and charges related to the people's livelihood. At the present stage, the Democratic Party will oppose with all its might proposals tabled to increase fees and charges related to the people's livelihood. Second, we will use a set of very strict criteria to determine whether the increase is related to the people's livelihood. We will consider the relevant issues from the point of view of the people's livelihood. We will consider, against very high standards, whether the increase will indirectly affect the people's livelihood. Third, the rate of increase must be reasonable. If the increase at one go is not reasonable, the Democratic Party will not support it. A great difficulty that will certainly confront us is the cost, a subject which was discussed at every meeting of the Subcommittee and a cost so exorbitant that we probably consider unacceptable. So, we feel the Government should not just table proposals to increase fees and charges. It should work harder to control and even reduce the cost that has to be recovered. Moreover, the Government should also consider the possibility of dispensing with numerous licences that may have become obsolete down the years. Would

doing away with some of these licences save the Government and the people some unnecessary expenditure?

The Democratic Party will certainly oppose the increase in some fees and charges related to the people's livelihood, including water tariffs, sewage charges and postal charges mentioned earlier. Indeed, the Government has now proposed to freeze these charges. However, we would like to stress that the Government should not set its policy objectives at recovering full costs on fees and charges related to the people's livelihood. We have looked at the 20-odd items proposed for increase in great detail and eventually concluded they are not related to the people's livelihood. Some of the items indeed relate to environmental protection. We certainly support environmental protection and we have considered the possible impact on environmental protection groups when the fees and charges have been adjusted. But, as we considered individual cases, we found that only a small number of groups were involved. When we read the reference papers in the Subcommittee and conducted discussions, we found only a few groups were involved. Only one or three or five items are related. From this angle, insofar as fees and charges in respect of environmental protection are concerned, the relevant licence fees are actually reduced rather than increased.

The present proposal of Miss CHAN Yuen-han is, as I understand it, to allow reduction but not increase in the fees and charges. I have considered the issues and I think, after adjustment, environmental protection companies and groups on the whole may save some money. The question is whether it is a saving of \$200,000 or \$300,000. At any rate, they will pay less. The situation is that if Miss CHAN's motion is passed, they may pay \$300,000 less; if not, \$200,000 less. That is about the situation of the case.

We find it quite hard to reject the motion in respect of registration fees for professionals, the reason being many professional bodies are involved. Among them are some social workers or some service industries, such as estate agents, which require registration. The Government provides no subsidies to these groups of people. Thus, my question is: If we do not provide subsidies in the registration fees for social workers, why do we subsidize nurses in their registration fees? This morning, we had a discussion on fees payable in connection with the admission of solicitors and barristers. The increase is from \$330 to \$360. Should we subsidize the fees? We certainly know very well the present economic situation and the people's plight and we do care. We would strongly oppose price increase by utility companies, but we would consider and support some increases in government fees and charges not affecting the people's livelihood.

Madam President, at around nine o'clock yesterday, after I had returned home from an annual dinner of a professional body, I received a phone call from a constituent of the Information Technology Constituency. The caller rang me after viewing a report on the television. He asked why I did not support Mr LAU Chin-shek's motions to reject the increases in fees and charges. We spoke for 15 minutes and I explained to him my stance, telling him the reasons why I could not support Mr LAU. I also gave him Mr LAU's telephone number, but he could not get in touch with Mr LAU. Finally, he left a message on my pager saying he could not find Mr LAU but he would like me to lobby Mr LAU to withdraw his motions.

This friend of mine belongs to the information technology industry, but he is living on Comprehensive Social Security Assistance (CSSA). While most workers in information technology do not need CSSA, my friend needs it because he had problems with his eyesight. I asked him this question: Although the Legislative Council and politicians such as me, like Mr LAU, hope to protect the vulnerable minority and the grassroots, what should be our priority when we spend the tax money and money from the Treasury? If we have someone on CSSA and a nurse in front of us, whom should we take care of first? We do know very well nurses need to pay registration fees, just as social workers and other professionals do. We have raised this subject for discussion because we hope the Government may adjust its expenditure in the budget next year. According to the Budget released in March this year, the Government set a trend growth in government expenditure at 2.5%. However, the overall growth in the economy is much better than the 5% forecast at the beginning of this year and is expected to reach 6%. After adjustment, the figure exceeds 10%. So, the Government has much room in increasing its expenditure.

The Democratic Party expects the Government to improve through increased expenditure its services for the grassroots, including services such as medical care, social welfare, housing and even environmental protection. Hence, we hope the Government will mention in its budget to be released in March next year that it will enhance its services. To do so, the Government must increase its expenditure in this respect so that it can improve the lot of the grassroots. I really do not see what effect freezing the fees and charges may have on the grassroots. As regards the issue of triggering off a surge in fees and charges, I very much agree we must contain or suppress a certain type of surge. However, the fact is that some utility companies are ignoring this Council and have taken the lead to increase prices without the people knowing it.

These companies include the Hongkong Electric Company Limited and the Western Harbour Tunnel Company Limited. If we reject this motion, I am not aware of any effect this may have on the livelihood of the grassroots. I would only be too happy if someone could tell me the effect, if any.

Madam President, the Democratic Party will support the Government's proposals to increase its fees and charges. The Democratic Party will examine every item of the fees and charges in great detail. During the item-by-item examination, we will stick to one principle: We oppose livelihood-related increases but we would consider lending our support to those increases not related to people's livelihood. Thank you, Madam President.

MISS CYD HO (in Cantonese): Madam President, Miss Emily LAU of the Frontier and I do not oppose the Government's proposal to increase charges that are not directly related to the people's livelihood. The reasons we have are not related to the rates of increase. As to whether the proposed increases are directly related to the people's livelihood, as the Honourable SIN Chung-kai has made the relevant points, I am not going to repeat the points already made.

Whether the increase will be approved certainly has a symbolic meaning because this is a fairly large-scale proposal for fee increases. In fact, this is not the first fee increase because the Government proposed on 20 October to increase the licence fees for aerial ropeways but the charges are only payable by none other than the Ocean Park. Subsequently, the charges in respect of elevator and lift safety were increased. Later, on 10 November, the charges for classification of obscene and indecent articles and the admission fees of museums were also increased. These proposed fee increases were then approved without objection by this Council by way of negative vetting.

Indeed the current proposals for fee increase has a symbolic meaning and we fully understand Members' worry that an approval of this proposal may trigger off a wave of fee increases. But after the application for a fee increase by the Western Harbour Tunnel Company Limited was approved, the New World First Bus Services Limited applied for a fee increase. After a price increase in disguise, the Hongkong Electric Company Limited is now applying for an increase in power tariffs. When so many public service organizations file applications for fee increases at the same time, we definitely have reasons to believe that many of these organizations were actually poised to increase charges

for charges have been frozen for a very long time. Yet, we think that the way to stop these public service organizations from increasing charges is not to oppose the Government's recovery of costs in respect of services that are not directly related to people's livelihood. We should look at these two matters separately.

Even though we successfully vote down the proposals today and stop the Government from increasing the charges for these services, this Council actually does not have the right to stop the increase in charges for other public services. What we can do is to say that we have turned down the Government's applications for increase in fees and charges, so they had better not come before us with applications for fee increases. Will this really have deterrent effect? The answer is negative. It is because we do not have a mechanism for monitoring fair pricing by public utilities, nor do we have a precise communication channel for the people and their representatives to express their views, exert influence, give play to their influence and demonstrate our strength. Therefore, we have to compel the executive authorities to establish a mechanism that accommodates the public opinion, and caters for the interests of the grassroots and those of various other parties in order to monitor the charges levied by these public services organizations. Most importantly, the Government should not allow these organizations to reap exorbitant profits and monopolize the market. Since we do not have such an effective mechanism, a lot of people feel that they have been wantonly bullied and that is why they are in such a state now. When Members fail to counteract the arbitrary increase in charges by public service organizations and while we have no way out, we have to oppose the increase in charges by the Government so that it cannot take the lead to increase charges and induce a wave of fee increases. If the Government does not want this to happen, it should consider how we can monitor the charges for public services.

Madam President, while the Frontier does not oppose these fee increase proposals, it has to remind the Government seriously that all charges related to the people's livelihood should definitely not be increased before the employment and pay situation of the general public evidently improved and the general public's confidence in the future restored. Thank you, Madam President.

MR ERIC LI (in Cantonese): Madam President, if Members do not know the background to this issue, they may have mistaken that the Honourable Cyd HO and I have swapped our scripts. I still recall that on 9 November, soon after I was elected a Member of this Council, one of the things I did was to meet the Financial Secretary and discuss the budget. I clearly remember that I proposed to the Financial Secretary that he should consider postponing the submission of applications for government fee increases for six months and I openly told the media about this.

Having done that, I thought that being an elected Member I should handle the matter very carefully. At many gatherings of the accountancy sector, I discussed the matter with participants time and again and I was astonished by their responses because they strongly and clearly asked me not to support the Government's fee increase proposals. Having got this message, I conducted another comprehensive consultation by posting questionnaires to all accountants to solicit their explicit views. I received 425 replies within a very short time and 187 among them objected to the fee increases strongly, 161 wanted a postponement of at least six months while only 33, that is not less than 7%, supported the fee increases while 13% had no comments. In other words, over 80% of the respondents wanted a postponement or objected to the fee increases. This result was utterly unexpected, but I did receive these responses and I was really surprised. When I talked with my friends from the accountancy sector, I tried to understand why they had such thoughts. Accountants and the accountancy sector usually have macroscopic views. We certainly support a tax review by the Financial Secretary, but compared to the budget deficit of almost \$10 billion, the additional revenue of several million dollars after the fee increases is a small amount. So, we attach more importance to how we can grasp information on fee increases instead.

A Member has just said that the Mandatory Provident Fund Scheme has just been implemented and many people are not pleased at the fact that they have to make contributions at 5% of their salaries, I wonder what they will think about the proposed fee increases by the Government. The Government is not asking for substantial increases, and it can be said that many fees have not been increased for many years. But quite a few accountants have indeed reflected to me that their business has not been good for many years. They have not had a salary increase for years and they have not increased their clients' charges, therefore, their situation is more or less similar to that of the Government. Another remark so deduced is that the Government very often indicates its hope

that the market or private enterprises can give impetus to the Government because as a small government, it should not pull the economic development. For instance, in respect of the pay increase of civil servants, the Government will make adjustments after making reference to the rate of pay increase in the market. But regarding fee increases and matters related to the people's livelihood, why does the Government not follow (or why is it not seen to be following) this principle of following the market? This is one of my queries and I hope that the Government will give me an explanation later.

All of us will know from the economic data that our economic situation is gradually improving and there is over 8% economic growth. The latest data may be adjusted and the Government has expressed its confidence time and again. I fully agree that there is an economic growth but the growth is not comprehensive. Individual trades may be better but it still takes time for this to spread to all trades and sectors. This remark has spread for a certain period of time. In any case, if we can have six more months, there will be sufficient time for us to consider whether the principle of promoting activities by economic growth is tenable. If the livelihood of the general public is improved at that time and there are signs of recovery in all trades and sectors, I will be the first to support the fee increases by the Government, just like when I indicated to the Financial Secretary in advance that fees should be frozen. Then, I will sincerely welcome the Government's proposing fee increases by category and I will try my best to support the approval of the proposals as I did in the past.

Thank you, Madam President.

MR AMBROSE LAU (in Cantonese): Madam President, the position adopted by the Hong Kong Progressive Alliance (HKPA) all along concerning whether we should support the increase in fees and charges for services by the Government covers two aspects.

Firstly, before the economy has fully recovered, the relevant fee increases should not substantively affect the livelihood of the people in order to avoid putting a heavier burden on the people.

Secondly, the relevant fee increases should not substantively increase the operating costs of the business sector as this will not be conducive to economic recovery.

The HKPA thinks that the fee increases proposed by the Government are appropriate and they have not contravened the position of the HKPA. Thus, we do not oppose the Government's adjusting the charges for the relevant services.

The fee increases mainly include licence fees, registration fees and examination fees which are not recurrent expenses for the relevant people and trades and they are also only applicable to a small number of people and individual trades. Thus most people and other trades do not need to continue to subsidize the small number of users. To avoid making international investors and credit rating agencies come to any misunderstanding that Hong Kong has deviated from the principle of prudent financial management, the Administration is really obliged to keep expenditure within the limits of revenues and strive to achieve a fiscal balance in accordance with Article 107 of the Basic Law. The Government has exercised restraint and these fee increases are reasonable, and they have not substantively affected the people's livelihood and the business costs.

In the HKPA's view, the best way to make the public, the business sector and the Government winners is for the Government to try its best to and expeditiously cut down unnecessary and tedious administrative work. Then, most people and trades will not need to subsidize a small number of users and the business sector will not incur unnecessary expenses. The Government will be able to further promote the Enhanced Productivity Programme if it can cut expenditures.

I so submit.

MR FREDERICK FUNG (in Cantonese): Madam President, first, I reiterate that we support the Government, especially the Financial Secretary, with regard to their earlier pledge of a freeze on four items of fees and charges related to the people's livelihood, that is, water tariffs, sewage charges, school fees and charges of public health services. We also think the Government's decision is right. What reason did the Government give for freezing these four items of charges? According to the Government's explanation, the main purpose of implementing this measure is to reduce the people's financial burden in the initial period of contributing to the Mandatory Provident Fund (MPF) Scheme. It will also give a break to most people who have not benefited from the initial economic recovery.

The truth is, the Government appreciates the plight of the people. It also knows that while the economy has improved, the majority of people have yet to be benefited. It also knows that the MPF contributions constitute a financial burden to the people. However, I reckon that the Government knew earlier than we do that the mandatory and contributory medical insurance fund announced yesterday, which might be called the "mandatory medical fund", will create an additional burden. If the Government realizes this, I wonder why it did not realize that the people's financial situation had not improved when it proposed the fee increases, or if it realized this, why it would still propose the fee increases.

It is in my view unreasonable to use the "user pays" principle as a justification for increasing the charges of government services. I will elaborate on this later. The Government should withdraw all proposals to increase the fees and charges of government services. In my view, it should continue to freeze the same in order to demonstrate to the other public utilities companies — I repeat, to demonstrate to them that the Government has not taken the lead to propose fee increases. This will make public utilities companies follow suit and not take the lead in increasing charges. Why would I say this?

I am sure Members may recall that a year or so ago, the Government told us that there would be a \$36.5 billion deficit in the previous year's budget. It turned out that the Government had a surplus of \$9.9 billion. Many public utilities companies told us that they would have deficits, and they did have deficits in the end. But even if the Government has forecast a deficit, it can turn it into a surplus by pulling a hat trick. Still, it proposes fee increases by invoking the "user pays" principle. Given this, since the public utilities companies are less capable than the Financial Secretary and they cannot turn a deficit into a surplus, do they not have a better excuse, or are they not in a better position to propose fee increases, or even say that fee increases are just? In view of this, with its present proposal to increase fees, the Government is just like saying to the public utilities companies that it can propose fee increases despite a surplus. Hence, the public utilities companies can also increase their charges. If the Government can propose fee increases on its own excuse, the public utilities companies will think that they have an even better excuse.

As for the "user pays" principle, is it really justified? I would like to talk about the "user pays" principle. In a letter addressed to Members on 11 December, the Financial Secretary lobbied us to support the Government's

proposals. One strong argument used was that the Government considers that the users should pay. He also said that due to the freeze on fees and charges over the last few financial years, the Government had to pay a subsidy of over \$2 billion. I am sure the Financial Secretary knows that the greater part of this \$2 billion was spent on sewage or drainage. But coincidentally, and unfortunately for the Financial Secretary, a report has just been submitted by an expert group, telling us that the deep-water tunnel is a mistake and will cause the Government to waste vast resources. The proposal to raise the sewage charge a few years ago was made because of this. However, we now know that most of the over \$2 billion was spent on this. When we say that the users should pay, the "users" have really been deceived. They had no idea that the deep-water tunnel would have so many problems. When the users pay, they are paying for a government decision which may be wrong in the first place and for the high costs incurred by such a project. This is one example.

I would like to cite my personal experience as another example. I am sure Members may also have had this experience. I wonder if Members have ever made photocopies of documents in government departments. Normally, they would charge \$5 or \$6 for a page. I am sure Members know that when we photocopy documents in shops in the street, most of them charge 10 cents, 20 cents or 50 cents per copy. Even the shops in Central charge \$1 or \$2 per copy at the most. Why does the Government have to charge \$5 or \$6? Does it mean that it is making a lot of money? Not necessarily, since this may really be a case of "user pays". Maybe each photocopy really costs \$5 or \$6 because of the high rent of government land, the high wages and good benefits of government staff, and many other costs, such as the cost of redundant staff. When the "user pays" principle is applied under these circumstances, the reasons behind it must be explained to make people understand. If the Government fails to justify the validity of the "user pays" principle underlying this fee increase proposal, then this principle is wrong and should not be applied.

As far as today's motions are concerned, I support the 21 resolutions proposed by Miss CHAN Yuen-han, Mr James TIEN and Mr LAU Chin-shek. One of the reasons is that the latest Gross Domestic Product (GDP) for the third quarter released by the Government saw a continued double-digit growth of 10.4%, while the unemployment rate in Hong Kong has dropped continuously for the third quarter, from 5.6% in the first quarter this year to 4.8% in the third quarter. These figures show that the overall economic recovery seems to have driven the development of local industries and led to a rise in employment.

Theoretically, the economy has improved. But what is the real picture? We learned from the figures announced by the Government that a double-digit economic growth was maintained in the third quarter. However, growth was mainly generated by trade and the import and export industries. Most of the revenue from trade and imports and exports will not be passed onto the common people. The Government has also told us that the strong economic growth may slow down next year. Members will have read many reports. The United States will probably lower its interest rates, since its economy will also slow down. As we all know, the United States is one of the largest trading partners of Hong Kong. The slowing down of the United States economy will certainly affect Hong Kong's trade and imports and exports.

The Government has also forecast that the growth in GDP will drop to 4.93% in the fourth quarter. While the unemployment rate has consistently dropped, has the Government considered why it has dropped? As far as I know, it is because more people are working part-time for a lower wage. In the past, no one would care to work jobs fetching \$3,000 to \$4,000. Now, there may be a long queue to apply for such jobs. Even if employees can find a part-time job and improve their lot, must the Government increase fees on them at once?

I would also like to refute the arguments put forward by a few Members just now. One of them is Mr SIN Chung-kai. He said that between a recipient of Comprehensive Social Security Assistance (CSSA) and a nurse, whom should we take care of first? If Mr SIN Chung-kai can tell me that the increased fee paid by the nurse will definitely be spent on the kaifong who receives CSSA, then he can make such a remark. We have no idea on what areas will the Government spend the increased fee collected. We have no power to decide how to spend the money. Miss Cyd HO has also mentioned this point. We do not know whether the CSSA recipient or the nurse will benefit after the fee increase. But I do know that even the nurse will have a hard time in an economic slump.

Second, Mr SIN said that Hong Kong economy would grow. Therefore, theoretically, income would also increase and the people's livelihood would be improved. With regard to this, as I said just now, it is driven mainly by trade and imports and exports. No one knows whether the general public can benefit yet.

Third, Mr SIN Chung-kai also mentioned that if the public utilities companies flaunted this Council and increased their charges anyway, what could we do about it? In flaunting this Council, the public utilities companies would in fact be invoking the Government's authority, in view of the latter's present stance. If the Government can propose fee increases and bleed the people despite its \$9.9 billion surplus, why should the public utilities companies running in deficit not increase their charges? The Government says that users should pay and the public utilities companies support the Government's "user pays" principle. Therefore, they continue to apply for increase in charges. These arguments are put forward wholly from the Government's point of view and serve to further their own cause.

I also wish to discuss Miss Cyd HO's remarks. She said that since the Legislative Council had no power or mechanism to regulate the increase of charges by public utilities companies, the most important thing now was to examine how we could have the power or mechanism. She has probably raised this question for debate purposes only, since it does not serve any practical purposes. However, I was rather surprised by her arguments. Actually, she should not have raised this point for discussion, because we are not talking about the system today. If we must have the mechanism or the power before we do anything, we should not talk about democracy, freedom or amending the Basic Law, since we do not know how much power we have to do all this. But we still discuss those matters because we want to draw people's attention to various issues through this legislature.

We discuss Mr LAU Chin-shek's motion and the amendments proposed by the other two Members today in order to let the Government know that proposing the various fee increases is inappropriate at this time and in this atmosphere. It is inappropriate to propose them in view of the people's income situation right now, and all the more so while the MPF Scheme and the "mandatory medical fund" are being introduced. Thus, we are asking the Government not to propose fee increases at this time, which would set a precedent for fee increases by public utilities companies. Do not give the public utilities companies a better excuse to increase charges, since they will say why can they not follow suit, when the Government does the same?

While the overall Hong Kong economy is still suffering from deflation, many organizations say they will give employees a pay rise next year. But when will this take place, in January, February, March, or in November or

December? Will wages be increased by 1%, 5% or 10%? The newspaper reports say that the minimum rate of increase will be 0.3%, while I have heard that the maximum rate will be 6%. How many people will be given a 0.3% increase and how many people can get a 6% increase? How many people will each increase rate apply to? We have to wait and see what the actual circumstances are.

The Government has proposed various policy reforms. When spending is needed, it says it must consult the people. Now, it has stretched out one more hand to demand fee increases. I find this intolerable. Thus, I have to repeat this question if the Government really has to increase fees and charges: Can it wait until the people have more money in their pockets, such as when the wages of employees are increased at an appropriate rate next year? Due to the introduction of the MPF and "mandatory medical fund" schemes, if fee increases are implemented at this time, the economy which is only beginning to recover will suffer a blow. While the people may have a little more money in their pockets, they dare not spend it. They will just save it up instead of squandering it. If the Government implements this measure, it will have an adverse impact on the overall Hong Kong economy and standard of living.

In view of the two circumstances above, I fully support the amendments proposed by the three Members, and oppose all proposals of fee increases that will lead to a surge in fees and charges. Thank you, Madam President.

MR LEE CHEUK-YAN (in Cantonese): Madam President, Mr LAU Chin-shek has already stated the position of the Confederation of Trade Unions, explaining why we oppose all fee increases across the board.

The Financial Secretary's letter to Members contains a very "deadly" sentence. I hope Members can listen carefully to this "deadly" sentence and seek to understand its logic and rationale: "Now that the economy has started to recover steadily, we should phase out the arrangement on freezing fees and charges." This is really a very "deadly" sentence. Is the Financial Secretary trying to convey the message that since the economy has improved, people may well feel free to increase the various fees and charges? This message covers all public utility companies which can use it as an excuse for increasing their fees and charges, for they can simply say that since the Government has said that the economy has recovered, there is no reason why they should not increase their

fees and charges. In terms of the justification for fee increases, the biggest dispute between us and the Financial Secretary lies in the message that such a justification may impart. We are very much worried that this may impart a message to public utility companies that "now is the time for fee increases". But as we all know, our economic recovery has so far been partial at best, and the majority of our people are still unable to benefit from the recovery. This is a view shared by all of us. Besides, we do not wish to see any fee increases by public utility companies, and this is also our common view. Given this consensus, we must make sure that we are going to impart a very clear message to that effect, or else we may well impart a message similar to the one conveyed by the Financial Secretary, which says that now is the time for fee increases. Therefore, I hope that Members can think carefully about what kind of message their decisions today may convey, and what the consequences will be.

Second, about the remarks delivered by Mr SIN Chung-kai just now, I wish to say a few words, that is, to respond to the question of whether the Government should help nurses first, or should it help CSSA recipients first. This question seems to assume that once we increase the fees for nurses, we will be able to help CSSA recipients. Naturally, everybody knows that this is not the case, as was also pointed out by Mr Frederick FUNG just now. Well, I may actually ask a question in return. Which of the following three categories of people should the Government help first? The first category of people are CSSA recipients, the second nurses and the third the Government, which has \$444.3 billion in fiscal reserves. I ask Members to rank them in an order of priority, in the same way as they answered multiple-choice questions in their childhood. I am sure that Members will put CSSA recipients on the top of the priority scale, followed by nurses. But please do not forget to put the Government, which possesses \$444.3 billion in fiscal reserves, in the third position. When Members look at the Government (with its \$444.3 billion) and a nurse, which of them do they wish to help? The Financial Secretary literally has \$444.3 billion at his disposal, and understandably, he should be worried about running into the red. But the point is that he has \$444.3 billion at his disposal, and so, even if there is really going to be a deficit of \$10 billion as he has claimed, the fiscal reserves will only go down from \$444.3 billion to \$434.3 billion. So, if Members are to make a choice between a nurse and the Government, which one would they help first? By the same logic, there should be no reason for us to help such a rich entity like the Government which has \$444.3 billion in possession. Of course, the \$444.3 billion is not the personal wealth of the Financial Secretary and it belongs to the Government. But that

again, why should we worry so much about the possible financial problems of a government which has \$444.3 billion in possession?

And, all in all, the Confederation of Trade Unions is concerned about the message that may be conveyed. I hope that Members can think carefully about how they are going to answer the multiple-choice question I put them to them. If they put the Government, which has \$444.3 billion, in the third position, then I would ask them to join us in supporting all the resolutions against fee increases.

Thank you, Madam President.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, Mr LAU Chin-shek and Mr Frederick FUNG have just covered many points that I would like to make, and I fully concur with their position. I would like to add several points.

Firstly, I would like to respond to the remarks made by Mr SIN Chung-kai. He emphasized time and again in his speech that every item of fee increase should be examined using a "magnifier" and he would oppose it if the item directly affects the people's livelihood. I would like to ask Mr SIN Chung-kai: If he really examines every item of fee increase using a "magnifier", how can he explain why some registration fees are not related to the people's livelihood? Throughout his speech, I fail to see any criterion for determining whether an item of increase is related to the people's livelihood or not, and he has failed to specify what the "people's livelihood" means. Conversely, it is strange that Mr James TIEN has stated very clearly what the people's livelihood means. The people's livelihood not only concerns the general public, but it is also directly related to the business sector and the operators of SMEs. Therefore, I really wonder what livelihood issues we are discussing today. Do they only include buying food from the market and buying bread but not fee payments? What is the relationship between livelihood issues? What direct and indirect relationships are there between livelihood issues? One of the issues is very important. For instance, the examination fee payable by physiotherapists will also increase by over \$200. Madam President, is this fees not related to the people's livelihood? I do not think so. Let me give an example. If my child needs to attend an examination, I have to give him more money to pay for the examination and it will put a heavier burden on my household expenditure. If I do not have any income, it will be very difficult for me. Can we say that this is not related to the people's livelihood? If Mr SIN Chung-kai has such a chance, I hope that he will explain the definition of the people's livelihood again.

Why do I emphasize that I object to the fee increases today? The most important point is not because they will lead to an increase in public utilities charges as other colleagues are worried about. What are we most worried about? In January every year, we need only read the newspapers to find reports on fee increases, including the increases in public utility charges and the charges related to the people's livelihood. We are most worried that this may lead to a wave of increase in public utility charges and the charges related to the people's livelihood. Why do we object to the increase in government charges? History and our experience tell us that if the Government takes or other public utilities take the lead to increase charges at the beginning of a new year, it will directly or indirectly lead to increases in charges by various trades and sectors. Will this affect the people's livelihood? Actually, we cannot say that any item of increase in charges is not related to the people's livelihood. The only distinction we could make of it is a relationship direct or indirect. In any case, the general public will be affected. As some colleagues have just said, in the absence of a pay increase now, various trades and sectors are poised to increase fees and charges. How are we going to deal with this miserable situation?

These are precisely our worries. Thus, we cannot say that we should support the Government's proposals because we cannot see with a magnifier any relationship between the fee increase proposals and the people's livelihood. Conversely, why do we not use a magnifier to examine the fact that history and experience tell us that whenever there is a wave of increase, it will have extremely serious direct or indirect effects on the people's livelihood. I hope colleagues of the Democratic Party will change their mind and reconsider this point. Why can the Government not wait now that everybody is living in difficult and straitened circumstances? Madam President, I emphasize that it should wait. Mr LAU Chin-shek has just asked explicitly about the revenue that the Government will get from the score of fee increase items proposed. Madam President, it will only get some \$8 million rather than some \$2 billion. What benefits will some \$8 million additional revenue bring to the Government? Will it enable the Government to break even? Even if we use a magnifier, we will not be able to see the indirect effects that will be brought by \$7 million to \$8 million.

Madam President, I hope Members will note that the surge of increase in fees and charges that will be indirectly caused will have serious effects on the public. Therefore, I hope that colleagues of the Democratic Party will later ask the President for leave to discuss among themselves for five minutes before voting and see whether they could change their mind on this matter and whether they will oppose the Government's motion.

Madam President, I so submit.

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

(No Member responded)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, apart from the resolution moved by Miss CHAN Yuen-han, I am aware that Miss CHAN will also move resolutions to repeal another eight amendment regulations providing for fee revisions relating to environmental protection. Moreover, Mr James TIEN and Mr LAU Chin-shek are going to move a total of 13 resolutions to repeal provisions proposing revisions of fees for bonded warehouses, fees for examination, certification and registration of medical personnel, and fees for entertainment licences of a gambling nature.

Before I respond to Miss CHAN Yuen-han's resolution, I wish to reiterate the importance of revising government fees and charges. Revision of fees and charges for government services in the light of changes in costs on a regular basis is integral to fiscal prudence. This can ensure that the Government has sufficient and stable recurrent revenue to meet expenditures for the provision of public services, and maintain a fiscal balance. It is only fair for users of various government services to pay the costs incurred in delivery. This "user pays" principle is accepted by the community.

Over the past three years, most government fees and charges were frozen for the Government hoped to ease the burden on the people at a time of economic setback. That was an exceptional relief measure taken by the Government. Madam President, as the actual economic statistics of the Government have clearly shown a steady pick-up of the economy, the fee revision moratorium should be lifted across the board. That said, the Government appreciates that

the general public has not really enjoyed the fruits of economic recovery. Coupled with the fact that the Mandatory Provident Fund Scheme has just commenced, the Financial Secretary decided to continue to freeze four major categories of fees relating to the people's livelihood and general business operation. They include water tariffs, sewage charges, medical fees and school fees. However, we should seriously address the need to revise other government fees and charges. The Government considers that government fees and charges should be revised in stages. As a first step, the Government considers that fee revisions should resume for services that absolutely do not affect the people's livelihood and general business activities. This can reduce the subsidy from taxpayers to users of government services.

Madam President, the various regulations providing for fee revisions under discussion this afternoon will only generate a revenue of \$7 million to the Treasury annually. While this is not a significant amount, the Government has proposed the fee revisions on the basis of one important principle, and that is, the Government must, in an orderly manner, suitably readjust a small portion of government fees and charges without affecting the people's livelihood and general business operation. The longer we defer a fee revision of government fees and charges, the greater will be the amount of subsidy and deviation from the "user pays" principle. The various government fees and charges account for a significant proportion in the annual recurrent revenue of the Government. Take this financial year as an example. Government fees and charges accounted for 10% of the total recurrent government revenue of \$153 billion. Given the projection of a budget deficit exceeding \$10 billion, we cannot sit idly by and continue to adopt a broad-brush approach to freeze all government fees and charges across the board. We consider it a correct action to revise at this stage fees and charges that do not have an impact on the people's livelihood and general business activities.

The fees and charges involved in today's motion debate do not concern the people's livelihood. Nor do they have anything to do with general business activities. They actually apply to very few people or individual sectors only. The proposed revisions are very moderate and the Government has proposed downward adjustments for as many as 27 items of fees and charges. We believe the proposed increases will not result in the shifting of the costs onto the public and hence affect the people's livelihood for the impact of the proposed revisions on the operational costs of the relevant sectors is but minimal. In the debate, Members queried why the Government still has to adjust its fees and charges in

times of deflation. The reason is that most of the fees and charges due for revision were revised in 1997. Although we still face a deflation, the Government Consumption Expenditure Deflator that reflects the costs of government services registered a 10% increase in the past four years. Moreover, the cost recovery rates of some items of fees have remained low and therefore, the Government is still required to subsidize the users of these services substantially. For these reasons, Madam President, we actually cannot see any sound reason for the general taxpayers to continue to subsidize users of these services. Insofar as these fees and charges are concerned, even if all the proposed revisions are endorsed by this Council today, the general taxpayers will still need to subsidize users of these services, only that the amount of subsidy will be reduced. It is because some of the revised fees still cannot achieve full cost recovery.

Madam President, I understand and share Members' concern on government expenditure. Therefore, in order to contain costs, we undertake to push ahead with the Enhanced Productivity Programme to increase efficiency and reduce the pressure for fee increase. In fact, in calculating the costs of individual services, we have taken account of the possible savings from implementing these measures. That is why we are able to propose downward revision or maintaining the *status quo* for a number of fees and charges. Further, Policy Bureaux and government departments are currently reviewing the necessity of the various fee-charging services. Any service found to be not essential due to social changes will be cancelled, and of course, the associated fees will no longer be levied after the service is cancelled.

I wish to emphasize that the Government of the Special Administrative Region (SAR) upholds the principle of fiscal prudence underpinned by a low tax regime, and that is an important pillar of the Hong Kong economy and the backbone of stability. These fee revisions precisely demonstrated the determination of the SAR Government to observe this principle. Hong Kong's economic achievements hinge on our low tax regime to a very large extent. To maintain a low tax regime, we must firmly adhere to our long-held fiscal principles. If the Government continues to adopt a broad-brush approach to freeze all government fees and charges across the board, our ability to maintain a low tax regime will doubtlessly be undermined. Worse still, it will give international investors and credit rating agencies the impression that the SAR Government has departed from its long-held fiscal principles. This would be grossly disadvantageous to attracting inward investment and creating

employment opportunities. It would even impede our efforts to improve the business environment of Hong Kong. I very much hope that Members representing the commercial sector can carefully consider this macroscopic factor before they vote in the end.

Moreover, I must state that fee revision by the Government and application for fee increase by public utilities are basically two different matters. The fees of public utilities are determined on the basis of commercial principles from an overall perspective, taking into consideration the operational costs, return for shareholders, permitted profits, and so on. These companies operate independently and it is impossible for them to propose increases in the fees of their services on the ground that the Government has revised some of its fees and charges. In the motion debate on fees and charges two weeks ago, I already made it clear that in examining applications for fee increase by public utilities, the Government will certainly give prudent and comprehensive consideration to all relevant factors, including the financial conditions of the relevant public utility companies, projection of costs and revenues, their performance in service delivery, public acceptability of the increase, and so on.

Madam President, for the benefit of the overall interest and long-term development of Hong Kong, I hope Members will support the Government's proposal to suitably revise these fees and charges that do not have any impact on the people's livelihood and business costs.

Now, I wish to respond to the nine resolutions proposed by Miss CHAN Yuen-han to repeal provisions on fee revisions relating to environmental protection.

The Government has proposed the revision of 48 items of fees provided under environmental protection legislation. They mainly concern licence, permit and registration fees for waste disposal, sewage discharge, as well as air and noise pollution control.

These fees and charges were last revised in early 1998. The Environmental Protection Department (EPD) has conducted a review of costs based on prices in 2000-01, and results showed a significant reduction in the costs of many services as a result of the computerization of the EPD and its ongoing efforts to streamline procedures. For this reason, the fees for 25 out of the 48 items will be reduced by 1% to 64%, and of these 25 items, the fees for 17

items will be reduced by as much as 20% or more. Under these fee revisions proposed by the Government, operators using these services can save more than \$1.1 million in total. As for the remaining 23 items of fees that will be revised upwards, the proposed rate of increase ranges from 1% to 20% only, which is very moderate. After these 48 items of fees are revised upwards or downwards as proposed, government revenue will be reduced by some \$350,000 net annually.

In fact, the proposed fee revisions will only have an insignificant impact on very few operators. Take waste disposal as an example. There are less than 10 cases yearly with regard to a great majority of fees under this category. Moreover, users of air compressors and hand held percussive breakers are only required to pay the licence fee for each machine on a one-off basis, and the actual increase for this fee will be \$55 only, which is indeed insignificant when compared to the costs of the machinery and the works projects concerned. Further, the various licence fees under the Water Pollution Control Ordinance are paid once every two to five years, and the proposed increase for these fees merely ranges from \$65 to \$170.

We consulted the Legislative Council Panel on Environmental Affairs and the Advisory Council on the Environment on 2 June and 30 October this year respectively. They have no objection to the proposed fee revisions.

Miss CHAN moved resolutions to bar the fee increases for only 23 out of the 48 proposals, but agreed to the remaining 25 proposals of fee reduction based on the "user pays" principle and the principle of fairness. Since she has accepted these fee reductions proposed by us on the principles of "user pays" and cost recovery, she should not oppose the fee increases proposed by the Government on the same principles, particular as these increases, which are insignificant, do not have the least impact on the people's livelihood and the general business environment.

Madam President, I hope that Members will vote against Miss CHAN Yuen-han's resolutions on the various fee-charging proposals relating to environmental control. Later on, Mr James TIEN and Mr LAU Chin-shek will move resolutions against the Government's proposals to revise the fees for bonded warehouses, certification of medical personnel and entertainment licences of a gambling nature, and I will respond to their resolutions then. However, Madam President, as I noted just now that some Members had

mentioned the revision of the examination, certification and registration fees for medical personnel, I wish to provide Members with some information in brief. Most of the fee revisions relating to medical personnel that we proposed this time involve an actual increase of less than \$100. For instance, the fee for the practising certificate of dentists is proposed to increase by \$40 and the examination fee for nurses is proposed to increase by \$55. From our information, non-medical professionals are generally required to pay an annual fee or practising certificate fee ranging from \$1,200 to \$8,600. But under our proposals, the fees for practising certificates of health care professionals only range from \$200 to \$600. Midwives and nurses are only required to pay about \$200 for a three-year practising certificate. All these show that the proposed revisions are reasonable and will absolutely not constitute additional burden on health care professionals. Nor will health care professionals increase the fees payable by patients as a result of our proposed fee revisions.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to reply.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, having listened to the views expressed by the Secretary and some colleagues, I find that the greatest difference in our views is that although economic recovery has just begun (as admitted by the Government), during the period of recovery, most people especially the grassroots fail to share the economic results. On this basis, the Financial Secretary announced the other day the freeze on four items of charges related to the people's livelihood, and the public and Members of this Council welcome this.

If we look at the current fee increase on the basis of this principle, as the representative of the Hong Kong Federation of Trade Unions (FTU), I strongly stress that if some fee increases indirectly affect the people's livelihood and mostly SMEs, the fees will naturally be shifted onto the public. Because of this, we do not think the Government should increase the fees. I will discuss environmental protection and other issues later.

But I would like to tell Secretary Denise YUE that my criteria are very explicit. In the past few months, the Financial Secretary proposed the freeze on

four items of charges related to the people's livelihood and, based on "serving the community" which is the theme of the Chief Executive's policy address, put aside \$2.7 billion to help people tide over their difficulties. All these originate from the same idea and our criterion is that if the fees indirectly affect the people's livelihood and SMEs or small and medium companies are mainly affected, should the Government also consider this carefully?

In passing, I would like to discuss the point made by the Secretary in respect of the revision of fees payable by health care professionals. Originally, we thought that such fees should not be increased, but after consultation with the relevant professional bodies, we came to understand that some of their views differed from ours and we therefore refrained from opposing it.

I would like to tell the Secretary, the Financial Secretary and Honourable colleagues frankly that the nine resolutions proposed by me today focus mainly on the people's livelihood and the fees affecting SMEs, and the latter will actually indirectly affect the people and cause a wave of fee increases. Thus, I sincerely hope that Members will support the relevant resolutions proposed by me. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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 IP Kwok-him rose to claim a division.

PRESIDENT (in Cantonese): Mr IP Kwok-him 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 Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr Howard YOUNG, Mrs Miriam LAU, Miss LI Fung-ying, Mr Tommy CHEUNG, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr LAW Chi-kwong, Mr Abraham SHEK, Mr Henry WU and Dr LO Wing-lok voted against the motion.

Geographical Constituencies and Election Committee:

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the motion.

Miss Cyd HO, 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 TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Ms Audrey EU, 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, 24 were present, 13 were in favour of the motion and 11 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 29 were present, 10 were in favour of the motion and 18 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.

MRS SELINA CHOW (in Cantonese): In accordance with Rule 49(6) of the Rules of Procedure, I move that in the event of further divisions being claimed at this meeting in respect of motions on subsidiary legislation, the Council do proceed to each of such divisions 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 from 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 in the event of further divisions being claimed at this meeting in respect of the resolutions moved under the Interpretation and General Clauses Ordinance, the Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the second resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the second proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, I will continue today to move that the licence fee imposed by the Government for discharge or deposit of sewage from industrial, institutional or commercial premises be frozen.

Madam President, I move the amendment on the same ground as moving the previous motion, hoping that the Government can sympathize with the plight of the public and tide over the difficulties with them together. I urge the Government to only propose fee increase when the economy has improved. Moreover, I would like to respond to some comments of the public and the Government on the content of the resolution in question.

First of all, Madam President, I would like to stress that I support environmental protection, and I have done some work in this respect. Neither our organization nor myself will do anything detrimental to environmental protection. This I must emphasize.

When considering the proposal of fee increase on this item, we opined that the Government should make one point clear. Now the Government is proposing to increase the fee to recover administrative cost incurred in handling licence applications. Thus, the Government's fee increase absolutely has no direct relation with the implementation of measures for environmental protection. What the organizations concerned are applying for is a licence which has nothing to do with environmental protection direct.

Some people think that the amendment proposed in this resolution is targeted at the dischargers. They think that the Government seeks to partially recover the cost on environmental protection through the licence fees and to make the dischargers more attentive to environmental protection so that pollution can be minimized. I would like to express my views in this connection. I think the purpose of the Government to increase or freeze these fees is different from the allegation made by those who have just spoken. Whether these fees are increased or not, the Government is obliged to provide these services. An increase of fees does not necessarily mean a greater emphasis on environmental protection while a non-adjustment is not equivalent to paying little attention to environmental protection or being careless about Mother Nature. I think they are unrelated. On the contrary, the Government should consider how best to assist these companies in handling the problem or making more efforts in this area. The level of fees has nothing to do with environmental protection because, as we can see, the daily volume of effluents discharged by factories has nothing to do with the level of licence fees. Factories still have to operate and discharge effluents after all. The specific measures adopted by the Government are another issue. Just as the Government has said, the rate of increase is very small. Accordingly, an insignificant increase of fees will not affect the overall implementation of the policy. I am rebutting the Government with its own arguments.

I would reiterate one point to colleagues, the public and the Government. Pollution and the current level of licence fees are two unrelated issues. If the rate of increase is really very small as claimed by the Government, they should even be unrelated to each other. I must make this point so that people will not mix them up. Furthermore, if the Government wants to see bigger improvement in environmental protection, it should step up publicity or provide more assistance to companies or organizations so that they can better cope with these policies.

Madam President, in addition to the reasons spelt out by me at the beginning, I have also expressed my views on environmental protection and I cannot agree to some of the Government's views. I hope the Government and colleagues will consider these issues from the standpoint of the people's livelihood and serving the community. I am not opposing the Government to increase fees and charges. I only hope that the Government can wait until the economy is recovered — it should consider these issues afterwards. Thus, I hope Members can support my second resolution. Thank you.

Miss CHAN Yuen-han moved the following motion:

"That the Water Pollution Control (General) (Amendment) Regulation 2000, published as Legal Notice No. 303 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be amended by repealing section 2(a), (b) and (d)."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

PRESIDENT (in Cantonese): Mr LAU, you are shaking your head at me. Are you indicating that you do not wish to speak?

(Mr LAU Chin-shek indicated that he did not wish to speak)

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

(No Member responded)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, I wish to respond briefly to the two points raised by Miss CHAN Yuen-han just now.

Miss CHAN is right in saying that the Government's principle of recovering cost as far as possible includes no punitive element. So, if we hope to encourage the public to reduce the level of sewage discharge and levy fees of a punitive nature, we would not call them "fees". We might as well make them a tax item. It is because under the fee-charging principle of the Government, we can only achieve full cost recovery at most. However, if we cannot go by a step-by-step approach to progressively increase sewage charges until full cost recovery is achieved, then, conceptually it means that we do not encourage those business operators who discharge sewage to reduce the level of discharge. It is because if we keep on subsidizing them (which means not recovering the cost in full), there will be less and less incentives for them to explore ways to reduce the level of sewage discharge.

Secondly, in moving her second resolution against the Government's fee revisions, Miss CHAN said that the proposed rate of increase is very small. It is because we have discussed this with the relevant Panel, and members of the Panel considered that even if these fees cannot achieve full cost recovery or even if they fall far short of the target of full cost recovery, we should not immediately revise the fees to such extent that full cost recovery is achieved at one go. We got this message from Members very clearly. They hoped that we can proceed step by step. Therefore, we now propose an increase of about 10%, or in money terms, \$65 to \$170 over a period of two to five years, for these items. We consider this reasonable. We do not think that this is a violation of the principle of environmental protection. On the contrary, if we keep on increasing the amount of subsidy, it would really violate the principle of environmental protection.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to reply.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I hold a different view from the Secretary. As I have just said, we are not prohibiting the Government from increasing fees and charges. But since we are now in a hard time, the Government can wait until next year before considering raising fees and charges. Thus, I hold onto my view.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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)

Miss CHAN Yuen-han rose to claim a division.

PRESIDENT (in Cantonese): Miss CHAN Yuen-han 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 CHAN Kwok-keung, Mrs Sophie LEUNG, Mr Howard YOUNG, Mrs Miriam LAU, Miss LI Fung-ying, Mr Tommy CHEUNG, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr LAW Chi-kwong, Mr Abraham SHEK, Mr Henry WU and Dr LO Wing-lok voted against the motion.

Geographical Constituencies and Election Committee:

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the motion.

Miss Cdy HO, 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 TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr

WONG Sing-chi, Ms Audrey EU, 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, 24 were present, 13 were in favour of the motion and 11 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 29 were present, 10 were in favour of the motion and 18 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): Miss CHAN Yuen-han, you may now move the third proposal resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the third proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, as my reasons for objection to the fee increase are the same as those presented in my earlier speeches, I am not going to repeat them. Madam President, moreover, since that is all I have to say, and I so submit (*laughter*). In fact, I only wish to say that I will not claim a division again because the voting results will be similar. I have expressed all my views, and I hope Members will support my motion.

Miss CHAN Yuen-han moved the following motion:

"That the Air Pollution Control (Asbestos) (Administration) (Amendment) (No. 2) Regulation 2000, published as Legal Notice No. 304 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be amended by repealing section 2(a)."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): The fourth proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the fourth proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, I move to freeze the fees payable for the application of work licence or fees payable for the amendment of certain information on the licence. I hope Members will support my views on this issue for most of the operators involved are small-scale operators. Therefore, I hope Members will not support the fee increase proposed by the Government.

Thank you, Madam President.

Miss CHAN Yuen-han moved the following motion:

"That the Air Pollution Control (Specified Processes) (Amendment) Regulation 2000, published as Legal Notice No. 306 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be amended by repealing section 2(a), (b), (c) and (d)."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negated.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the fifth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I will continue to try my best to convince Members to support my motion on freezing the fees payable for applications for construction noise permits.

Madam President, I am very sensitive to noises, and I also hate noises, but I do not think that the noise problem can be solved by increasing permit fees. I think this will have an undesirable impact on the SMEs of the construction industry, and will also induce an undesirable trend. I hope Members can support this motion, so that the voting results on this motion can be different.

Miss CHAN Yuen-han moved the following motion:

"That the Noise Control (General) (Amendment) Regulation 2000, published as Legal Notice No. 307 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the sixth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the sixth proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

The purpose of this motion is to freeze the fee payable for an application for a noise emission label for an air compressor. I hope Members can support this motion.

Miss CHAN Yuen-han moved the following motion:

"That the Noise Control (Air Compressors) (Amendment) Regulation 2000, published as Legal Notice No. 308 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the seventh proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the seventh proposed resolution under the Interpretation and General Clauses Ordinance as printed on the Agenda, be passed.

This motion seeks to freeze the application fees for hand held percussive breakers. I hope Members will support it.

Miss CHAN Yuen-han moved the following motion:

"That the Noise Control (Hand Held Percussive Breakers) (Amendment) Regulation 2000, published as Legal Notice No. 309 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the eighth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the eighth proposed resolution under the Interpretation and General Clauses Ordinance, as pointed on the Agenda, be passed.

Madam President, my resolution seeks to freeze the licence application fee for the import and export of scheduled substances affecting the ozone layer. I hope Members will support it.

Miss CHAN Yuen-han moved the following motion:

"That the Ozone Layer Protection (Fees) (Amendment) Regulation 2000, published as Legal Notice No. 310 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): I now call upon Miss CHAN Yuen-han to move the ninth proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I move that the ninth proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, and Honourable colleagues, this is the last resolution proposed by me today. Members may wonder why I have still moved my resolutions when the voting results in the Legislative Council today could actually be foretold well beforehand. In particular, they may also wonder why I still try to lobby some Members even at the last minute. The answer is that I have no regret for moving the resolutions today.

This leads me to talking about my viewpoint yet again. Despite the fact that our economy is improving, the people have not yet been able to share the fruits of such improvement, and the proprietors of SMEs are still full of grievances. I share the views advanced by the Honourable Frederick FUNG earlier today. This explains precisely why I advised against any discussions on "mandatory medical fund contributions" at this stage when I spoke during the meeting yesterday. The people are still full of grievances, and so, it will be very difficult for us to conduct any sensible discussions now even if we so desire, not to mention the fact that we simply do not support such an idea.

Similarly, I hold the same viewpoint regarding the issue of fare increases under discussion today. In 1995, several Hong Kong Federation of Trade Unions (FTU) members including me joined the then Legislative Council for the first time, and at that time, the Government submitted a number of fee increase proposals. I trust that the Financial Secretary or Secretary Denise YUE should still remember that the three Members of the former Legislative Council belonging to the FTU eventually voted for several items of fee increases which did not affect the people's livelihood directly. But why have we moved all these resolutions on freezing fees and charges today? The answer is that from our contacts with the grassroots and proprietors of SMEs, we notice that they still have many grievances. If the Government can defer the submission of these fee increase proposals until next year or late next year, I see no reason why we should not support them by then. Why is the Government so reluctant to defer the submission of these fee increase proposals?

Some Honourable Members think that the amounts involved are very small and the impact not so significant. But I am afraid I cannot accept their viewpoint. Honestly speaking, it is only natural that when proprietors of SMEs run into any difficulties in operation, they would shift the burden onto the people. What is more, if the Government really increases its fees and charges, it will impart a very bad message. That is why when I moved my first resolution, I made this point very clear, in the hope of getting Members' support. Unfortunately, the eight resolutions moved by me so far have all been negated. Well, anyway, I still hope that Members, in particular those returned by elections, can support this resolution, because we should all be aware of the plight experienced by the people and proprietors of SMEs.

There is a very rare united front today, one which consists of the two Members from the labour sector and the chairman of the Liberal Party. I think such a united front is really very rare. All of us in this united front can appreciate the difficulties of the other side. But it is a great pity that our proposal has failed to gain the acceptance of other Members. I am sure that all of us in this united front are very distressed. I know "petty employees" in particular are very distressed and so are SME proprietors. I am looking at this issue from the standpoint of SME proprietors, and I am not trying to be difficult just because of one or two items of licence fee increases; rather I am concerned about their overall implications on SMEs and thus wonder why we should allow the Government to increase its fees and charges. Why can the Government not defer its fee increases?

I know all my efforts may be in vain today, but I must say that I have seen a lot in the process, and I am moved by very deep feelings. This is the last motion moved by me today. Though Members may think that I am talking nonsense, I still hope that they can support my motion, just to show that they can appreciate the plight of "petty employees" and SME proprietors. Thank you.

Miss CHAN Yuen-han moved the following motion:

"That the Environmental Impact Assessment (Fees) (Amendment) Regulation 2000, published as Legal Notice No. 311 of 2000 and laid on the table of the Legislative Council on 5 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han 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): I think the question is not agreed by a majority respectively from 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 negatived.

PRESIDENT (in Cantonese): The tenth proposed resolution under the Interpretation and General Clauses Ordinance.

PRESIDENT (in Cantonese): Mr James TIEN and Mr LAU Chin-shek have each given notice to move this proposed resolution under the Interpretation and General Clauses Ordinance. The motions proposed by Mr James TIEN and Mr LAU Chin-shek are identical and have the same effect. As Mr James TIEN submitted his notice at an earlier date, I will call upon Mr James TIEN to move his motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR JAMES TIEN (in Cantonese): Madam President, I move that the tenth proposed resolution under the Interpretation and General Clauses Ordinance, as printed on the Agenda, be passed.

Madam President, I wish to talk mainly about items (a) and (b). Item (a) is about the licence fees for general bonded warehouses or public bonded warehouses. The existing annual fee is \$15,200, and the Government now proposes to increase it to \$17,500, that is, an increase of \$2,300. I understand that many SMEs will store their goods in bonded warehouses, be they general or public ones. Once the licence fees for bonded warehouses are increased, it is very likely that the fees for stores will also be increased. Moreover, since it will just be the same bonded warehouse, I must really question why the Government has to increase its licence fees once every year. What is the Government trying to do? Why an increase from \$15,200 to \$17,500? Has the Government actually done any cost effectiveness calculation? Since it will be the same company anyway, why should the company be made to spend so much on licence renewal? Although the document does not mention this point, I still wish to say a few words about it here. According to the Government, the existing fee of \$15,200 represents a costs recovery rate at 70%; it now wants to increase the fee to \$17,500 (at an increase rate of 15%, in other words), and this will give a recovery rate of 80%. Given the current business environment, can the Government actually defer the increase for a year, instead of trying to attain the rate of 80% so hastily?

Item (b) is about revision of the licence fees for distillers, distilleries, breweries and tobacco manufacturers by some \$2,000, from \$14,170 to \$16,300 across the board, that is, also at a rate of 15%. The fee increases proposed under item (b) also aim to recover costs. The original fee of \$14,170 already represents a costs recovery rate of 70%, and the proposed fee will represent a rate of 80%. I maintain that it is not appropriate to propose these fee increases today, which is why I have to move this motion. Thank you, Madam President.

Mr James TIEN moved the following motion:

"That the Dutiable Commodities (Amendment) Regulation 2000, published as Legal Notice No. 324 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be amended:

- (a) by repealing section 2(1)(a), (b) and (c);
- (b) by repealing section 2(2);
- (c) by repealing section 2(3);
- (d) by repealing section 2(4);
- (e) by repealing section 2(5)."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr James TIEN be passed.

MR LAU CHIN-SHEK (in Cantonese): Madam President, the Hong Kong Confederation of Trade Unions and the Neighbourhood and Workers Service Centre insist that the Government should freeze all fees and charges at this stage and we therefore will not scrutinize the items of increase one by one. The motion proposed by Mr James TIEN is actually a part of my motion, so we will support him and we hope that other Members will also support his motion. Thank you.

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

(No Member responded)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, the various fees for licences and services in relation to the control of dutiable commodities are divided into two major categories. The first is the fees for bonded warehouse licences for the storage of tobacco, liquors and hydrocarbon oil, and the licence fees for manufacturers of these dutiable commodities. The second is the charges for supervision of warehouses by Customs and Excise officers. These two categories of fees do not have a direct impact on the people's livelihood.

These two categories of fees were last revised in December 1997. Our proposals actually include a reduction of fees for two items, namely, the fees for the issue of import and export licences. Given a reduction in costs, we proposed to lower such fees by 10% and 30% according to the "user pays" principle and to achieve full cost recovery. At the same time, we proposed to increase the fees for 12 items at a very moderate rate, ranging from 5% to 20%. To operators of bonded warehouses and manufacturers of these commodities, the proposed increase is insignificant when compared to the value of the commodities stored or manufactured by them.

Take the annual licence fees for bonded warehouses and manufactures of liquors and tobacco as an example. We proposed to increase these fees by \$2,300 and \$2,130 respectively. Even if the proposed revisions are approved, we can only recover 80% of the costs. In other words, the remaining 20% will still have to be subsidized by taxpayers.

As for the charges for supervision by Customs and Excise officers, the actual amount of increase under our proposal ranges from \$2,500 to \$6,500 monthly. As far as we know, when compared to the average value of commodities manufactured by liquors and tobacco manufactures and stored at bonded warehouses, the annual licence fees and supervision charges are grossly insignificant. This shows that the revisions will have little impact on the trades, and few operators will be affected. Therefore, it is unlikely that the trades will pass on the increases to consumers.

Madam President, on 15 June this year, we consulted the Panel on Financial Affairs of the last term of the Legislative Council on the proposed revision of these two categories of fees. Members of the Panel did not object to the proposals. Therefore, I urge Members to vote against Mr James TIEN's resolution on the Dutiable Commodities (Amendment) Regulation 2000.

PRESIDENT (in Cantonese): I now call upon Mr James TIEN to reply.

MR JAMES TIEN (in Cantonese): Madam President, as the Secretary for the Treasury has just said, a cost recovery rate of 80% is already beneficial to the relevant companies because the taxpayers still need to subsidize 20%. As efficiency has been enhanced, the costs of other fees have decreased. Thus, it is not necessary to increase such fees, conversely, fees can be reduced. I would like to encourage the Government to continue to enhance efficiency in respect of such items. Does the Government really need to deploy so many staff to inspect warehouses? Does it need to carry out inspections so frequently? Does the Government have records showing that the warehouses are very messy or many people conducted illegal activities inside the warehouses? The information we have does not have the relevant indications, and the Government has only employed more people to conduct inspections because it finds it necessary to step up inspection.

The Secretary for the Treasury has also referred to the meeting held by the Panel on Financial Affairs in June during the last term. She said that we did not oppose the proposal then. Yet, we also did not concur. The Government often remarks that as no Member speaks on or opposes a proposal submitted to a Panel of this Council, it shows that Members support the proposal. This misleads Members of this Council. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr James TIEN 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 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, Mrs Sophie LEUNG, Mr Howard YOUNG, Mrs Miriam LAU, Mr Tommy CHEUNG and Mr Michael MAK voted for the motion.

Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr LAW Chi-kwong, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Dr LO Wing-lok and Mr IP Kwok-him voted against the motion.

Geographical Constituencies and Election Committee:

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

Miss Cyd HO, Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, 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, Ms Audrey EU, Mr David CHU, Mr NG Leung-sing, Prof NG Ching-fai, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 10 were in favour of the motion and 14 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 28 were present, three were in favour of the motion and 24 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): The eleventh proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The resolution seeks to amend the Medical Registration (Fees) (Amendment) Regulation 2000 by freezing the proposed increase in fees and charges for the registration of medical practitioners, the issuance of practising certificate and other certificates, the application for certified copies of licensing examination and record of training, as well as other relevant items.

Madam President, earlier today I listened very carefully to the response of the Secretary for the Treasury to the first resolution proposed by Miss CHAN Yuen-han. The Secretary emphasized that the Government should maintain a stable source of recurrent revenue, and she has laid emphasis on that argument again and again. However, the truth of the issue under discussion today is that the people's livelihood and the economy this year are the worst in 50 years. Whenever the Government considers its revenue inadequate and wants to boost it up, it will propose an increase in fees and charges. However, has the Government ever considered the situation of the general public? What should the people do when they have not enough income to make ends meet? The Government may make high-sounding excuses for such increases. However, what should the general public do when they are unable to boost their income?

Who will help them to resolve the difficulties? Furthermore, in comparison with the freeze on government fees in the past two years, we are facing an unprecedented situation this year. That is, with the implementation of the MPF Scheme, both employers and employees have to make a contribution equivalent to 5% of the employee's income. This is unprecedented. To the people, it is a kind of burden adding to their expenditures and aggravating their predicaments.

I want to emphasize once again that my motion does not target on any single item of increase, in contrast, it pinpoints at the surge of fees and charges. We are neither discussing whether or not a specific item of increase is reasonable, nor the medical practitioners and nurses can afford the increase. We are not discussing the increase of this or that item. In fact, we are aiming at the entire surge of fees and charges. Perhaps the Government may say that there is no such thing as a surge of fees and charges at all, because it can make the adjustment as long as such increase has nothing to do with the general public. In that case, it would be better for us to write down "say no to water tariff increase" on the publicity boards in the streets, then it will show that we are not against the surge of fees and charges. In the same way, we should write down "say no to sewage charges increase", then it will show that we are only opposed to an increase in sewage charges, not the surge of fees and charges. If anyone says that he opposes the surge of fees and charges, then he should admit that there is actually a surge of fees and charges. So, why is there a surge of fees and charges? It is because a possible surge of increase proposals will come up one after another. Insofar as the increase of a particular item is concerned, has the Government discussed why that item has to be increased, why the increase has to be that much, why it is justified, and who will be benefited? Some Members have asked whether this motion was helpful to Comprehensive Social Security Assistance (CSSA) recipients or nurses. Mr LEE Cheuk-yan said earlier that there were three levels of priority. However, I have to point out that the surge will not only take its toll on certain people, such as nurses, lawyers or CSSA recipients, in fact, it will also take its toll on all of us. Can anyone get away from that? Actually, the most severe impact will be on the most vulnerable group. The lower class and the most underprivileged will inevitably suffer the ultimate damage, and consequently, none of them can escape the impact by sheer luck.

As a result, I hope colleagues will reconsider that, instead of considering a specific item of increase from a single perspective, we should take the impact of the entire surge into account. Thank you, Madam President.

Mr LAU Chin-shek moved the following motion:

"That the Medical Registration (Fees) (Amendment) Regulation 2000, published as Legal Notice No. 313 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, it is precisely because the Government has listened to the views of the public and this Council that it chose to continue to freeze the various government fees and charges that have a direct impact on the people's livelihood and general business operation. In the meantime, the Government has also taken account of the initial implementation of the MPF Scheme. Therefore, we consider that this initiative of the Government does merit support from Mr LAU.

Mr LAU has just mentioned that if the various fee revisions not relating to the people's livelihood and general business activities as proposed by the Government this afternoon are passed in the Legislative Council, it would lead to a surge of fees and charges in society. Madam President, as I said in the motion debate two weeks ago and in my earlier reply, the Government will not accept any application from public utilities for fee adjustment purely on the ground that the Government has revised its fees and charges. We will carefully examine each and every application for fee increase. We proposed the revision of four categories of government fees and charges this afternoon for consideration of this Council because we consider that these fees and charges will not in the least affect members of the public whom Mr LAU is most concerned about.

The resolutions proposed by Mr LAU are related to the fees for registration and examination for health care professionals, including dentists, nurses, midwives and paramedical professionals. These revisions involve 11

items of subsidiary legislation, and the fees were last revised in 1996-97. If we calculate on the basis of the current costs, the fees at their present levels can only recover 40% to 90% of the costs, but the cost recovery rate of the examination fees for medical practitioners is only 15%. Most of the fees proposed to be revised have not been adjusted for three years or more. We now propose to revise the fees very moderately at rates ranging from 1% to 20%. Of the 99 items of fees to be revised, 28 items will increase by less than 10% whereas 49 items will go up by 10%. The remaining 22 items will increase at a higher rate for their cost recovery rates are very low and yet, they will be increased by 15% to 20% only. Anyhow, the actual amount of increase for most of the fees will be less than \$100. As I mentioned just now, the fees for practising certificates for dentists are proposed to increase by \$40, whereas the examination fees for nurses will go up by \$55 under our proposal. Compared with other professionals, the registration fees and other fees payable by health care professionals are on the low side indeed.

Registration fees are payable on a one-off basis when the relevant professional qualification is obtained. The practising certificate is generally valid for a period from one to three years, and a very small amount of fees is charged for its issuance. The fees payable by medical professionals are far less than those payable by other professionals who are required to pay about \$1,200 to \$8,600 for annual fees or for their practising certificates. Medical professionals are required to pay some \$200 to \$600 only for a practising certificate, the validity of which varies from one to three years. We consider these fee revision proposals reasonable. They will not create additional burden on medical professionals. Nor will they result in the medical professionals passing the expenditure onto their patients.

Here, I wish to stress again that in calculating the costs, we have taken into account the possible savings from implementing the Enhanced Productivity Programme and other measures to improve efficiency. For example, the Central Registration Office was set up under the Boards and Councils Office of the Department of Health in 1999 to co-ordinate the registration and certification of all health care professionals. This new measure has not only improved the cost-effectiveness of the Office, but also reduced the associated costs. Therefore, it is unnecessary to revise some of the fees, such as those for practising certificates of general practitioners.

Moreover, we had conducted extensive and comprehensive consultations on the proposed fee revisions before we tabled at the Legislative Council these amendment regulations on the revision of registration, examination and other related fees payable by medical personnel. In June this year, the Panel on Health Services of the last term of the Legislative Council was consulted on the revision of the various fees and charges. Members of the Panel did not raise objection to these proposals. Between September and October this year, the regulatory bodies of the relevant professions were also consulted on the proposed fee revisions. Members of these bodies in general have no objection to the revisions.

Therefore, Madam President, I urge Members to vote against the resolutions moved by Mr LAU Chin-shek to repeal the Medical Registration (Fees) (Amendment) Regulation 2000 and other amendment regulations concerning the fees payable by medical personnel.

PRESIDENT (in Cantonese): I now call upon Mr LAU Chin-shek to reply.

MR LAU CHIN-SHEK (in Cantonese): Madam President, with regard to this motion, I will claim a division later on; as to the rest of my motions, I will not claim any division. I hope Members who have expressed their support to this motion will continue to support my subsequent motions, especially colleagues from the Liberal Party and the Hong Kong Federation of Trade Unions (FTU), as well as other supporters of trade unions. I also hope other colleagues will consider supporting this motion.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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 LAU Chin-shek rose to claim a division.

PRESIDENT (in Cantonese): Mr LAU Chin-shek 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, Mrs Sophie LEUNG, Mr Howard YOUNG, Mrs Miriam LAU, Miss LI Fung-ying, Mr Tommy CHEUNG and Mr Michael MAK voted for the motion.

Dr David LI, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr LAW Chi-kwong, Mr Henry WU, 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 LAU Chin-shek and Mr Frederick FUNG voted for the motion.

Miss Cyd HO, Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, 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, Ms Audrey EU, Mr David CHU, Mr NG Leung-sing, Prof NG Ching-fai 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, 24 were present, 11 were in favour of the motion and 13 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 29 were present, four were in favour of the motion and 24 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): I now call upon Mr LAU Chin-shek to move the twelfth proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, before I move this motion, may I make one request? Since I am going to move more than 10 motions, may I seek your permission to remain seated while moving these motions?

PRESIDENT (in Cantonese): I see the reason why you have made this request, but I also want other Members to understand. So, please tell us your reason.

MR LAU CHIN-SHEK (in Cantonese): Because I have a back injury, if I have to stand up and sit down for as many as 12 times, I will really

PRESIDENT (in Cantonese): Mr LAU, during the rest of the time, you may remain seated while you speak. However, I must make it very clear that this should not be regarded as any precedent. In the future, if Members wish to remain seated while they move their motions or speak, they must submit a doctor's certificate to me beforehand for my consideration. This is only fair to all Members. I shall allow an exception this time around, because I know that Mr LAU sustained a back injury a couple of days ago.

MR LAU CHIN-SHEK (in Cantonese): Thank you, Madam President. I now move that the motion, as printed on the Agenda, be passed. This resolution seeks to amend the Dentists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000 and freeze the fee increases relating to the registration of dentists, practising certificates, examinations and other relevant matters.

With these remarks, I beg to move.

Mr LAU Chin-shek moved the following motion:

"That the Dentists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 314 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Honourable Members, the meeting shall now be suspended for five minutes.

6.54 pm

Meeting suspended.

7.05 pm

Council then resumed.

PRESIDENT (in Cantonese): Mr LAU, you may remain seated and need not stand up while moving the thirteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The resolution seeks to freeze the registration fee increase for dental hygienists proposed in the Ancillary Dental Workers (Dental Hygienists) (Amendment) Regulation 2000.

With these remarks, I beg to move. Thank you, Madam president.

Mr LAU Chin-shek moved the following motion:

"That the Ancillary Dental Workers (Dental Hygienists) (Amendment) Regulation 2000, published as Legal Notice No. 315 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

MR MICHAEL MAK (in Cantonese): Madam President, I have chosen to speak at this juncture because many of those affected by this resolution are my constituents and I thus think that it is of particular significance to me. Although Members already know how I will vote, I am still going to make a few comments. But I shall be very brief, because I do not wish to waste Members' valuable time. First, let me declare my interest. I am a registered psychiatric nurse, a person who will be affected by this fee increase proposal of the Government.

I shall look at the matter from the perspectives of the economy, the Government's financial position and social stability, and I shall also explain the principle I uphold. All this will constitute the deciding factor shaping my voting decision.

The Hong Kong Government has some \$400 billion in fiscal reserves. Despite the financial turmoil, the Government was still able to accrue a huge

surplus last year. Its financial position is also quite stable this year, and a growth rate of nearly 10% is reported. The "user pays" principle as an economic concept is a novelty to Hong Kong, and I support it in principle. However, from the perspective of social stability, I would say that at a time when the unemployment rate is still high, and when the confidence of the community as a whole has yet to be enhanced, any attempt by the very wealthy Hong Kong Government to trigger a surge of fees and charges will certainly turn on the "green light" to fee increases and induce public utility companies to follow suit, regardless of whether or not the government fees and charges involved are related to the livelihood of the people.

Insofar as this motion is concerned, I am indeed sort of torn between my emotional responses and objective financial considerations, because I reckon that my fellow nurses will certainly not have any financial difficulty in coping with the fee increase. However, my constituents are mostly grassroots, and like the masses, they will not support any move of the Government to trigger any fee increases, because this may induce public utility companies to follow suit, thereby forcing our economy to revert to the path of downturn. I think the market and its users will not be as rational as the Government claims. As I pointed out yesterday when I commented on the establishment of "Health Protection Accounts" proposed in the consultation document on health care reform released by the Health and Welfare Bureau, it is politically incorrect for the Government to induce any surge of fees and charges now.

With these remarks, Madam President, I oppose all the fee increase proposals.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU Chin-shek, please move the fourteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of midwives proposed in the Midwives Registration (Fees) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Midwives Registration (Fees) (Amendment) Regulation 2000, published as Legal Notice No. 316 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the fifteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of nurses proposed in the Nurses (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Nurses (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 317 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the sixteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for enrolment, practising certificates, examinations and other related matters in respect of nurses proposed in the Nurses (Enrolment and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Enrolled Nurses (Enrolment and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 318 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the seventeenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of medical laboratory technologist proposed in the Medical Laboratory Technologists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Medical Laboratory Technologists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 319 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the eighteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of occupational therapists proposed in the Occupational Therapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Occupational Therapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 320 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the nineteenth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of optometrists proposed in the Optometrists (Registration and Disciplinary Procedure) (Amendment) (No. 2) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Optometrists (Registration and Disciplinary Procedure) (Amendment) (No. 2) Regulation 2000, published as Legal Notice No. 321 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the twentieth proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practising certificates, examinations and other related matters in respect of physiotherapists proposed in the Physiotherapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Physiotherapists (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 322 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Mr LAU, you may now move the twenty-first proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to freeze the fee increases for registration, practice certificates, examinations and other related matters in respect of radiographers proposed in the Radiographers (Registration and Disciplinary Procedure) (Amendment) Regulation 2000.

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

Mr LAU Chin-shek moved the following motion:

"That the Radiographers (Registration and Disciplinary Procedure) (Amendment) Regulation 2000, published as Legal Notice No. 323 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negated.

PRESIDENT (in Cantonese): Mr LAU, you may now move the twenty-second proposed resolution.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. This resolution seeks to amend the Gambling (Amendment) Regulation 2000 to impose a freeze on the fees for grant or renewal of licences for lotteries, Tombola, amusements with prizes, as well as trade promotion competitions.

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

Mr LAU Chin-shek moved the following motion:

"That the Gambling (Amendment) Regulation 2000, published as Legal Notice No. 325 of 2000 and laid on the table of the Legislative Council on 15 November 2000, be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed.

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

(No Member indicated a wish to speak)

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, the amendment regulation that Mr LAU Chin-shek proposed to repeal just now involves the revision of licence fees for lottery, "tombola", amusement with prizes and trade promotion competition.

The fees for these licences were last revised in December 1997. We propose to revise these fees very moderately, and the actual increase in these fees ranges from \$5 to \$260 only. Further, organizers of charity activities can continue to enjoy concessions in that their licence fees will be reduced, waived or reimbursed. Therefore, the revisions will have little impact on the business costs of the operators concerned. On 2 June, the former Legislative Council Panel on Home Affairs was consulted on these proposals, and no objection was raised by the Panel.

I believe Members will agree that revisions of fees for these licences do not have any direct impact on the people's livelihood and general business activities. Take the licence for "tombola" as an example. Applicants for this licence are mostly fraternal associations where "tombola" (that is, Bingo) with prizes is organized for members, and applicants for licences for amusement with prizes are mostly entertainment centres with amusement games.

To contain costs, the Television and Entertainment Licensing Authority will regularly review the licensing procedures to minimize the resources required with a view to paring down the costs. For instance, the fees for licences for mahjong and tinkau can already fully recover the costs of the services and therefore require no revision.

Here, I hope that Members will vote against Mr LAU Chin-shek's resolution to repeal the Gambling (Amendment) Regulation 2000. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): 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 motion negatived.

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. The movers of the motions will each have up to 15 minutes for their speeches including their replies, and another five minutes to speak on the amendments. The movers of amendments will each have up to 10 minutes to speak. Other Members will each have up to seven minutes for their speeches. Under Rule 37(3) of the Rules of Procedure, I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Drug abuse among young persons.

DRUG ABUSE AMONG YOUNG PERSONS

MR JAMES TO (in Cantonese): Madam President, the last motion debate related to soft drugs was held in June 1996 by the former Legislative Council. At that time, the motion was moved by the Honourable TAM Yiu-chung and amended by Dr the Honourable LEONG Che-hung. The motion was targeted at the then prevailing situation where young persons could easily buy drugs and cough syrup from some "pills doctors" or pharmacies.

Five years have lapsed since then, and the trend has changed tremendously. At present, a great variety of substances like "ecstasy" have emerged as party drugs or club drugs. Many of these are psychotropic substances like methylene-dioxy-methyl-amphetamine (commonly known as "ecstasy"), "K" (ketamine), Rohypnol and so on.

Unlike the case in the past, abusers of these substances will not hide inside public lavatories or underneath staircases to take the drugs. Instead, they will gather into a large crowd at some places of entertainment and share the drugs among themselves in the midst of loud music. After taking the drug, they will then squeeze back to the crowded dancing floor to dance till they drop of exhaustion.

Going to rave parties is not the only way young persons in Hong Kong can easily get these psychotropic substances, as many of them often visit places of entertainment in the Mainland to indulge in drug abuse. What is more, some even smuggle such substances into Hong Kong for personal consumption and for giving out to peers. At the Lo Wu Control Point alone, the number of "ecstasy" seized this year has increased by 400 times compared to the total of nine "ecstasy" pills seized in 1999! By the end of October this year, a total of 4 100 pills have been seized!

As indicated in the statistics of the Central Registry of Drug Abuse, since the peak in 1994, the number of drug abusers in Hong Kong has been falling continuously since 1995. However, upon entering the new millennium, the trend took a reverse course as the number of drug abusers suddenly bounced back. In this connection, the substantial increase in the number of drug abusers aged 21 and below is most worrying. The number of reported drug abusers aged 21 and below recorded in the first half of the year was 2 391, representing a 33.7% increase over the number recorded in the latter half of last year. The number of 13 to 15-year-olds indulging in drug abuse has increased from 170 to 377, representing a tremendous increase of 121.8%. As regards the 16 to 18-year-olds, the figure has increased 48% from 924 to 1 024.

The number of young persons indulging in psychotropic substance abuse has increased more visibly. The number of reported abusers of "ecstasy", has soared to 1 065 in the first half of the year, representing a four to five-fold increase compared with the 275 reported abusers in the second half of last year. As regards ketamine abuse, while a total of 21 cases were recorded last year, the figure has increased more than 20 times to 453. To be more precise, a 21.5-fold increase has been recorded!

Obviously, "ecstasy" is very popular among young persons. According to the figures provided by the police, as at the end of October this year, the total number of such pills seized has amounted to 50 533, which is 14 times the total seizure last year! Furthermore, as reflected by the statistics of the Central Registry of Drug Abuse, of the young persons reported as first-time abusers, 60.1% are abusers of "ecstasy" and 24.5% are abusers of ketamine. Worse still, these young persons do not only indulge in psychotropic substance abuse, they even consider it trendy to make several kinds of drugs into a cocktail for abuse. Among those reported first-time abusers, some 32.2% are abusers of more than one kind of substance. In so doing, these people have increased the danger they are exposed to.

As regards the reasons why young persons aged 21 and below indulge in drug abuse, according to the statistics of the Central Registry of Drug Abuse, 65.9% of the reported first-time abusers said they were under the influence of peers; 46.7% said they wanted excitement and satisfaction, while 42.2% tried it out of curiosity. Such findings do not differ much from those of surveys conducted by other agencies. The so-called influence of peers, I believe, should include the environment and atmosphere of the venue concerned. If a person in his sound mind should hear someone telling him that "ecstasy" can give you so much fun, under normal circumstances that person would not be convinced so easily. However, if that person should go to a rave party with a large bunch of friends, and if he did not feel high even after dancing to the hit music for quite some time, he would then believe that taking such drugs could help him open up more, dance better and thus have more fun. In that case, indulging in psychotropic substance abuse has in a way become an admission ticket to rave parties, or even a social skill enabling one to "secure" his friends. Under such circumstances, it is hardly possible for any young person to identify with and be accepted by such friends and at the same time insist on not indulging in drug abuse.

Reports on young persons visiting places of entertainment in the Mainland and indulging in drug abuse first appeared in some newspapers in August last year. But then the Government was of the view that such activities had not yet developed into a major trend. On the other hand, judging from the amount of drugs seized at the Lo Wu Control Point in the year and the analysis made by front-line social workers, groups of young persons being attracted to Shenzhen by the inexpensive places of entertainment there has become a trend we cannot afford to overlook. The North District outreaching team of the Hong Kong

Lutheran Church conducted a survey in June this year and interviewed a total of 340 young persons. As indicated by the findings of the survey, while 65% of the young persons interviewed have visited discos in Shenzhen, those who have visited and indulged in drug abuse at discos in Shenzhen stands at a high ratio of 55.8%. According to Hong Kong Christian Service, of the 240 reported cases of drug abuse among young persons received under the training programme Project City, about one third or 80 of the reported abusers have a habit of visiting places of entertainment in the Mainland and at the same time indulging in drug abuse there.

Psychotropic substances are so popular among young persons simply because there is a market. Compared to Hong Kong, prices for psychotropic substances are much lower in the Mainland. Given such low prices, many young persons who normally will not indulge in drug abuse in Hong Kong may possibly be tempted to give it a try when visiting places of entertainment in the Mainland. According to relevant information, while the price for an "ecstasy" pill is around \$80 to \$140 in the Mainland, the pill may be sold at \$300 to \$400 in Hong Kong. To the young persons concerned, buying drugs in the Mainland could really help them to alleviate their financial burden. What is more, there are plenty of drugs for them to choose and the method of consumption is so simple. For those drugs that are very small in size, even smaller than a sesame seed, they can be placed between the crevice of teeth to achieve quick effects. Others are just like water, colourless, tasteless and odourless. One might have taken such drugs unknowingly. The selling point of these psychotropic substances is that they are not addictive, one will not be left with any harmful consequences after the effects of the drugs are all gone. Given that they are out of town and thus out of reach of the pressure associated with Hong Kong, these young persons would of course be tempted to try anything that is new and in expensive.

In the face of this new trend, the Government of the Special Administrative Region must enhance its co-operation with the mainland authorities and join forces to combat the problem. Relying solely on the efforts of the Customs and Excise Department at the border to curb the inflow of drugs to Hong Kong can only cure the symptoms, but not the disease. For this reason, I hope that the Government will, in addition to exchanging intelligence on drug trafficking, expeditiously reach an agreement and work out with the mainland authorities an effective co-operative mechanism to combat and curb drug trafficking activities.

The number of reported possession of dangerous drugs or Part I poisons under the Poisons List Regulations during the period between January and September 2000 was 115, which was the highest compared with that of other rave party-related crimes recorded in the same period. Indeed, rave party is an environment where people will easily lose control and fall into the trap of drug abuse. I have paid site visits to some rave parties and found that the atmosphere of such parties was very much different from that of discos. Whereas the atmosphere of discos tends to make people feel elated, rave parties often give people the feeling that they are being anaesthetized or hypnotized collectively. Besides, the kind of music played at rave parties also tends to make people feel very much depressed. In the midst of such atmosphere and environment, people would very easily put down their guards, unable to say "No". Therefore, I consider that the Government should adopt effective measures particularly to tackle the problem, including introducing licensing and more stringent control over rave parties. With the relevant law enforcement power formally conferred on them, police officers can then discharge their inspection duties at rave parties. Nevertheless, the Government must not think that the problem will automatically be resolved after the introduction of a licensing system, for licensing can only enable and facilitate the law enforcement work of the police. To resolve the problem, the law enforcement efforts of the Government and in particular the Police Force must be stepped up. Seeing that the police have stepped up inspection work at rave parties and places in their vicinity and enhanced liaison with relevant party organizers who have voluntarily adopted some code of practice, many young persons will take the "ecstasy" pills and other psychotropic substances before going to rave parties. I suggest the police putting more effort in gathering intelligence in this respect to find out the source of such drugs, so that corresponding measures can be stepped up to combat the activity.

Many young persons abusing psychotropic substances believe that they will not become addicted to such drugs. Unlike heroin and cocaine the harmful effects of which on humans are well known to the public, psychotropic substances are newly used by drug abusers and the community can hardly find any report or information on what permanent effects such drugs would have on the human body. As a result, many young persons and even parents are unaware of the consequences of psychotropic substances abuse. Indeed, even some members of the judicial circle had thought that "ecstasy" was non-toxic and non-addictive. As a matter of fact, the medical profession has pointed out that abusing "ecstasy" would cause the brain to suffer long-term damage, which will in turn give rise to loss of memory, retarded mental development and depression.

Last year, Hong Kong recorded a total of 15 fatal cases of "ecstasy" abuse and four other cases involving ketamine abuse. Recently, there have been reports that several young girls in the United Kingdom dropped dead all of a sudden after taking "ecstasy". Many parts of their dead bodies have swollen up substantially; in particular the brain had become so large that it pressed against the skull.

The Government has recently proposed to list ketamine as a kind of dangerous drug requiring further control, so that heavier penalties could be imposed on persons who illegally traffic and possess ketamine. I will give this proposal my full support. Nevertheless, even if the maximum penalty for trafficking and possessing psychotropic substances should be increased to life imprisonment, so long as the judicial circle remain unaware of the damages psychotropic substances can do to individuals and society at large, there would still be cases similar to the recent District Court case in which a swimming coach convicted of selling 36 "ecstasy" pills to an undercover policewoman was sentenced to 200 hours of community service only. While the sentencing guidelines for offences involving "ecstasy" drawn up by the Court of Appeal in May 1998 were certainly founded on good legal grounds, they might be considered as out of step with the development of society by today's standards. Should that be the case, not only would the morale of law enforcement officers be dealt a heavy blow, an erroneous message might also be sent to the public that while people would not be addicted to the psychotropic substances they abuse, those convicted of illegal drug trafficking would only be sentenced to community service! Hence, I hope very much that the Government will put in more efforts to liaise with overseas authorities, with a view to collecting expeditiously more up-to-date expert advice and medical evidence in this respect, and taking prompt actions to request the Court to amend the guidelines when suitable time and suitable cases become available.

Speaking of efforts to collect information on the trend of drug abuse in Hong Kong, the Narcotics Division has admitted that since the various statistics of the Central Registry of Drug Abuse are supplied by the different agencies concerned, the role of the Central Registry in this respect would be rather passive and limited. As such, I hope the Government can complete as soon as possible its review of the data collection method of the Central Registry of Drug Abuse. I also hope that the Government can take the initiative to conduct a general survey among secondary school students every several years. Actually the survey can be conducted more frequently. I hold that the Government should change the old practice of conducting a survey every three to four years to

conducting the survey once every year or once every alternate year. Besides, the Government should also conduct more small-scale topical survey to look into the attitude and inclination of young persons towards psychotropic substance abuse, with a view to providing front-line personnel like police officers, doctors and social workers with regularly supply of relevant information.

With these remarks, I beg to move.

Mr James TO moved the following motion: (Translation)

"That, in view of the recent trend of psychotropic substance abuse among young persons many of whom indulge in drug abuse when visiting places of entertainment in the Mainland and bring drugs into Hong Kong, and having regard to the drug abuse problem stemming from the growing popularity of rave parties in Hong Kong, this Council urges the Government to:

- (a) work out expeditiously with the mainland authorities a co-operative mechanism and strategy to curb the problem of young persons abusing drugs in the Mainland, as well as stepping up the efforts to block the inflow of drugs to Hong Kong;
- (b) examine corresponding measures, such as regulating the organization of rave parties through licensing, for combating drug abuse in such parties;
- (c) consider imposing heavier penalties on persons who illegally traffic and possess psychotropic substances;
- (d) inject more resources to enhance outreach social work services, so as to guide young persons to resist dangerous drugs;
- (e) put in resources to analyse the trends of drug abuse and disseminate such information regularly, so that front-line staff can be better informed of the latest trends of drug abuse among young persons; and
- (f) adopt more effective publicity measures to increase young persons' awareness of the harms of psychotropic substance abuse."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr James TO be passed.

PRESIDENT (in Cantonese): Mrs Selina CHOW will move an amendment to this motion, as printed on the Agenda. The Council will now debate the motion and the amendment together in a joint debate.

I now call upon Mrs Selina CHOW to speak and move her amendment.

MRS SELINA CHOW (in Cantonese): Madam President, the results of both official and non-governmental surveys indicate that the problem of psychotropic substance abuse among young persons has become very serious. Information of the Central Registry of Drug Abuse of the Narcotics Division shows that in the first half of this year, 2 049 people aged 21 or below have abused drugs, representing an increase of 40% over the figure in the latter half of last year. There is also a tendency for drug abuse to extend to the younger age group, with young persons starting to take up this bad habit at the age of 15 on average, and the youngest among them is only 10. This is really startling. The Caritas Centre in Tuen Mun conducted a survey in the district earlier on and found that among 112 young people aged 13 to 24, 80% have abused drugs, 90% have taken ecstasy, 60% have taken ketamine while 75% started abusing drugs between the age of 13 and 17. It shows that the problem of drug abuse by young persons has become increasingly serious.

We fully agree with the original motion proposed by Mr James TO and Mr TO has just given us a lot of detailed information and elaborated his views. We support and approve of his motion. Mr James TO has mentioned effective publicity methods in his speech and I would like to discuss this subject in particular. The definition of "drugs" is rather obscure, especially when some drugs can be bought at dispensaries on prescription. As far as image is concerned, such drugs will not be regarded as narcotics, conversely, they have close ties with entertainment, pleasure and trendies. Moreover, as young persons are curious and want to try everything themselves, they will easily take up the bad habit of drug abuse, actively or passively. To change the way they think and to prevent them from falling into the abyss by mistake, effective publicity activities must be carried out. Apart from making extensive use of media that young people like, it may be most effective for the young persons to

recount live cases and stories so that they can be made explicitly aware of the possible terrible consequences, such as the painful and desperate situation of losing their abilities and rights and being completely under the control of other people. We may then be able to induce an awakening among the young persons.

Madam President, I would like to discuss the amendment proposed by me today. In addition to the six points made by Mr James TO in the original motion, to which we do agree, we think that families and schools also play an important role in this question. They are as important as the Government's legislation and publicity as well as the actions taken by the police. In fact, parents and schools are closely linked with the youth, and they have the responsibility to show more concern and attention to their children and students. In particular, we should inculcate in parents a better understanding of the problem and step up publicity in schools to enable parents and schools to look squarely at the problem, thereby giving the youth suitable guidance and counsel so as to dissuade them from abusing psychotropic substances.

The reasons for psychotropic substance abuse among young persons include curiosity, peer pressure, and attempt to escape from the reality and mistaken belief that intermittent drug abuse will not cause addiction. Evidently, these incorrect understanding and concepts have something to do with the lack of guidance and counsel by parents and schools. The relationship between parents and children are sometimes very close but sometimes rather alienated, while teachers are in contact with young people for a longer time at school. Parents need to spend more time communicating with their children, giving them suitable attention, care and guidance. Besides some specific issues, parents also need to instil in their children comprehensive moral concepts and assist them in building up a distinct power of judgement in order to prevent them from acting in a presumptuous way under the influence of external factors. All these are very important matters. If young people have an alienated relationship with their families as a result of the long-standing lack of parental care, they will easily turn to seek recognition and support from friends and they will be completely influenced and controlled by their peers. In case they make friends with bad elements, they will begin to build up incorrect values, take up bad habits and hang around in the streets, discos and rave parties, thus becoming easy prey to psychotropic substance abuse. Parents must look squarely at the problem.

In our view, parents must proactively teach their children to avoid becoming victims to drugs and it is most important to guide them towards a healthy and positive life. But a lot of parents may not have sufficient time and access to channels to absorb such information, therefore, the Government should give parents better support. As preventive education is a long-term strategy, to gradually deepen parents' knowledge, the Government must make greater efforts in this regard on a regular basis and strategically, especially in introducing the latest information and publicity on the damage of various soft drugs and narcotics. According to government information, the Narcotics Division held around 1 000 talks related to drug education in 1999 but the number was very small compared to over 400 000 secondary students. I also wonder if those parents who attended such talks showed more concern for their children while those who had not attended the talks really needed our assistance. Both the Government and the schools should proactively make greater efforts in this respect.

In our view, schools play the role of a gatekeeper. We often hear people comment that schools lay too much emphasis on academic results and pay too little attention to ethical education and guidance for students outside school hours, as a result, the youth are weaker in abiding by the law and value judgement. Therefore, schools should step up the relevant education and look squarely at the problem of drug abuse by the youth in particular. Apart from educational talks on drugs, schools should also enrich teachers' knowledge and emphasize more on the drug abuse problem such that they can give students better guidance. School social workers should also know more about the relevant drugs under abuse so as to offer crisis-prone students assistance.

Madam President, a good thing is that this motion debate is pinpointed at certain issues and specific. Although the nature of the problem of drug abuse by young people is not entirely the same as that of other youth problems such as juvenile delinquency and triad activities, the problem originates after all from the fact that young people are not living in a healthy and meaningful way. All members of society have the responsibility to create a rich and worthwhile living environment for the younger generation. There is still a very big distance between the reality and what we should achieve.

Mrs Selina CHOW moved the following amendment: (Translation)

"To add "(d) enhance publicity and education in schools and to parents in order to prompt them to face up to the harms of psychotropic substance

abuse, so that they will guide young persons to refrain from abusing psychotropic substances;" after "possess psychotropic substances;"; to delete "(d)" and substitute with "(e)"; to delete "(e)" and substitute with "(f)"; and to delete "(f)" and substitute with "(g)".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mrs Selina CHOW to Mr James TO's motion, be passed.

MR LAU KONG-WAH (in Cantonese): Madam President, while young persons loved to go to parties in the '60s and '70s and to discos during the '80s, going to rave parties seems to be the trendy activity that young persons today must patronize. An indisputable fact about rave parties is that they are the hotbeds where young persons come into contact with soft drugs and psychedelic drugs.

At a meeting of the Panel on Security held in May this year, Members expressed concern over two issues. The first issue of concern is whether or not there is any increase in the number of young persons abusing soft drugs, while the second one is on whether or not visiting southern mainland cities for consumer spending has become a trend. At that meeting, the Commissioner for Narcotics told us that the actual number of drug abusers aged under 21 maintained at a relatively stable level, whereas the problem of Hong Kong residents visiting the Mainland solely for drug abuse purposes was not as serious as reported by the media. Now that half a year has lapsed since then, are things still the same in these two respects? I hope the Secretary will touch upon that in reply later on.

Today, ketamine has taken the place of heroin and cocaine as the trendiest soft drug among young persons. In the first half of the year alone, over 400 young persons have taken ketamine, representing a 20-fold increase compared to the figure of 21 recorded in the second half of last year. Without a doubt, the growing popularity of rave parties is one of the "responsible" factors enabling ketamine to spread across youth communities so rapidly. As reflected by some outreaching social workers who have frequent contact with such young persons, to those young persons abusing soft drugs at rave parties, taking ketamine at discos is as normal as having a beer in a pub. What is more, some rave party

operators even said that rave parties could not be held without ketamine. From this we could imagine how grave the problem of ketamine abuse among young persons has become. The harm of ketamine is more damaging than that of other drugs because in losing their sanity ketamine abusers will hurt not only themselves but also other people.

The ease at which young persons can have access to such soft drugs is also attributable to their habit of visiting places of entertainment in the Mainland. Indeed, soft drugs like ketamine and "ecstasy" are sold at a much lower prices in Shenzhen than in Hong Kong. Given that the young persons in Hong Kong love to visit the Mainland for holiday making and entertainment purposes, in order to effectively curb drug abuse among young persons, stringent measures have to be adopted not only in Hong Kong but also beyond our backdoors. By that I mean both the Hong Kong Government and the relevant authorities in Guangdong Province should establish mechanisms for information exchange to help enhance the co-operation between the two parties, with a view to reaching a consensus regarding drug control and joining forces to tackle the issue.

Actually, the problem of drug abuse can also be dealt with by means of law enforcement and legal control. Given the huge profits that can be generated by the sale of psychotropic substances, many unruly elements have been attracted to participate in trafficking these drugs. Worse still, some individual young persons even carry such substances with them all the time for their own consumption or for sharing with their friends. As such, the Government should consider increasing the existing penalties for offenders convicted of unlawful trafficking in and possession of psychotropic substances. According to police intelligence, they have identified 78 places of entertainment which may supply illicit drugs. We therefore consider that the police must step up the inspection efforts concerned. Moreover, the Government should also review regularly the coverage of the Dangerous Drugs Ordinance with a view to incorporating into its ambit any drugs that have become the latest popular substance of abuse. This can avoid committing the same mistake as that in the case of ketamine. In this connection, it was only after the substance had been abused among young persons for quite some time and the media had reported extensively on the gravity of the situation that the Government proposed to step up control on ketamine and included it as a kind of dangerous drug in the last several months. The Government has indeed been too slow-moving in this case.

In addition, we consider that the Government should inject more resources into publicity and education campaigns to guide young persons to know more about and hence resist dangerous drugs. Efforts must be made to prevent young persons from developing the incorrect concept that psychotropic substances are not addictive or the attitude of taking the issue lightly, thinking that it would do no harm just to give it a try. At the same time, the Administration must also extend the existing scope of publicity efforts to help schools, community service agencies and parents to gain a better understanding of the different types of psychotropic substances, the harms and symptoms of substance abuse, as well as the relevant laws and regulations, with a view to enabling them to learn the correct approaches to handling and guiding young persons indulging in drug abuse.

Bearing in mind the rebellions character of the young persons indulging in drug abuse, we must adopt measures that are more effective and acceptable to them than the existing ones. For this reason, if we are to help these young persons, we must adopt the attitude of a "teacher extraordinaire" rather than sticking to such old rules as using only the stick or telling them the harms of drug abuse in the same manner as reciting textbook lessons.

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

DR RAYMOND HO (in Cantonese): Madam President, drug abuse has become a trend among young persons in Hong Kong and the problem is getting more and more serious. According to the statistics of the Central Registry of Drug Abuse, during the first half of the year the number of young persons taking ketamine has soared tremendously to 453, representing an increase of more than 20 times when compared with 21 persons recorded over the latter half of last year. Besides, there is a rising trend in the number of young persons aged under 21 in drug abuse. Compared to 1 788 persons recorded over the latter half of last year, the figure has risen by 33.3% to 2 391 during the first half of the year. Of these younger persons abusing drugs, some are of the tender age of 10 years old only. Madam President, seeing that young persons are the pillars of society in the future, I consider that the Government must face up to and promptly resolve the problem of drug abuse among young persons. In my view, the Government should tackle the problem on three different fronts, namely, combating, prevention and correction.

In order to combat the problem of drug abuse among young persons, I hold that the Government must start with law making and enforcement efforts. As we all know, the problem of drug abuse among young persons is partly attributable to their habit of visiting places of entertainment in the Mainland. Since soft drugs are sold at a much lower price in the Mainland than in Hong Kong, naturally young persons in Hong Kong will all rush there. Another reason why young persons like to buy psychotropic substances or soft drugs in the Mainland is the relatively loose control over such drugs and substances in the Mainland. It is reported that discos in Shenzhen have almost become joints where people could openly or semi-openly indulge in soft drug abuse. As a result of these two factors, soft drugs have gradually entered Hong Kong from the Mainland. Although the Government is aware of the problem and has injected more manpower into search for soft drugs smuggled into Hong Kong, given the manpower constraint of the Customs and Excise Department, I consider it necessary for the Government to enhance collaboration with mainland authorities, in particular the Shenzhen Customs Service, in curbing the flow of drugs into Hong Kong.

Going to rave parties is a trendy activity in recent years, and such parties are the major places where young persons indulge in drug abuse. However, so far the Government has only drawn up codes of practice for organizers of dancing parties and encouraged party organizers to print on the back of admission tickets warnings reminding participants to refrain from indulging in drug abuse. No concrete laws or regulations have been enacted to tackle issues relating to drug abuse at rave parties. I hold that the Government must formulate measures in respect of the present situation to curb the spread of this trend of drug abuse.

Besides, I also consider that the Government may make use of laws and regulations on drugs to regulate the drugs and substances commonly used by young abusers. For instance, the Government may classify them as dangerous drugs and increase the penalties for trafficking and possessing such psychotropic substances.

Madam President, the methods mentioned just now are but passive measures; to actively resolve the problem of drug abuse among young persons, we must start with precautionary measures. As the saying goes, prevention is better than cure.

One of the reasons why young persons indulge in drug abuse is that they are leading an unhappy life, and the unhappiness they have in life may be caused by the attributes of the individual young persons or by their families. Regardless of where the crux of their problems lies, more often than not young persons tend to discuss their problems with their peers or with social workers. Thus, social workers have a very important role to play in this issue. At the Council meeting held on 22 November, the Secretary for Security mentioned that as at 1 October this year, there were altogether 29 outreaching social work teams, some 215 outreaching social workers and 52 integrated teams providing integrated social work services, including outreaching social work services, for the entire population of Hong Kong. In my view, such strength can hardly cater for the needs of young persons in Hong Kong, particularly when the teacher to student ratio is just 1:40 now. Under the circumstances, I have to earnestly urge the Government to inject more resources in this respect, in order to maintain a better-balanced ratio of social workers to young persons, so that young persons could have someone they could talk to in times of trouble. Otherwise, they will very easily fall into the hands of psychotropic substance mongers. Apart from that, the care and concern of teachers and parents for young persons are also very important. I hope that the Government will help teachers and parents to enhance their knowledge of psychotropic substances and encourage them to improve their skills in communicating with young persons, with a view to achieving the purpose of giving young persons methodical and patient guidance on the one hand, and maintaining a harmonious relationship with them on the other.

To prevent young persons from indulging in drug abuse, one very important step is to help them know more about psychotropic substances. To this end, the Government has reportedly-opened since June this year a Drug InfoCentre (DIC) to promote better understanding among young persons the harms of drug abuse. Regrettably, however, despite the Internet service provided by the DIC, during the period between June and November, only some 1 000-odd members of the public, including students and young persons, have visited the DIC. Obviously not many people are aware of the existence of the DIC. I therefore hold that there is a need for the Government to give more publicity to the DIC, to make its existence and operation known to all the people of Hong Kong.

Madam President, if the Government is to effectively resolve the problem of drug abuse among young persons, in addition to combat and prevention efforts,

it should also employ corrective measures to eradicate the erroneous notions that young persons have about psychotropic substances. Young persons like to indulge in psychotropic substance abuse because they believe it is trendy to do so and so doing would not cause any harm to their physical or mental health. In addition to loss of memory, faintness and loss of appetite, abusers of psychotropic substances may also contract many other diseases. Abusers of "ice" (methamphetamine), for example, may even incur cardiac failure and renal failure. I believe young persons will leave psychotropic substances for good only when they are fully aware of the harms of drug and abuse and have identified their real goal in life. The recent trend of drug abuse among young persons is indeed very grave; if the Government does not square up to the problem, things will just turn from bad to worse. I hereby urge the Administration to formulate relevant policies to expeditiously resolve the problem, so that our young persons can grow up in a healthy environment and become the pillars of society in the future.

Madam President, I so submit.

MR WONG SING-CHI (in Cantonese): Madam President, I am a social worker. Two years ago, in a chat with my colleagues, I found out that Shenzhen was a popular place among young persons because there were plenty of extremely cheap pirated products and places of entertainment like discos. At first, I had thought that it would do the young persons no harm visiting such places. However, as we talked on, we realized that there was indeed a problem because young persons could very easily come into contact with soft drugs at discos. We also became aware of the many consequences of drug abuse, such as fighting on the street or participation in other illegal activities.

Since I wanted to find out how many young persons would really visit places of entertainment in the Mainland, several co-workers and I spent several days at the Lo Wu Railway Station to do a head count of the young persons leaving for Shenzhen. According to our statistics, for a trip heading towards Shenzhen on weekdays, about 300 to 400 of the passengers were young persons aged from 15 to 25. Of these young persons, about 120 were 16 to 18-year-olds. If there should be 10 train trips to Shenzhen in an evening, some 1 000-odd young persons would have visited places of entertainment in Shenzhen. And this is only the figure for weekdays. I also did similar head counts on public holidays, and my finding was that the number of persons concerned would

increase by almost 50%. In other words, if some 400 young persons would visit Shenzhen on weekdays, the figure would rise to 600 on holiday eves. As for 16 to 18-year-olds, the number would rise from 120 to 180. So, the situation will be worse on holidays.

In order to find out what is going on there, I have also paid site visits to discos in Shenzhen with some friends from the media and other co-workers. I visited several discos and the situation there was just the same, for the young persons were all dancing and shaking their heads ecstatically. At first I had thought that these young persons were just dancing in elation. However, when they returned to their seats, many of them would very soon start shaking their heads again after sipping a drink. I have consulted several colleagues responsible for outreaching social work as well as friends engaged in drug rehabilitation service, they all told me that what I had seen was visibly the effect of drug abuse. Those young persons could not help shaking their heads ecstatically because they had taken the psychotropic substance methylene-dioxy-methyl-amphetamine (MDMA), commonly known as "ecstasy".

As a matter of fact, Caritas - Hong Kong has conducted a survey in this connection and the findings of the survey show that among the young persons indulging in drug abuse, about 85% had their first drug abuse experience at discos. Furthermore, it has also been reported that about a quarter of such young persons even indulge in drug abuse at discos in the Mainland. This is indeed an extremely grave issue. I consider that the organization of rave parties in Hong Kong should be subject to proper control. Yet at the same time, I am also worried that if there should be no follow-up to the consumption or entertainment these young persons have in the Mainland after rave parties in Hong Kong have been put under control, more young persons would go to discos in the Mainland to have a wild time, thereby making the problem of drug abuse among them even worse.

I have once seen a young person being sent to the accident and emergency department (A&E department) of North District Hospital because of cramps. I asked the medical staff on duty what had happened, and they said that was another case of drug abuse. I also asked them whether cases of this kind were common. Their reply was that such cases were just too common, as some four to five young persons would be sent to the A&E department for treatment every week. We can see very clearly that unless they are in a very critical condition, these young persons will not go to the A&E department for treatment. In other

words, many young persons simply will not go to hospitals for treatment after indulging in drug abuse; they might have fainted on the street or fallen into danger in other places.

From the many examples available, we can see what harmful consequences drug abuse will bring. In this connection, while young persons may not develop any physiological dependence on psychotropic substances like ketamine and ecstasy, their psychological dependence on such substances will still pose a grave problem. Moreover, if they should take such psychotropic substances together with other drugs, the result could be fatal. Therefore, drug abuse among young persons has already developed into a very grave problem. Some social workers even told me that since it is useless to teach young persons not to take soft drug, they have adopted a so-called "harm reduction" approach instead. They will tell young people that it would not be a problem even if they should take soft drugs, but they must remember to drink a lot of water because grave consequences would arise if they should become dehydrated. From this we can see that many young persons have been habitually and relentlessly indulging in soft drug abuse, thereby putting themselves in a very dangerous state.

Under the circumstances, I hope that the Government could adopt various measures to curb drug abuse. However, the most important step of all is to devote more resources to enhancing social work services, with a view to helping these young persons to kick the bad habit of drug abuse. In addition, we should also strike up a co-operative relationship with the relevant mainland authorities to enable Hong Kong social workers to help those young persons who have gone to the Mainland to face up to their situations and problems. For these reasons, we very much support the motion moved by Mr James TO today. We just hope the Government can put in more efforts to tackle the problem, thereby ensuring the healthy development of young persons. Thank you, Madam President.

DR TANG SIU-TONG (in Cantonese): Madam President, psychotropic substances like ecstasy, ketamine, cannabis and ice are all very colourful and they all have an attractive appearance. But the result of abusing such drugs would make life decadent and lacklustre. Notwithstanding this, the problem of drug abuse has become increasingly common among young people. Information from the Government shows that the number of reported substance abusers aged 21 or below has risen by 33% from 1 788 in the latter half of last

year to 2 391 in the first half of this year. The age group which saw the greatest increase was the 10 to 12 age group, with an increase rate of 40%. Why do an increasingly number of young people risk their lives taking ecstasy?

The findings of many surveys show that the main causes for substance abuse among young people are curiosity, fun, peer group pressure, seeking recognition from friends, boredom, lack of parental guidance, and the misconception that occasional indulgence would not lead to dependence. All these causes seem to relate to the personal choice of the young people, the peer group influences they are facing and the lack of family education on substance abuse. The Hong Kong Progressive Alliance (HKPA) thinks that another major cause of this worsening problem in substance abuse among young people is the lack of a comprehensive youth policy on the part of the Government which is geared towards the development of the young people, thereby causing the problems of blurred information, lack of co-ordination and ineffectiveness in youth services.

An obvious example is that though the Government knows very well that rave parties are very popular nowadays and these rave parties are the hotbed of youth substance abuse, it has only compiled a Code of Practice for Dance Party Organizers in October with reference to the Places of Public Entertainment Ordinance. The problem is that healthy activities like operas, photography, concerts, ballet, painting exhibitions, and so on are all subject to the regulation of the Places of Public Entertainment Ordinance. Organizers of such activities must apply for a licence beforehand and those who violate the relevant provisions are liable to imprisonment of six months and fines. Why can the organizers of rave parties be exempted and merely be regulated by a set of so-called Code of Practice? Is the Government telling the young people that a rave party with so many undesirable elements taking part in it is healthier than an opera?

Another obvious example is ketamine. It is no less harmful than heroin. But the Government is only treating ketamine as a common kind of poison to be regulated. Under the existing Poisons List Regulations and the Pharmacy and Poisons Regulations, anyone can purchase ketamine upon prescription by a medical practitioner in a registered pharmacy under the supervision of a registered pharmacist. A person who breaches the Regulations is merely liable to a fine of \$100,000 and imprisonment of two years. Why did the Government have to wait until this great surge in ketamine abusers in the first half of this year, which is 20 times that of the figure for the second half of last year, to incorporate

ketamine into the Dangerous Drugs Ordinance? Moreover, the manufacturing of this drug is not subject to quality control and in the process of manufacturing, impurities crept into the drug. Even with the same kind of tablets, the weight, dosage, properties and ingredients may vary a lot. Such differences may lead to overdose and easier dependence. Sad to say, the Government is powerless in the face of this proliferation of substandard drugs.

The HKPA thinks that there should be greater co-ordination among various government departments in the prevention of and crackdown on the trafficking of dangerous drugs. A mechanism should be established to review the change in the properties of dangerous drugs in view of the constant emergence of new drugs. Through studies and surveys, those soft drugs which cause a lot of harm among the young people can be made objects of anti-drug enforcement actions. We should take proactive actions to prevent drug abuse, instead of taking remedial measures when the problem has become out of control.

Of equal importance is that the Government should listen more from the young people and enhance youth counselling services as soon as possible. These include deploying more outreaching teams and implementing the "One Social Worker for Each Secondary School" programme. All these are minimal requirements that should be fulfilled. A survey was conducted in respect of youth problems last year and the findings showed that an average of 18% of the students in secondary schools needed counselling. In other words, even if the "One Social Worker for Each Secondary School" programme is implemented, the workload of the school social workers is very heavy indeed, not to say that the "One Social Worker for Each Secondary School" programme remains an unreachable target. Family care also plays an important role in the prevention of psychotropic substance abuse among the young people.

The New Territories West constituency to which I belong, including places like Tuen Mun, Yuen Long, and the North New Territories, and so on, has been the district where substance abuse among young persons is most serious. In recent years, the popular trend of going to the Mainland for spending and entertainment has made the problem of substance abuse a cross-boundary concern. A survey conducted by some social work groups recently showed that 65% of the youth interviewed had gone to Shenzhen for entertainment and 80% had used drugs there. Close to 98% of the young people had abused ecstasy and some respondents said that they had taken more than one kind of drug. The

situation is worrying. I have been given to know that representatives from the Narcotics Commission and the Narcotics Division made trips to Guangzhou and Shenzhen in November last year to establish links with the mainland authorities to step up efforts to crack down on substance abuse and drug trafficking. Even so, the problem of cross-boundary substance abuse among the young people has become worse. The HKPA hopes that the Government can discuss the matter with the mainland authorities and set up a more effective co-operation mechanism to stop the interflow of narcotics and dangerous drugs between the Mainland and Hong Kong.

Since the Government has made it clear that it does not wish to see young people indulging in drug abuse, it must take concrete action to stop it. It must stop just shaking its head and sighing. The young people are the future pillars of society and it is the hope of the HKPA that no support to the young people will be curtailed simply because our public coffers are in the red.

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

MR MICHAEL MAK (in Cantonese): Madam President, figures released by the Narcotics Division of the Security Bureau in the first quarter of this year on the narcotics scene in Hong Kong show that the reported cases of psychotropic substance abusers aged 21 or below have increased by close to 40% compared to the previous quarter. The figures may be just like the tip of an iceberg, for reporting to the Central Registry of Drug Abuse is done through certain organizations rather than by the peers of the abusers on a voluntary basis.

A survey done by the Dance Drug Concern Group this year shows that of the 183 respondents, as many as 30% have had the experience of taking soft drugs. The youngest of these is only 13 years old. The average number of years of abusing drugs is three years. From this, it can be seen that the problem of drug abuse is serious and widespread. I would like to stress that the trend of drug abuse is changing constantly, where young people do not just take one kind of soft drug nowadays, they are mixing many kinds of drugs like a cocktail. This will cause much greater harm.

The surveys conducted by the Government and non-government organizations cited above show that the problem of psychotropic substance abuse among young people has become very serious indeed.

The problem of psychotropic substance abuse among young people has been in existence for a long time. With the popularity of rave parties in recent years, however, all kinds of psychotropic substances like ketamine, ecstasy, cannabis, and so on have become likewise popular. Many young people, facing great pressure from examinations and school work, also influenced by their peers, affected by unemployment and driven by curiosity try and seek new forms of excitement. Some of these young people also abuse other non-medical substances by sniffing thinners and rubber cement besides taking soft drugs. They think that by doing so they can vent their pent-up emotions and forget their troubles. They think these substances can help them get into a hallucinatory world and escape from the harsh reality. So they become addicted. With the increasing popularity of discos and other places of entertainment in the Mainland, these young drug-users are taking drugs in and out of the Lo Wu border check point and such drug trafficking is getting out of control. Many young people are therefore able to get "pills" at a very low cost. And so the problem is getting very serious and complicated.

According to my professional understanding, people who abuse drugs will show signs of emotional instability, mental breakdown, irregular heartbeats, and so on. Some will even suffer from damage of the central nervous system and even die.

The Government has proposed earlier to this Council to pass legislation before Christmas to control the sale of ketamine and impose heavier penalties on persons who sell and traffick in soft drugs. Considerations are also made to impose the requirement that organizers of rave parties should apply for a licence. However, I think that heavier penalties and legislative control will not serve to eradicate the problem at root. They cannot solve the problem of psychotropic substance abuse. To rectify this undesirable trend in society is the objective of the motion.

As a matter of fact, adolescence, that is, the age of 13 to 16, can be said to be the most critical moment in their growth of young persons. The things which they learn at that time will determine their thinking and behavioural pattern. Young people at this stage of growth are prone to influence by their peers and emotion. This is also the time they are most likely to go astray.

Figures from the Education Department show that in last year, the total number of Secondary Three pupils of the age of 14 to 16 was more than 76 000.

Those who were allocated aided school places were about 67 000, more than 3 000 people were allocated a place in prevocational schools and about 6 000 people were not allocated any Secondary Four place. For this number of people not allocated any places, the Government has not offered them any counselling and assistance. As these young people are unable to receive senior secondary school education, it is very likely that they will loiter in the amusement game centres and in the parks, killing time. Therefore, I hope that the Government can make a speedy review of the nine-year compulsory education system so that everyone can have equal opportunities of education and a meaningful life.

To solve the problem of psychotropic substance abuse, we need the co-operation of all the relevant parties. The schools should take an open attitude on the question of soft drugs abuse and they should discuss the problem with their students in a liberal and undogmatic manner so as to make students know more about the harms of soft drugs.

Apart from enhancing educational and promotional efforts, one effective counselling measure is to increase the training opportunities of outreaching nurses and social workers in order to offer appropriate counselling to these youth at risk. I urge the Chief Executive to implement the proposal made in the policy address to extend the service of the integrated teams to provide service to young night-drifters. More outreaching nurses and social workers should be deployed in those high-risk areas such as amusement game centres and rave parties to understand more about the needs of the young people and to provide counselling services. For hard-hit areas like the Northern New Territories, outreaching teams should be increased to provide services badly needed by the young people.

In view of the fact that in families nowadays, parent-child relations are not intimate and parents do not give enough concern to their children because of work, so parents should spare more time to talk with their children on the problems of life and to prevent them from developing the misconception that taking soft drugs is an effective solution to the problems of life.

Lastly, I would like to point out that for those people who wish to quit soft drugs, they may encounter some kind of discrimination. As far as I know, some drug addiction treatment organizations take a very stringent approach to those who seek treatment there. They would use a search method which is quite degrading. They would ask those who seek treatment to stripe bare and conduct an anal search. Though this is meant to prevent people from smuggling drugs

into the institution, it gives people the impression that this is an infringement of privacy and disrespect for them.

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

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, on this motion on cracking down on drugs, soft drugs and dangerous drugs, I am a hundred per cent supporter. I am in full support of the use of stringent laws and heavy penalties to deal with the problem of drugs. However, I think the first thing we must do is to rectify names. We must change the way soft drugs are called. For what we are facing with is a new Opium War. The drugs of the past, or those in the Opium War are those drugs the deadly consequences of which are easily seen. They are called opium and heroin. When these are mentioned in anti-narcotics publicity efforts, we can know for sure that they will kill and ruin people's lives. But I do not know why the drugs we face today are given such an attractive name, that they are called substances. Even when they are referred to as drugs, they carry an adjective of "soft" before their name. So drug addiction becomes using substances and drug addiction becomes something like the eating of candies. And the young people like to take this and they are as happy as ever. The using of substances is likened to taking pills and people even have the misconception that they can be used to get rid of anxieties. But actually they are taking drugs. So I think we should rectify this misnomer and we should never call it "soft drugs" or "pills" anymore. For they are actually poisons. They will do to harm our young people. This new Opium War comes like a trend and quickly seizes our young people. Those young people who take opium or this new form of drugs used to live the sunniest times of their lives, but they will become so rotten and hopeless. These are those young people like my students. Therefore, I must make it clear that when the Government carries out any promotion on this issue, it must stop calling these drugs as "pills" and "soft drugs", for such names will not only mislead the young people, but also the adults and those who enforce anti-drug laws. I hope a new promotion strategy can be devised.

Second, the Government should not just crack down on these drugs, it must do so relentlessly. Recently, ketamine has been put on the dangerous drugs list. It has the same status as opium and heroin. Trafficking in these drugs is liable to life imprisonment. I am in full support of this. The

Government must catch up with the times, for these drugs are changing all the time, they are changing much quicker than fashion. They become fads. For the young people, fads are irresistible. We may ban the "K" today, but we may have the "Q" tomorrow. And in the end everyone becomes nuts. I very much hope that when we are cracking down on drugs, our law must change with the times. We must make legislative amendments in time so that whenever the drugs take on a new form, they can be cracked down in no time. This will protect our young people and deal the heaviest blow to the drug traffickers. In this connection, we must co-operate with the authorities in Guangdong and Shenzhen. Often times we may have the wrong impression that if and only if drugs will not cross the Shenzhen River, they will never make their way to Hong Kong. And there will be peace here. That is wrong. The young people in Shenzhen are those of China and Hong Kong, not to mention that our young people will go there to spend and have fun. In this crackdown on drugs, it must be a nation-wide effort for China and so the Hong Kong Government must put in the best efforts to complement and co-operate. Our Government should not just close its doors, thinking that if the people never cross over to the other side of the Shenzhen River, nor go through our Customs, then things will be all right. We should not think that there are very few young people in Hong Kong who take drugs. We should not enforce a closed door policy when dealing with drugs. Co-operation must be effected with the Chinese authorities in respect of this problem, and this is the key. This is not something done out of any utilitarian motive but it is the reality that we have to face. It makes no difference for young people from Shenzhen or from Hong Kong, they are all Chinese people. They are our next generation. This crackdown on drugs must be done well and drugs must never be allowed to harm our young people.

Third, the efforts to crack down on drug abuse must be targeted at the users, the young people and those who have recently formed the habit. As far as I am aware, there is a surge among women who use these drugs. They are also young and so we must focus our efforts on those places of entertainment which they often patronize. Teachers should acquire some knowledge of these drugs. I know that many teachers are confused by the various names of drugs. They have never seen such drugs before and so it is hard for them to offer help. Recently, many teachers enrolled for some talks on ketamine and the number of applicants was so great that they had to draw lots to decide who could attend. Such work must be done, and done well. Teachers must know enough about drugs. In the past, the anti-opium hero of China, LIN Zexu, burnt opium at Hu Men. It is hoped that the Security Bureau will become the present-day LIN

Zexu. LIN said that the harms of opium were impoverishing the nation and weakening the people. Now we are living an affluent life and we have bidden farewell to poverty. However, if our young people are still leading a decadent life and forming the habit of drug abuse, then it is a modern replica of what LIN has described. Our nation will become impoverished and our people weak. I therefore very much hope that the Security Bureau will put in the best efforts it can to stop drugs and be a modern-day LIN Zexu. For this cause, I support the Government wholeheartedly.

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

MR LAW CHI-KWONG (in Cantonese): Madam President, my speech would not be long because Honourable colleagues have already expounded many views on the motion today. Both Dr the Honourable Raymond HO and Dr the Honourable TANG Siu-tong, for example, have mentioned the need to enhance social worker manpower resources. Besides, other Members have also recommended increasing nursing manpower as well as personnel in other relevant fields. Nevertheless, I still wish to supplement one point in relation to publicity work. While there is a wide variety of ways to conduct publicity campaigns, the first and foremost step is to do away with all those unnecessary taboos. Very often, many service agencies and education institutions tend to treat drug-related matters as taboo subjects and avoid talking about drugs in front of young people lest they would become drug addicts on hearing the word. This is indeed a very strange phenomenon. Hence, I consider it very important to lift that mysterious veil of drug.

I should like to draw Members' attention to a service which I consider worthy of developing. Recently, the Substance Abuse Assessment Centre of Kwai Chung Hospital (KCH) has applied to the Action Committee Against Narcotics for funding to provide free medical check-up services for a total of 100 young persons. When coming across young persons whom they suspect of having taken drugs like ketamine and ecstasy, social workers may refer the young persons concerned to KCH for assessment. Experience tells us that since young persons are still young and energetic, many of them would think that they have no health problems. It is only after they have taken the medical check-up that they realize how appalling their physical condition is, as damages have been done to the memory capability of their brains and many parts of their bodies. In

fact, services of this kind can enhance young persons' awareness of the harms of drug abuse, with a view to helping the affected young persons.

As regards other publicity work, I consider the efforts made so far insufficient. While we very seldom invite young persons to come forth and tell others their personal experience, so doing is indeed a more effective approach to convincing young persons of the harms of drug abuse. At present, many of the messages against drug abuse that may be imparted to young persons may come from their parents, schools, newspapers, and so on. But since these are messages from the adult world, many young persons tend to refuse to believe the messages, while some may adopt a negative or even rebellious attitude towards them. Hence, I believe more efforts should be made to enable more young persons to give out anti-drug abuse messages among their peers. Madam President, this is the only point I wish to add.

PRESIDENT (in Cantonese): Mr James TO, you may now speak on Mrs Selina CHOW's amendment. You have up to five minutes to speak.

MR JAMES TO (in Cantonese): Madam President, both the Democratic Party and I support the amendment moved by Mrs Selina CHOW because we think that it is very important to enhance promotion and education in schools and among parents. Just as mentioned by Members earlier, this work must be done with focus. Just now Mr CHEUNG Man-kwong said that principals and teachers were willing to take part in seminars on drug abuse and the number of applicants was so great that lots had to be drawn. The reason that parents and teachers want to take part in such seminars may be due to the fact that they know very well the damage of drugs. However, when people who are so proactive in this have to draw lots to take part in seminars, that will be a great blow to their morale. The key question we should address is not this group of people who are acting so proactively, but just as an Honourable Member has just said, those who will not attend these seminars at all. That is to say, those people who cannot be reached by seminars.

Two weeks ago, the Fight Crime Committee and the various District Fight Crime Committees held a biennial meeting and many committee members and members of the public spoke on the occasion. They were of the view that outreaching efforts might need to be stepped up, but that did not mean

outreaching social work teams. Specific promotional and educational services should also be increased. For the time being, some large organizations such as major banks and companies would think that organizing these seminars are proactive moves to make. So they would invite people from the Narcotics Division to give talks during lunch time and after office hours. As these talks are organized with the consent of the employers, so many people would come to attend. Staff members who are themselves also parents know very well that their children may be involved in drug abuse and so attending these talks can also serve as a kind of preventive effort.

However, it is difficult to promote the anti-drug message among small organizations. In Hong Kong, most of the companies are small and medium enterprises and many people from working class families cannot afford to stop working. So they do not have the time and they are under a lot of constraints which prevent them from taking part in such activities. What can we do to address these circumstances and to convey to them the kind of information that they should know and be concerned about? That is very important. Can we do something like home delivery service, so to speak, and deliver the information they need at their doorsteps? How can this be done?

In addition, can we look into the promotion and education efforts in this regard and make them compulsory to a certain extent? As far as I can recall, about three years ago, some people suggested making parents attend some activities or counselling on a compulsory basis and under certain conditions. At that time, two or three parents and some people working in drug treatment immediately said that the idea of making it compulsory would not work. I wish to bring this idea up again for discussion. Of course, I understand that in the final analysis, people cannot be made to do something that they are unwilling to do. But in any case, there are bound to be some 20% to 30% of the people who attend these activities because they are compelled to do so and they may have to apply for leave to attend these activities. However, it could happen that when these people come to the talks, they may find the talks very useful, become more concerned and pay more attention in certain aspects later. Of course, it does not follow that if 100 people are required to attend a talk, the outcome will be exactly 100 more people who will be more concerned and care about such matters. But requiring them to attend such meetings on a compulsory basis can at least serve the purpose of creating certain favourable conditions. For some people, their children may have already been involved in some kind of deviant behaviour related to drugs. So I think we can consider this point for follow-up action later.

Undoubtedly, the ideal is voluntary participation, but if people do not come of their own accord, can we think of using some kind of compulsory measures under certain conditions? In fact, we should consider carefully some statutory requirements in this respect. For example, it is perfectly fine to compel a convict to carry out a social service order. But will it violate any legislative provisions if parents are compelled to do something? We need to think carefully on that point, but in other countries things like that certainly do exist. I therefore support Mrs Selina CHOW's amendment.

SECRETARY FOR SECURITY (in Cantonese): Madam President, first of all, I would like to thank Mr James TO for moving this motion, and Mrs Selina CHOW for the amendment. I would also like to thank nine Members who have spoken for their valuable opinions. Actually, the Government is greatly concerned with the problem of drug abuse, particularly drug abuse among young people, and basically identifies with Members in cognition on this problem.

On the problem of drug abuse among young persons in Hong Kong, the number of psychotropic substance abusers over the age of 15 accounts for only 0.06% of the population of the same age, a percentage considered not serious compared with the United States (reaching 0.79% in 1997), Britain (reaching 3% in 1996) and Japan (reaching 0.3% in 1997). Nevertheless, the Narcotics Division of the Security Bureau noted the rising trend of the problem before it worsened. Early this year, an ad hoc group comprising more than 30 people was set up to propose effective policies for tackling the problem of psychotropic substance abuse.

In delivering their speeches earlier, Members asked us to adopt a multi-pronged approach to combat this problem. A number of Members have also suggested the Government to work out expeditiously with the mainland authorities a co-operative mechanism and strategy to curb the problem of young persons abusing drugs in the Mainland, as well as stepping up efforts to block the inflow of drugs to Hong Kong. Actually, much attention has been paid last year and this to the tendency of the people of Hong Kong spending across the boundary, including abusing drugs across the boundary. The Action Committee Against Narcotics (ACAN) and the Narcotics Division visited the relevant authorities in Guangdong Province and Shenzhen in 1999 and 2000. At the same time, officials of various levels from the Mainland made frequent visits to Hong Kong to exchange views with us on the problem of psychotropic

substance abuse and measures to tackle the problem. Indeed, while we are holding this meeting here today, the ad hoc group responsible for combating psychotropic substance abuse is visiting the relevant units in Guangzhou and Shenzhen to hold discussions on the regulation of psychotropic substances on the Mainland and in Hong Kong, as well as jointly mapping out strategies to deal with drug abuse across the boundary. Both parties have agreed to launch large-scale anti-drug publicity and jointly organize a seminar on policies for combating psychotropic substance abuse on the Mainland and in Hong Kong. The seminar is expected to be held in Hong Kong next year.

As regards enhancing anti-drug campaigns, particularly in boosting publicity against drug abuse on the Mainland, special emphasis will be paid on penalties. Enhanced publicity will be targeted at young people in Hong Kong, to draw their attention to the fact that penalties for such crimes as trafficking in and manufacturing of drugs are far more stringent on the Mainland than in Hong Kong. Death sentence might very often be imposed on people convicted of drug trafficking. For Hong Kong people found to have involved in trafficking in or taking drugs on the Mainland, they will similarly be given death sentence and forced to receive drug treatment. There were previous cases in which Hong Kong people were given extremely heavy penalties for trafficking in drugs on the Mainland. We believe enhanced publicity can make young people understand that it is not worthwhile for them to defy the law. This is because these young people, tempted by the cheaper prices of psychotropic substances on the Mainland, may face extremely stringent penalties or be forced to receive drug treatment for abusing drugs on the Mainland.

On combating drugs, the police and the Customs and Excise Department (C&ED) have put in place an excellent communication and liaison mechanism with their mainland counterparts. In light of the needs of their cases, there will be business exchanges between anti-drug officials from both places to strengthen enforcement power. This year, nearly 150 exchanges, including working conferences attended by case officers, have been made by anti-drug units from Hong Kong and the Mainland. Since 1999, enforcement officers from Hong Kong and the Mainland have successfully intercepted more than 20 drug shipments, blocking the inflow of drugs to Hong Kong. In order to combat cross-boundary drug trafficking syndicates more effectively, the police reorganized the Narcotics Bureau and specifically set up an additional liaison unit tasked with co-ordinating and liaising with anti-drug units on the Mainland, strengthening exchanges of information with mainland anti-drug organs,

ensuring accurate and swift transmission of information between Hong Kong and the Mainland and stepping up efforts to stem the inflow of drugs to Hong Kong.

The C&ED has also taken steps to strengthen random inspection of transit passengers at immigration control points such as Lo Wu. In the first 11 months of this year, the number of such inspection has risen by 11% over the corresponding period in 1999. In addition, a crisis management approach was adopted by the C&ED at immigration control points to strengthen law enforcement. At the same time, efforts have been stepped up to co-ordinate with the mainland authorities to, when necessary, take synchronized law enforcement action with the mainland counterpart to combat the drug problem. In January 2001, the C&ED will set up a 34-strong investigation team to follow up the work related to the combating of such activities as drug trafficking and smuggling across the boundary.

To target at the problem of young people abusing drugs in the Mainland, the Government has, in addition to taking law enforcement actions, strengthened measures to remind Hong Kong residents crossing the boundary not to abuse drugs or smuggle the same from the Mainland into Hong Kong. In this connection, electronic display boards have been installed in the immigration hall of Lo Wu Control Point where the passenger flow is greatest to disseminate anti-drug messages. The Government has also planned to install more display boards in future. In addition, it makes use of the broadcasting system of the Kowloon-Canton Railway Corporation (KCRC) in Lo Wu to remind passengers that drug trafficking is a serious crime. Meanwhile, the Narcotics Division will enhance anti-drug publicity by way of advertisements at KCRC stations linking the boundary. We will continue to exchange our experience with working units on the Mainland to explore co-operation opportunities to enhance publicity and preventive education and to combat the inflow of drugs to Hong Kong.

A number of Members have spoken on the popularity of dance parties or rave parties in Hong Kong. Actually, we have been paying attention to these new activities since last year.

In August this year, the Narcotics Division and the C&ED visited Washington in the United States to attend a seminar hosted by the Drug Enforcement Administration of the United States Government with a view to exploring ways to tackle the problem of drug abuse in dance parties. Other participants include narcotics officials from Europe, the United States and the Asia-Pacific Region.

On the regulation of dance parties, I note that a number of Members proposed to the Government that legislation should be enacted expeditiously. It has come to our notice that venues for holding dance parties normally need to obtain a liquor licence for the sale of alcoholic beverages. They therefore must meet the requirements for issue of liquor licences. At the moment, they are required to meet some of the conditions prescribed by the Liquor Licensing Board in relation to fire and building safety. As performances, in addition to music, are often provided in these places, they are required to apply for a places of public entertainment licence under the Places of Public Entertainment Ordinance and comply with the relevant licence requirements. These premises should therefore be able to comply with the requirements of the relevant ordinances in relation to building safety, fire escape, fire-resisting construction and noise control. Before considering enacting legislation, we should, first of all, avoid introducing unnecessary or repetitious regulation. We should note what aspects in relation to the management of rave parties are not subject to legislative control at the moment. For instance, in the aspect of security, rave parties should maintain close liaison with the police, hire quality security staff, carefully explain the scope of duties to security staff, conduct frequent inspection, take preventive measures to stop partygoers from abusing drugs and train security staff to keep vigilance. In the area of publicity, admission tickets should be printed with warnings such as "taking pills is hazardous to your life; do not be a drug abuser" and "unlawful possession or taking of dangerous drugs may be liable to a maximum penalty of seven years' imprisonment and a fine of \$1 million".

As the first step, we have held a number of meetings with rave party and dance party organizers to explain to them what aspects they should pay special attention in holding rave parties, and they were very co-operative. Actually, we have introduced a code of practice for rave party organizers with respect to regulation. The organizers have all indicated that they will be co-operative and observe the code as far as possible. We note that many organizers have printed warnings on their admission tickets and displayed posters featuring psychotropic substances in their establishments to urge partygoers to distance themselves from drugs. Furthermore, they have been extremely co-operative with the police. For the time being, we plan to conduct another review after the code of practice has been put into use for approximately six months. Of course, the Government is trying to handle this problem under the principle of minimizing unnecessary regulation as far as possible. The Financial Secretary has shown great support for the proposal of introducing regulation after careful consideration.

Therefore, a review will be conducted next year to examine whether or not legislation is necessary. In any case, the police will step up its enforcement efforts for some people might abuse drugs in rave parties. Their efforts include conducting spot check and appointing undercover agents to find out if there is abuse of drugs among young people.

With the Christmas and New Year holidays drawing near, the Narcotics Division and the police will launch large-scale publicity campaigns by taking the initiative to step up liaison with party organizers and urge them to observe the code of practice. Starting from next week, the Narcotics Division, the ACAN and its volunteer groups (comprising about several hundred people) will step up publicity at places where youngsters gather and patronize, such as discotheques, bars, music stores, and so on. They will urge shop-owners to display in their shops postcards which come in a set of six and leaflets recently published for distribution to their patrons.

As for imposing heavier penalties, that is, penalties for unlawful trafficking in and possessing psychotropic substances, the maximum penalty for unlawful trafficking in and possessing dangerous drugs such as ecstasy, cannabis and "ice" is a fine of \$5 million and life imprisonment and a fine of \$1 million and seven years' imprisonment respectively under the Dangerous Drugs Ordinance. The Ordinance was amended by the Government in 1997 for the purpose of imposing heavier penalties on unruly elements for exploiting underage persons for drug trafficking.

The Government has also recently proposed to amend the law to incorporate a psychotropic substance named "katamine" into the list of dangerous drugs. Given the support from Members, the relevant legislation is expected to take effect on Friday (that is, 15 December). By then, the penalty for unlawful trafficking in or possessing ketamine will be raised to the same level as for unlawful trafficking in or possessing heroine. We consider that this will produce an enormous deterrent effect on people intending to make use of ketamine for illicit purposes. Early next year, a review of the Dangerous Drugs Ordinance will be conducted by the Task Force on Psychotropic Substance Abuse. We will also pay close attention to abuse of such drugs as "Microdots" and "GHB". The fact that the Dangerous Drugs Ordinance has the mechanism of including new dangerous drugs swiftly will enhance our enforcement efforts against drugs that may poison young people.

Earlier on, a number of Members mentioned publicity in schools and among parents as well as education. We can assure Members that we attach great importance to this issue. Just now, Mr CHEUNG Man-kwong raised the question as to why these drugs are called "drugs" instead of "narcotics". Actually, this is because the term "dangerous drugs", a technical term, is commonly used internationally. The adoption of this technical term is in compliance with international practice. It does not mean that we have failed to remind people in the community that taking these drugs is the same as taking "narcotics". I would like to draw Mr CHEUNG's attention to the fact that the "Narcotics Division" under the Government is not called "Drugs Division". Besides, we have the ACAN too. As regards the question of why some drugs are called soft drugs by the Government, this is actually not the Government's decision. According to the definition drawn by Western countries, there is differentiation between the so-called "hard drugs" and "soft drugs". We have noted that these trendy expressions are adopted by the mass media nowadays. In giving publicity, we have also pinpointed that "there is no difference between "hard" and "soft" drugs as both are extremely harmful to the body". Neither has the Government told the youngsters in its publicity drive something like these are soft drugs and it is therefore not necessary to worry about their harmful effects.

We agree entirely with Members' view that we must enhance the knowledge and handling techniques of teachers and parents with respect to drugs and render them help for the purpose of further helping youngsters to distance themselves from drugs. In this connection, a number of departments have been organizing different programmes in a bid to enable teachers and parents to acquire a better understanding of drugs.

Insofar as teachers are concerned, the Education Department (ED) has since 1994 organized training courses for educating serving teachers on drugs. The courses include drug education courses for secondary teachers and primary teachers. Through these training courses, the ED has achieved the target of training one teacher well-versed in drug education in each secondary school. Furthermore, the ED has been working jointly with the Narcotics Division and voluntary organizations to organize drug education seminars and talks for primary and secondary teachers on a regular basis. I am pleased to hear Mr CHEUNG say that some teachers have been unable to take these courses after waiting for a long period of time. We will definitely endeavour to make arrangements to organize more seminars and talks.

For parents, the Narcotics Division will also strengthen its liaison with Parent-Teacher Associations. Through seminars and other activities, parents will be given guidance on ways to identify children with drug abuse problems and ways to help their children to refuse drugs. Since 1998, the Narcotics Division has taken the initiative to contact big and small organizations to, through seminars held in workplaces and schools, get in touch with parents directly. So far, the Narcotics Division has held 187 seminars to get into contact with working people, including more than 10 000 parents. The Division has even planned to write to all primary school students and their parents, and to make use of interactive games, to encourage parents to enhance communication with their children in order to build up a parent-children relationship, hoping that the anti-drug message can be disseminated through a warm approach.

We agree that outreaching social work services can help young people to refuse dangerous drugs. Each year, the Beat Drugs Fund will set aside millions of dollars to subsidize non-governmental organizations to provide preventive education to high-risk youngsters or provide assistance to them. Schemes benefited include a practical course for young females organized by the Hong Kong Christian Service, an outreaching scheme introduced by the Hong Kong Federation of Youth Groups in Tseung Kwan O and Kwai Chung, a scheme implemented by the Caritas for high-risk youngsters, and so on.

As for the number of outreaching social work teams, up to 1 October 2000, there are a total of 29 outreaching social work teams comprising 215 outreaching social workers in Hong Kong, with an estimated expenditure of \$109.5 million for the year 2000-01. Apart from this, outreaching social worker service teams are included in the integrated service provided by 52 integrated teams. These social worker teams provide young persons failing to take part in traditional mainstream activities with counselling, guidance and other services, including giving them incentives to resist temptation from dangerous drugs and providing young drug abusers with counselling, referral services, and so on.

In the coming year, the number of integrated teams will rise from 52 to 61. They provide services ranging from community centre service, outreaching social work service to school social service. The teams will manage resources flexibly and provide appropriate services according to the demand of young persons in each district. Moreover, enhanced services for youth at risk is also one of the Government's key work objectives in the future. In this connection,

more resources will be provided to expand the existing eight integrated teams to deal with the problem of youngsters lingering on the streets late in the night, including taking steps to minimize drug temptation. Furthermore, more resources will be allocated to the local committees on services for young people in various districts with a view to strengthening their function of co-ordinating youth services in their districts, so that they can pinpoint youth problems including drug abuse and juvenile delinquency more effectively.

We also attach great importance to the analysis of drugs trend and dissemination of information. The Central Registry of Drug Abuse (CRDA) was established in 1972 to collate information on drug abuse reported by law enforcement, drug addiction treatment and welfare organizations for statistics keeping, analysis and research purposes. The quarterly data compiled by the CRDA will be tabled at the regular meeting held by the ACAN for discussion and release to the media in due course. In addition, a statistical report will be published once every six months for distribution to the relevant organizations, including front-line organizations.

As I said in my reply to the oral question raised by Mr CHEUNG Man-kwong at the meeting held on 1 November in this Council, the Government has embarked on a large-scale questionnaire survey targeting on more than 100 000 students from secondary schools and the Institute of Vocational Education. The scope of the survey covers smoking, alcoholism and drug abuse among the respondents. Besides, several surveys are now underway to enable the Government to, through small group discussions, better understand the reasons for and the situation of psychotropic substance abuse among young persons. Upon the completion of these surveys and studies, the Narcotics Division will make the relevant findings known to anti-drug workers and the entire community.

Furthermore, seminars on drugs are conducted by the Narcotics Division 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 front-line staff, including social workers, through regular publications to brief them on the analytical information on newly seized drugs. Moreover, the Social Welfare Department (SWD) 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 SWD 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.

Equipped with a library, a multi-purpose room and Internet service, the Drug InfoCentre commissioned in June this year provides support for anti-drug workers including front-line staff in promoting anti-drug abuse work. Although only 1 000 people have since visited the centre, 500 people have registered as members. Nevertheless, we will continue to vigorously promote the facilities of this centre through regular periodicals. Phase II of the centre, which is a drugs exhibition hall, is expected to be completed for opening in 2003. By then, the centre will be able to provide anti-drug workers with more comprehensive support and directly help update the general public, particularly young people, on the latest anti-drug information.

We also share the views expressed by a number of Members. In particular, Mrs Selina CHOW mentioned the necessity of strengthening education on taking preventive measures against drugs and adopting a flexible and lively publicity approach to make it easier for our target audience, parents and youngsters to absorb anti-drug information. Insofar as schools are concerned, in order to expand the contact network or make better and more effective use of resources, the Narcotics Division has taken an innovative approach to work jointly with and subsidize three non-governmental organizations to hold drug education seminars for students above Secondary Five levels. The theme of the seminars is to rectify the misconception held by young people towards drugs, to show them the refusal skills, the harmful side effects of drug abuse, and so on. In the first 11 months of 2000, the Narcotics Division has hosted and co-organized a total of 1 425 such seminars to reach out to more than 90 000 students and parents.

In order to give students the opportunity to acquire a correct knowledge of drugs through different subjects, the Education Department (ED) makes use of formal curriculum to integrate drug education into different subjects. For instance, in the core curriculum of the "general studies" subject in primary schools, 18 teaching sessions are devoted to use of drugs, drug abuse, and the impact of smoking and alcoholic drinking on health. In 1999, the ED produced and broadcast an educational TV programme named "藥物陷阱" to heighten the alertness of students to the harmful effects of drug abuse and temptation from their peers. At the secondary school level, through various subjects, student

can acquire a more comprehensive knowledge of drug education. Examples are learning activities stressed by social education subjects and learning activities carried out under the economics and public services subject at the junior secondary level. In 1995, the SWD launched the "Against Substance Abuse Scheme" and set up offices in Tsuen Wan and North Point to help new or occasional young drug abusers and provide them with preventive education services. In 1999-2000, the two offices organized a total of 68 seminars and 347 large-scale anti-drug activities, attracting more than 3 200 people. Three drug centres for young abusers subsidized by the SWD and one self-help support centre also help disseminate anti-drug messages to service recipients through regular activities. During the period from January to March this year, the four centres have organized a total of 124 educational activities and attracted more than 12 000 participants. On publicity, 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 substance abuse, we have produced a series of detailed information leaflets on individual psychotropic substances, which are distributed to adolescents at various preventive education and publicity activities. In addition, the Narcotics Division will, through press releases, keep the general public informed of the harmful effects of psychotropic substance abuse, including cases relating to serious injuries.

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 dotcoms and schools were also organized.

We entirely agree that televisions and radio stations are the most effective publicity media. The Narcotics Division has been regularly launching and updating its publicity programmes on televisions and radio stations as well as inviting teenage idols for shooting or recording purposes to urge young people not to abuse psychotropic substances. The latest publicity film will be shown during the Christmas and New Year holidays in December and January. The film will also be shown in chain cinemas. A four-episode docu-drama named "毒海浮生" shot by the Narcotics Division in conjunction with the Radio Television Hong Kong last year was awarded the highest rating award. This year, the Beat Drugs Fund set aside funds for the first time to subsidize an

organization to shoot a movie of an anti-drug theme. Preparation for the movie is now underway. Its subject is to encourage youngsters to exercise self-control to protect themselves against misery as well as urging drug abusers to receive drug treatment as early as possible.

Madam President, as the saying goes, prevention is better than cure. Although this is something of a cliché, it still proves to be very useful when applied to anti-drug work in Hong Kong today. According to a study commissioned by the ACAN, each drug abuser will cost up to \$90,000 in social resources annually. Moreover, drug abusers often end up having a broken family, with their wives and children leaving them. On the other hand, permanent bodily damage may be inflicted on young abusers of psychotropic substances. Although our efforts in combating drugs has been recognized given the fact that the United States has recently excluded Hong Kong from its blacklist of "major drugs transit centres", we have never taken the issue of combating drugs lightly. We will continue to keep a close watch on the international trend of drug abuse and developments in Hong Kong. We will certainly not relax in our efforts. We support both Mr James TO's motion and Mrs Selina Chow's amendment. We will also seriously and carefully examine the valuable views put forward by other Members and make pragmatic consideration from various angles. We believe, as long as we are determined in doing so, we can joint hands to create a "drug-free" society.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mrs Selina CHOW to Mr James TO's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr James TO, you may now reply and you have up to one minute 50 seconds out of your original 15 minutes.

MR JAMES TO (in Cantonese): Madam President, I am grateful to the eight Honourable Members who have spoken on this motion, and the Secretary for Security who has given such a lengthy reply. The key is, I believe, not what we have been doing persistently in the past, because despite the things we have been doing persistently, the trend of drug abuse is still on the rise. So we need to think what kind of new tactics and measures we can take, or what kind of improvement we can make to the existing measures. I wish to mention one thing. First, in about two years ago, we passed a new law to stipulate that adults who sell or use other people to sell "pills" to young people are liable to heavier penalties. However, over the past two years, there has not been any case, or there may be just one or two cases, where the provision is invoked to impose heavier penalties. Therefore, I hope that the Government can step up efforts in this respect.

Second, we need to look into the latest trends of new drugs proactively. The Secretary has mentioned earlier that new drugs like "Microdots", or commonly known as "black sesame", will soon appear in Hong Kong. For many countries are now faced with this problem and quite a number of countries have classified these new drugs as narcotics. As to the proposal raised by some Honourable Members just now to send outreaching social workers to the Mainland on study trips and to retain integrated teams of social workers to provide services to young night-drifters, and so on, I think all these merit the special attention of the Government.

PRESIDENT (in Cantonese): I now put the question to you and that is: That Mr James TO's motion, as amended by Mrs Selina CHOW, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority 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 as amended passed.

PRESIDENT (in Cantonese): The second motion: Deposit insurance system.

DEPOSIT INSURANCE SYSTEM

MR ALBERT HO (in Cantonese): Madam President, I move the motion as printed on the Agenda.

Madam President, in October this year the Hong Kong Monetary Authority (HKMA) published a consultation paper on deposit insurance system. It was the second time that the Government raised the proposal to set up a deposit insurance system since 1992. The Democratic Party always supports the setting up of such a system for this will increase the confidence of depositors and minimize the chances of a bank-run caused by rumours. It will also help increase the stability of the banking system. For most members of the public, putting in the banks their life-time savings in order to earn a few percent of interest is indeed an option with the lowest risk. However, they do not have the knowledge and information to tell the different degrees of risk in different banks. The deposit insurance system is therefore a system which can give small depositors the most basic protection.

Madam President, after experiencing financial crises of different magnitudes, the international community seems to have reached a consensus on the setting up of a deposit insurance system to stabilize the financial system. For example, in 1994, the European Union began to require its member states to set up a deposit insurance system. The International Monetary Fund has also promoted the setting up of such a system in recent years in order to make the

monetary system more stable. In the aftermath of the financial turmoil in 1997, the Financial Stability Forum formed by the G7 countries has also been formulating an international guideline for the deposit insurance system recently. Many Asian countries such as South Korea, Taiwan, Indonesia, Malaysia and Thailand have introduced or refined deposit insurance systems in various forms. From the 1930s to the 1990s, in the wake of various financial crises, 68 countries including financial centres like the United States, Japan, Britain, Germany, the Netherlands, and so on have set up their own deposit protection system as a measure to make their banking system stable. As an international financial centre, Hong Kong should not remain an exception because the stability of our financial system is of vital importance.

Madam President, the Democratic Party supports the deposit insurance system. However, we think that we should not overlook the problems that are found in such a system. Of these problems two most important ones are: first, the costs of insurance will be transferred onto the depositors; second, the question of the risk of moral hazard. I think Honourable Members are all familiar with the arguments related to these two problems and so I do not intend to repeat them here. I would just focus on the views held by the Democratic Party.

On the question of transferring the costs onto the depositors. I agree completely that there is such a possibility. But will 100% of the costs be transferred onto the depositors? We do not think that a conclusion can be made on an across-the-board basis on that. At this time when the banks are so full of money, that may be disadvantageous to the depositors. But in the future when the demand for loans increases, banks will offer attractive interest rates to depositors because they want to get more capital. By that time, the depositors will be at an advantageous position again. Moreover, even if the insurance costs will actually be transferred onto the depositors, will that be an unacceptable burden to them? The premium suggested by the HKMA is about 0.1% and calculating on the protection ceiling of \$200,000, each depositor will only need to pay an annual premium of \$200. When this is compared to the various service charges levied presently by the banks, such as annual fees for credit cards which are at least \$200, the handling charge of \$2 for \$100 worth of \$1 coins changed, \$50 for ATM cards and so on, this is not at all an unacceptable amount. Furthermore, when a depositor pays \$200, in return he will get protection for the sum of \$200,000 he deposits in the bank. We think it is exaggerating to describe the levy of this charge as adding to the financial burden of the depositors.

However, the HKMA should be aware that it has not set out an upper limit for the contribution in its consultation paper. The suggested premium is 0.1%. But when some banks are closed and hence the money in the fund is insufficient, there will be a need for banks to increase the contribution payable from depositors. Then will the annual contribution be raised beyond this rate? Then what will be the upper limit? In foreign countries, an upper limit is set on the premium payable so as to reduce the sudden increase in the expenses of the banks. In this way, even if the banks will transfer the costs onto the depositors, that will not become too great a burden to them.

The Democratic Party is also very concerned about the question of the risk of moral hazard. We think there is a need to devise a suitable framework to reduce the risk of moral hazard. But before we discuss the issue in greater details, we have to point out that the so-called risk of moral hazard issue is not a "zero and one" or "yes or no" question. It is a question of degree. Of course, no design of any system can be said to be 100% free from the risk of moral hazard. On the other hand, one cannot say that a new system or a new measure is totally unworkable merely because of the existence of the risk of moral hazard.

Madam President, as the consultancy report of the HKMA points out, in the absence of an unambivalent deposit insurance system, there may be distortions in the market that will put those banks which are regarded as so big that they will never close down in an advantageous position. In fact, risks related to banks have nothing to do with the scale of their operation. If big banks fail to put their level of risk under strict control, they may also close down. Another point is that in this age of advanced information technology, rumours can spread in an amazing speed with enormous impact. With fierce competition on a global scale, even big banks cannot be considered entirely free from risks. In such circumstances, it is not appropriate to say that it is unnecessary for big banks to set up a deposit insurance system.

Furthermore, those who are opposed to the idea should not exaggerate the problem of the risk of moral hazard. For example, some opposers say that the banks, given such protection, will be free to do whatever they want, such as providing loans without considering the risks involved. I think this is merely scaremongering, for this system does not aim at protecting the shareholders of the banks and when banks close down, the shareholders will suffer as well. The

setting up of this system of deposit insurance will not replace the function of the HKMA in monitoring the banks. There is still a need for the HKMA to prescribe strict capital adequacy ratios and impose risk management measures. There is no way for banks to do anything recklessly in order to attract depositors.

Besides, will depositors neglect the risks just because there is a deposit insurance system and flock to those banks which offer a high interest rate? I have reservations about such a view. Some people think that depositors will put their money in other banks just because of higher interest rates. In fact, when depositors choose banks to deposit their money, they will consider many other factors and not just higher interest rates, for example, whether the banks are sound, their service quality and convenience, and so on. The savings which are beyond the upper limit of protection will not be protected and so the depositors will need to bear a certain degree of risk themselves. Therefore, we think that there is a need to set up a system whereby the depositors can share some of the risks while the risk of moral hazard can be reduced as well.

Madam President, the question is how a proper system can be formulated and this should be one which can deal with the problem of the risk of moral hazard prudently and minimize the impact as much as possible. That is the meaning we want to put across in the wording of our motion. Some people may ask: What is a proper system? There are many workable options which are often used in foreign countries, including the setting of an upper limit of protection which is reasonable. While we should protect the small depositors, we should not set the upper limit of protection too high and the big depositors should be made to bear a certain degree of the risk. For example, first, the \$200,000 limit is acceptable and it can protect about 90% of the depositors and that will cover 30% of the total deposits in the banks. I think that limit will meet international standard. Second, we suggest the setting up of a graded protection ratio system. For example, 100% protection will be given to the first \$100,000 and only 80% protection is given to the next \$100,000 and thereafter. This will make the depositors with a deposit of more than \$100,000 bear a higher risk or risk of moral hazard themselves. Third, the HKMA should continue to enforce the supervisory measures on the banks rigorously, including the monitoring of the capital adequacy ratio in the banks so that they can reach a safe level. Fourth, considerations can be made to formulate criteria on the determination of premium on the basis of risks.

The advantages, disadvantages and effectiveness of the above-mentioned proposals will depend on many details and technicalities. We can discuss these in greater detail and to study and compare them. The Democratic Party thinks that there is no need to list out all practicable options in the wording of the motion in too much detail. So we have just highlighted the problems and urged the HKMA to reference to foreign experience and to study the details and technicalities in setting up a proper framework to minimize problems such as the risk of moral hazard, and so on, and to give ample time to the Legislative Council for discussion and to make arrangements for the deliberation of the relevant legislation.

Thank you, Madam President. I so submit.

Mr Albert HO moved the following motion: (Translation)

"That this Council urges the Government to expeditiously implement a deposit insurance system for effectively protecting small depositors, and to formulate an appropriate framework aiming at reducing the risk of moral hazard."

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 Albert HO be passed.

DEPUTY PRESIDENT (in Cantonese): Mr Tommy CHEUNG will move an amendment to this motion as printed on the Agenda. In accordance with Rule 34(4) of the Rules of Procedure, the motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Tommy CHEUNG to speak and to move his amendment.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, I move that Mr Albert HO's motion be amended, as set out on the Agenda.

Madam Deputy, the fact that the Liberal Party has moved an amendment to the motion does not mean that we do not support the original motion. We just want to emphasize that the deposit insurance system should be cost-effective apart from providing small depositors with a certain degree of protection. Furthermore, the regulatory authorities should consider formulating appropriate complementary measures in order to reduce the risk of moral hazard.

The Liberal Party agrees that the deposit insurance system can provide small depositors with effective protection. According to the current priority claims protection, although depositors can receive a maximum of HK\$100,000 in deposit in cases of bank liquidation, the actual amount will depend on the amount of bank assets. Moreover, compensation can only be paid out upon the completion of the liquidation procedures, which might lead to serious delay.

Actually, there have been calls from the community for the setting up of a deposit insurance system subsequent to a series of bank runs triggered off by the closure of the Bank of Credit and Commerce Hong Kong as early as 1991. In 1995, the Hong Kong Government amended the law to give small depositors priority claims capped at \$100,000 in cases of bank liquidation. The deposit insurance system appeared on the agenda again as a result of a short-lived run on a local bank during the financial turmoil in end-1997 and a public consultation exercise on the abolition of the Interest Rate Agreement (IRA). We can thus see that members of the public have in fact been fully consulted on the setting up of the deposit insurance system.

Up to 1999, 68 countries around the world have implemented the deposit insurance system. The fact that participation of over 80% of these countries is mandatory shows that the deposit insurance system has become a global trend. Although the World Bank is still cautious about the scheme, other international organizations have all expressed support for this. For instance, the European Union has issued directions to its member states with respect to deposit guarantee or insurance. France, Germany and Italy have even switched from voluntary to mandatory participation. The International Monetary Fund (IMF) has also pointed out that the risk of moral hazard can be abated under a properly designed deposit insurance system.

Madam Deputy, like other political parties, the Liberal Party is worried that the implementation of the deposit insurance system will unavoidably increase the banks' operating costs, which might eventually be passed onto depositors. This is why we stress that the deposit insurance system must be cost-effective. According to the recommendations of the consultancy report, the deposit insurance system would not act as a regulator. Rather, it would act only as a "paybox", assessing and collecting insurance premia and organizing payout to depositors. Therefore, the relevant work can be administered by a division of the Hong Kong Monetary Authority (HKMA). Since it is not necessary to set up another administrative framework, the operating costs of the deposit insurance system will not be lifted to an excessively high level as there will be no overlapping.

This practice is actually widely adopted by countries where the deposit insurance system is implemented. According to a study report published by the IMF, the deposit insurance system is publicly administered in half of the 68 deposit insurance system countries, that is 34 countries. In the other 23 countries, the deposit insurance system is administered jointly by the government and private organizations. We can thus see that the proposed administration of the scheme by the HKMA is in line with practices of most countries.

As for the premium issue, a matter of grave concern to both the industry and the public, the Liberal Party agrees that a flat rate assessment system can be adopted at the early stages to facilitate implementation. It will be even better if the framework can be rendered in a simpler and more precise form to make it easy for depositors to understand. At the same time, this can free depositors from taking the trouble of making risk-based assessment of premia of individual banks. This is because such assessment will unavoidably classify banks into different grades or risk levels. In that case, depositors will need to understand the risk level and premium of individual banks before depositing their money.

In the long run, the Administration can, after the implementation of the deposit insurance system for a period of time, examine whether or not the risk-based assessment of premia should be adopted. This assessment system, involving much greater complexity, was eventually adopted by the United States in 1993, 60 years after its introduction, and introduced by Canada until last year. One third of the 68 countries where the deposit insurance system is implemented have now adopted this system. This is why we cannot evade this subject.

Madam Deputy, the industry is also concerned that the deposit insurance system will, in a disguised form, result in indirect subsidy of risk-prone banks by more stable ones and distortion of market competition against the principle of fair competition. Taken into account the full abolition of the IRA in July 2001, the simultaneous implementation of the deposit insurance system might aggravate the classification of interest rates and give rise to the risk of moral hazard. This is because in deciding on making deposit, depositors would only consider the level of interest rates instead of the stability of the banks. In order to attract depositors, the banks will incline to engage in more risky investment activities.

We believe a properly designed deposit insurance system should help reduce the risk of moral hazard. Therefore, we consider it acceptable for the consultant report to suggest capping the protection level at \$100,000. To start with, a coverage cap of \$100,000 would protect approximately 84% of depositors, only slightly lower than 91% if the coverage cap is raised to \$200,000. Furthermore, the 20% protection by value is in line with international practices.

On the other hand, the amount of premia will have considerable impact on coverage. If we calculate on the basis of the 10 basis points envisaged in the consultancy report, a coverage cap of \$100,000 and \$200,000 would require a premium of \$619 million and \$893 million respectively. To sum up, we believe a coverage cap of \$100,000 is appropriate for this can enable us to strike a balance between minimizing the risk of moral hazard and keeping premia at a reasonable level.

The deposit insurance system will probably provide depositors with incentives to disperse their deposits by keeping their deposits below the coverage cap in order to gain 100% protection. But in doing so, the depositors will need to bear with lower interest rates. As the banks are also required to bear the risk, they would probably not relax their strictness in approving loans as a result of the implementation of the DIS.

Taking into account the worries of the industry in this area, the Liberal Party suggests that the HKMA should, in spite of its excellent performance in its regulatory work, examine whether or not the existing regulatory measures are adequate. If necessary, it should formulate appropriate complementary measures and strengthen regulation like enhancing the transparency of banks in financing and writing off, strengthen the banks' disclosure of their operational

and financial information, enhance the transparency of the market, reinforce the banks' own risk-assessment mechanism, and provide specifications for high-risk bank activities. Actually, the banks are now required to present various statutory declarations to the HKMA regularly, normally on a monthly or quarterly basis.

Now let us turn to the issue of whether the cost will be passed onto the public. Although some large banks have explicitly pointed out that the relevant premium, a mere \$0.1 to be charged for a \$100 deposit annually, will inevitably be passed onto the depositors at the end, I believe, judging from the current operating environment, it is hard for the banks to do so because of the increasingly fierce competition among them.

With these remarks, Madam Deputy, I hope Members can support the Liberal Party's amendment.

Mr Tommy CHEUNG moved the following amendment: (Translation)

"To add ", which is cost-effective and easy for depositors to understand," after "a deposit insurance system"; to delete "an" after "to formulate"; and to delete "framework" and substitute with "complementary measures"."

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

MR CHAN KAM-LAM (in Cantonese): Madam Deputy, recently the HKMA has launched a public consultation on the implementation of the deposit insurance system and over the past month or so, there has been a heated discussion among members of the public on this topic. In sum, there are basically two major contending points of view.

The large banks oppose the deposit insurance system and think that the system will lead to an unfair situation where the large banks will insure against the risks borne by small banks. The small banks are overjoyed at the proposal and think that the deposit insurance system is a vital measure to safeguard fair competition in the market. The Democratic Alliance for Better of Hong Kong

(DAB) thinks that the setting up of this system can give greater protection to deposits so that when the banks run into problems, the small depositors are able to get back all their savings within a certain specified period of time. This is a progress over the existing mechanism. However, we think that the system is not perfect and there must be a comprehensive design to the system before it is ever introduced. When this is coupled with the stringent control exercised by the HKMA on the operation of the banks, the negative impact that may be caused can be minimized. That is what we consider a better solution.

Hong Kong upholds free economy. Competition here serves to enhance the quality of services and products. This has led to our remarkable economic success and our distinguished competitive edge among the economies of the region. The financial and banking sectors are regarded as the linchpins of our economy and they have a critical role to play. One of the major objectives of the HKMA in launching the deposit insurance system is to foster competition in the banking sector and to promote healthy growth in it. In this modern 21st century, should we not improve our risk management efforts in all aspects? I would like to point out that the system is well-intended, but if there is no rigorous regulatory framework, and if banks increase high-risk lending activities, thinking that they can fall back on the system and that the increases in costs incurred by the system can be offset, then the system will only serve to cause instability in the banks. There will not be any positive outcome, but that there will be negative impact on the stability of the banks. So the implementation of this system may backfire. The harm to be done on the financial sector and on the economy would be unimaginable if the liquidity problems in the banks will affect the cash flow of the various sectors.

The HKMA is of the view that when the system is implemented, there will be fair competition among the banks. The DAB does not agree entirely to this, for the implementation this system will not change the operating environment of the banking sector. The fact that the small and medium-sized banks have fewer clients and do not enjoy as good a business as the big banks is due to many complicated reasons. The result which the system is likely to produce is at most small depositors will no longer need to care about how the small banks operate and manage their business or their financial situation. Small depositors have always placed a high level of confidence in the regulation of the local banks and the stability of the banking sector. They are more concerned about the service quality, the level of charges, the interest rate concessions, the existence of branches at their neighbourhood or otherwise, and so on. After the deposit

insurance system is in force, will the small depositors take out the money they have put in the major banks and put their money in the small banks? The answer is not assertive. Besides, will the business of small banks become better if there are more small depositors putting their money there? The answer is also not assertive either.

The HKMA says that since the charges collected under the deposit insurance system are the basis points, it is a very tiny sum and will not cause any burden to the small depositors or increase the operation costs of the small and medium-sized banks. But the question remains where will the amount of about \$3 billion come from in two or three years' time to make up the deposit insurance system fund. The banks and the small depositors will of course have to pay for that. Even so, Madam Deputy, the system fails to instil sufficient public confidence in the banks. If banks run into problems, the entire financial system will definitely be affected. The HKMA states that if the \$3 billion is unable to pay all the depositors with savings of \$100,000 or below in the banks, the outstanding will be paid off by the Exchange Fund. The deposit insurance system fund will repay the Government later. The DAB thinks that this idea must be studied very carefully in order to prevent the banking sector from making use of the Exchange Fund as a back-up and overlook the principle of prudent operation.

Madam Deputy, in the Bank of Credit and Commerce affair of 1992, frenzied depositors flocked to the Bank to withdraw their money and a lot of panic was caused. As a financial, trade and economic centre, we cannot afford to wait until incidents happen in our banks before we start to think of the solution. As a world-class financial centre, we ought to have ways to handle crisis situations. We ought to have a sense of preparing for the rainy days and emergencies. If and when crisis of any magnitude happens in our banks, it would be too late to start thinking of ways to tackle it at that time. Therefore, measures aimed at protecting the depositors and the stability of the banking system should be adopted expeditiously. The deposit insurance system may be able to produce the above-mentioned positive effects and these cannot be taken for granted. The message we wish to bring home is that the system will only serve to make depositors have greater confidence in the banks. That is all the protection it can ever give to the depositors. The question of whether or not the system can be an effective one will depend on the rigorous regulation by the HKMA and the Government.

Madam Deputy, in this consultation period of the deposit insurance system, the DAB hopes that the HKMA can listen to the different voices from the banking sector and the public. The most important thing is to enhance the transparency and impose greater regulation on the operations of the banks, and to minimize the negative impact that may be caused by the risk of moral hazard, and so on. Only by means of these moves can the healthy and sound growth of our banking and financial sectors be secured.

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

MR NG LEUNG-SING (in Cantonese): Madam Deputy, the HKMA published a report entitled Enhancing Deposit Protection in Hong Kong with the purpose of consulting the public on the recommendations made by the consultants and to decide on the implementation of these specific recommendations made. The consultation period will last until 17 January next year. If we really attach importance to this consultation exercise, then all the parties involved, including the Government, the HKMA and the Legislative Council, and so on should adopt an open attitude on this without any pre-empted position. They should seek a full understanding of the views of the sector and the users so that considerations can be made on the solutions to the various problems involved in the deposit insurance system. However, at a time when consultation is still being made, if the Council should reach a conclusion in such a rush and request the speedy finalization of the system, I am afraid this would give people an impression that we are not showing sufficient respect for the public consultation process.

Personally, I think that the implementation of the deposit insurance system in Hong Kong would involve policy objectives, costs and charges, the fairness of the market and even other factors such as the risk of moral hazard. All these warrant careful and comprehensive consideration by the public, the sector and the regulatory authorities. If a carefully designed deposit insurance system is implemented gradually, it will certainly be welcomed by the public.

First of all, in the area of policy objectives, the consultancy study recommends the provision of a certain degree of protection to small depositors and to foster a more stable financial system. These directions are in principle worthy of our support. Among these two policy objectives, the greater stability of the financial system is a fundamental starting point. For only if the

regulatory authorities will ensure the greater stability of the financial system, then the interest of the depositors can be guaranteed in the end.

Looking at the local situation and that of the world over the years, one can see that the existence or otherwise of a deposit insurance system will not prevent the occurrence of massive bank-runs or the closure of banks. That is beyond any doubt. Assuming that the existing arrangements are changed and insurance is prescribed for deposits of \$100,000 or below, as compared to the existing priority enjoyed by deposits of \$100,000 or below in making claims, the depositors will not actually get a lot more protection under the new system. Moreover, risk also exists for deposits of more than \$100,000. More importantly, the actual protection effect of the insurance scheme recommended by the consultants will have to depend on the capital of the Exchange Fund and the liquidity of the insurance system, as well as the gravity of the problems which appear in the banking system. Therefore, similar uncertainties as mentioned by the consultants also exist. If depositors lose their confidence all of a sudden and do not care about whether the bank concerned is financially sound or not, there is still a possibility of an irrational massive run on that particular bank. Once chain reactions start off in the banking system, it is doubtful whether the undertakings provided by the insurance can be fulfilled completely.

How can the deposit insurance system be able to make use of the existing system and reduce risk effectively, enhance the protection of the depositors and the stability of the banking system, while not causing any negative impact in the system? Is there no room for further improvement in the existing regulatory system? For example, can improvements be made to the procedures on the liquidation of banks and the priority of depositors in making claims? To be frank, there is still a lack of detailed and convincing analysis on these issues in the consultancy study.

From the perspective of the interest of the public and that of the sector, the costs and level of charges are issues that warrant serious consideration. These do not relate to the operation of the banks alone, but also the gain or loss on the part of depositors. I believe users will not like to experience the disadvantages before they can enjoy the advantages. Information from the consultancy study shows that the annual premium payable is 0.1% of the amount of savings insured. There are some opinions that in view of the current competition among banks in offering interest rate concessions to clients, the banks are able to absorb all the premium expenses. As a member of the banking sector, I personally do not

wish to see the costs being transferred onto the depositors at all. However, judging from common sense in business, I can say that the premium expenses will not be one-off or short-term in nature, they are a long-term item of cost outlay. As such, all the banks will need to pay for it. Owing to competition considerations, even if the item is not reflected in the direct charges, it may also have an effect on the concessions expected to be offered by the banks. Or in other words, even if the depositors are not affected in the short term, no one can assert that the situation will remain for a longer term or for good.

Lastly, prudent considerations should also be made with respect to fairness in the market and the risk of moral hazard. This is one of the focuses of discussion in the motion today and I do not think I need to repeat these points here. However, it should be noted that these are side-effects which are unavoidable in any deposit insurance system and for which no one can give the undertaking that they will not appear. In this consultancy report, I do not see any mention of more specific measures to ensure that the existing regulatory framework can deal with the problems brought about by the deposit insurance system and to maintain effective risk management.

As the above points mentioned still warrant further study and as certain members of the banking sector are very concerned about the situation after the abolition of the interest rate agreement next July, therefore, taking a prudent approach to the content of the original motion and the amendment, I think in the absence of sufficient consultation and thorough study into the issues involved, today is not the best time for me to cast my vote to demand that the system be put into practice expeditiously.

Madam Deputy, I so submit.

MR BERNARD CHAN: Madam Deputy, may I start by declaring an interest as a director of a small local bank.

I am not quite old enough to remember the banking crisis in the mid-1960s, when some banks failed and some depositors tragically lost much of their savings. However, I do remember the collapse of several banks in the early 1980s. And of course, we all remember the case of the Bank of Credit and Commerce in 1991.

Each time we experienced such problems, there were calls for deposit insurance to protect the interests of ordinary people who could otherwise be in danger of losing their savings. The colonial government resisted these calls.

However, times have changed. Today, people expect far more from their government than they did in the 1960s. Ordinary, hard-working Hong Kong people expect the Government to play a part in guaranteeing the safety of the savings that they have deposited in our banks.

In this respect, Hong Kong people are no different from people in other developed economies, including the United States, the United Kingdom, Japan and elsewhere. And in those countries, the authorities have reacted to this expectation by implementing deposit insurance schemes. We often benchmark Hong Kong against these jurisdictions, and it is high time that we came into line with them on the issue of protection for bank depositors.

It is important for Members to recognize that deposit insurance will not only benefit the people of Hong Kong by giving them peace of mind about the savings that they deposit in banks. It will also benefit each bank in Hong Kong, by making the local banking system much more stable and secure.

As it happens, our banks today are secure and well-capitalized. However, there is a culture in Hong Kong that sometimes makes people more prone to join in queues and crowds just in case they miss out on something. We have even seen a run on a cake shop at one time, and we have seen large crowds gather to apply for shares in a company undergoing an initial public offering or even to collect souvenirs being offered by fast-food chains.

With a safety net in place, depositors will be less likely to respond to rumours about banks, and therefore less likely to make panic withdrawals, which can potentially damage our banking system. Furthermore, greater stability in our banking system will also reflect well on Hong Kong internationally. We should not underestimate the importance of that.

Most of the arguments against deposit insurance are old. One is that it costs money. However, it is perfectly possible to implement a scheme that is simple in all aspects of its operation and administration, and will cost very little. Certainly, there is no reason why ordinary depositors should notice any difference in the amount of interest that they earn on their deposits.

Another argument is that deposit insurance increases moral hazard. That might be the case if we did not have a highly professional regulatory body. However, we have the Hong Kong Monetary Authority (HKMA) which, in my view, is second to none as a banking regulator, not just in Asia, but worldwide.

Indeed, with the additional powers proposed in the Banking (Amendment) Bill, the HKMA will have more scope than ever to monitor banks.

In that case, opponents could argue, maybe we simply do not need a deposit insurance scheme. However, that argument ignores the psychological role played by a deposit insurance system. We cannot forecast whether we will need it. It is a safety net. But its very presence increases confidence. Its very presence, therefore, makes it less likely that we will need it.

Madam Deputy, a credible, mandatory and cost-effective deposit insurance scheme will safeguard the interests of Hong Kong savers, it will enhance the stability of our whole banking system, and it will bring us into line with other world-class financial centres. I urge all Members to encourage the HKMA to devise and implement such a scheme. Thank you.

DR DAVID LI: Madam Deputy, first, I would like to declare my interest as I work for a licensed bank.

There are divergent views within the Finance Functional Constituency regarding deposit insurance. A number of concerns have been raised. While I understand these concerns, I personally fully support a deposit insurance scheme for Hong Kong.

What is deposit insurance? Plain and simple, it is insurance — insurance against an unforeseen calamity. Who is protected? The small depositor, the one who can least afford to have his bank account frozen. What is the real benefit? The guarantee of full payout of the insured amount within weeks, rather than years.

We are told that a deposit insurance scheme will increase moral hazard, and cause banks to take greater risk.

However, a scheme will not cover all deposits. Banks will need to be prudent to continue to attract both small and large depositors. Supervision by the Hong Kong Monetary Authority (HKMA) will ferret out unsound practice long before a bank reaches a crisis point.

If the HKMA is so efficient, why do we require deposit insurance?

We only need to recall the Bank of Credit and Commerce affair to answer that question. The local bank was sound. However, problems at the parent bank raised the spectre that funds would be pulled out of Hong Kong. The authorities closed the bank to protect local depositors. But, without insurance, depositors were left in limbo, not knowing when or if they would ever retrieve their money.

May I point out that almost all countries in Europe and North America have a deposit insurance regime. The biggest banks worldwide all subscribe to a deposit insurance scheme in their home markets. It is now time for Hong Kong to do the same.

Deposit insurance was last debated back here in 1992. Then, a decision was taken not to proceed. There are two significant differences this time: the Government has said that it will permit the use of the Exchange Fund to provide liquidity; and the HKMA has considerably tightened regulation of the banking system.

Government support ensures prompt action under the scheme. It reduces the cost of administration, and it gives small depositors the assurance that they need. With this government support, we can design a very efficient and cost-effective system.

The excellent work of the HKMA is also a factor reducing the risk and cost of a deposit insurance scheme. Through strict supervision, the HKMA provides the assurance that our banking system is sound. Without that assurance, no bank would be willing to support a deposit insurance scheme.

Deposit insurance will not prevent bank failures. But it does provide a clear procedure to be followed in the event of a failure. In the past, each failure has been treated on a case-by-case basis, with no certainty when or if depositors will get back their money. It is this uncertainty that has led to the rumour-mongering and, at times, panic that we have seen in the past.

With deposit insurance in place, a clear and definite statement concerning affected deposits can be made within hours, and payouts can be made in a prompt and orderly manner. This certainty will create substantial follow-on benefits to Hong Kong's position as an international financial centre.

How much will this cost? Surprisingly little, if we are careful and prudent in designing the scheme. The consultation paper issued by the HKMA estimated that a scheme would cost 10 basis points annually, or \$100 on \$100,000. This charge will apply to insured balances only. In other words, there will be no levy on balances in excess of the insured amount.

I believe that, with a well designed scheme, we can trim the annual fee to \$60 or \$70 on \$100,000. And once the fund has reached a target level, premiums can be reduced to a minimum.

There is growing public support for deposit insurance in our community. The Hong Kong Consumer Council has given its backing, saying that a scheme would be good for Hong Kong consumers, and would contribute to a stable banking system. I fully agree with that.

The public consultation on deposit insurance will end on 17 January next year. We will then be in a position to move forward.

Madam Deputy, I am pleased to support the Honourable Albert HO's motion.

DR RAYMOND HO: Madam Deputy, as one of the most open economies in the world, Hong Kong is always a proponent of globalization. Ever since Hong Kong was established as a trading post in South China more than a century ago, it has been growing with the expanding world trade and international financial market. Our experience tells us that globalization is good for Hong Kong. But the reality of Asian financial crisis in 1997 also alerted us that risks and uncertainties come with globalization.

It is true that Hong Kong has a very sound banking system. But we also have a history of recurring banking crises. It is true that some forms of protection are at present provided for local depositors. But a better depositor protection scheme is needed as there are limitations on the current scheme of

priority claims. Firstly, there is no certainty of full payment of priority claims. Secondly, timing of payment is uncertain. Thirdly, under the existing liquidation arrangements, the provisional liquidator of a local bank branch may in practice only apply Hong Kong assets to settle priority claims. Obviously, this is not the best formula to look after the interests of local depositors.

It is, therefore, necessary for Hong Kong to advance the limited protection currently available to depositors, particularly, the small ones. Small depositors usually do not have the expertise and resources to monitor bank performance. The adoption of a deposit insurance system will provide better protection to them and bring Hong Kong into line with the international trend which is in favour of explicit deposit protection schemes. Oddly, Hong Kong is one of the few international financial centres without a deposit insurance scheme.

I understand that some people have expressed their reservations about the deposit insurance system. They are worried that banks may eventually pass the cost of deposit insurance onto depositors in the form of lower interest rates on deposits. I believe that this is not going to happen in view of the fierce competition in the local banking sector. It is most likely that banks will absorb the costs. Even if it is not the case, I do not believe that Hong Kong will lose out to some small offshore islands, which are not risk-free, in attracting deposits due to a small premium on deposit insurance. On the contrary, the deposit insurance will increase depositors' confidence in our deposit system and the stability of our banking system.

Like any other systems, the deposit insurance system has its own shortcomings. It is true that banks and their depositors may be tempted to take bigger risks in the knowledge that they are insured. However, the risk of such moral hazard can be reduced given the proper design of the deposit insurance system and effective banking supervision. In addition, the growing demand for higher transparency of banking operations by both shareholders and regulatory authorities will also help reduce such risk.

Madam Deputy, it is time for Hong Kong to improve its depositor protection system in order to meet the needs arising from globalization. Such improvement will strengthen the stability of our banking system and provide better protection for our depositors. I so submit. Thank you.

MR FRED LI (in Cantonese): Madam Deputy, one of the main objectives of establishing a deposit insurance system is to provide better deposit protection for the general public. Statistics show that there is a large number of small depositors whose deposits amount to less than \$200,000. While they represent 91% of the total number of depositors in Hong Kong, their deposits account for a mere 30% of the total amount of deposits. The protection currently provided by the Administration for these small depositors is inadequate. In the event of bank failure, the life-long savings of the general public will go down the drain.

After the idea of deposit insurance was shelved in 1992, a priority claims system has been adopted in Hong Kong since 1995 for the protection of depositors in lieu of a deposit insurance system. Under the relevant legislation, local depositors have priority over other creditors to claim compensation for their deposits with a failed bank in the event of its liquidation. However, there is the limitation that each depositor will be paid up to a maximum of \$100,000 of their deposits.

Apparently, this system fails to give explicit guarantee to depositors for three reasons. First, compensation payable to depositors entirely depends on the process of liquidation. When a bank is in trouble and has become insolvent, it is questionable as to whether the bank assets as realized will be enough to repay \$100,000 to each depositor. Second, it is not expressly provided for in law that banks must maintain assets at a value sufficient to protect the preferential claims of depositors and so, the depositors' right to priority claims is not guaranteed. Third, while depositors are given priority, they are actually preceded by many other claims, such as arrears of wages for employees, employees' compensation and statutory debts due to the Government, and so on. Therefore, depositors only have priority over general unsecured claims, and the bank must meet those claims before making compensation to depositors. This shows that depositors are not adequately protected under the existing arrangement and it is difficult to command full confidence from depositors. This system met challenges for the first time in the 1997 financial turmoil. There were many bank-runs, involving such major banks as the Standard Chartered Bank. This shows that the current practice cannot effectively stabilize depositors' confidence, and this can be achieved only with the implementation of the deposit insurance system.

To understand public views on the need to set up a deposit insurance system, the Democratic Party interviewed some 600 citizens by the interactive

voice response telephone system last week. Results showed that over 60% of the respondents supported the establishment of a deposit insurance system and only 16% opposed it. Moreover, the Democratic Party is also very concerned about the possibility of serious moral hazard under a deposit insurance system. For instance, depositors may choose to deposit their money at banks offering higher interest rates to the neglect of the risks involved, which will increase the risks of the banking system. Therefore, the survey also solicited views from the public in this regard.

It was found that only 32%, not all, of the respondents said that they would transfer their savings to another bank after the deposit insurance system was established, whereas 37% of the respondents said that they would not switch to another bank. Results showed that while close to 90% of depositors in Hong Kong have savings less than \$200,000, only 32% said that they would switch to another bank, representing a very small percentage of the total number of depositors and the total amount of deposits. Further, of those 32% of respondents who said that they would switch to another bank, less than 50% said that they would switch to another bank offering higher interest rates. So, overall speaking, only 14% of them will transfer most of their savings to another bank offering higher interest rates to the neglect of the associated risks; whereas the remaining 14% would switch to another bank only to take full advantage of the coverage cap by dispersing their deposits.

Then, what are the considerations of those 37% of respondents who would not switch to another bank? It was found that the stability of banks remained a consideration of close to 50% of this group of people. Notwithstanding the establishment of the deposit insurance system, the stability of banks was still their major consideration in their choice of bank. Some other respondents said that they would not switch to another bank for reasons such as banking services, convenience, whether they have a payroll account at the bank, customary patronage, and so on. This shows that even though a deposit insurance scheme is in place, there are still many people whose choice of bank is based on factors other than interest rates, and this will help reduce the risks of the banking system.

Another issue of concern arising from the deposit insurance system is whether the insurance premium will be passed onto depositors. In the survey, supporters of a deposit insurance system were also asked whether they would mind paying an additional 0.1% as premium. Results showed that over 40% of

the respondents said that they would not mind. Yet, 45% of the respondents replied that they were unwilling to pay the premium. So, the respondents split equally on this question. This shows that in formulating the details of the deposit insurance system, the HKMA must carefully handle the question of whether the premium would be passed onto depositors in order to protect the interest of small depositors. Certainly, if there is keen competition in the banking sector, these costs can be absorbed by banks and do not have to be passed onto depositors.

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

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

MR SIN CHUNG-KAI (in Cantonese): Madam Deputy, first of all, I must declare an interest. I am a junior staff member of a major bank. I have not taken part in making any important decision for the bank.

First, I wish to respond to the question concerning the consultation period as raised by the Honourable NG Leung-sing who has just left this Chamber. He queried the propriety of debating this motion in this Council before the consultation exercise ends on 17 January. In fact, this question involves two points. The first is whether there is a need to set up a deposit insurance system. Second, even if there is this deposit insurance system, what are the details of it? This motion proposed by the Democratic Party today is actually a motion of principle. In simpler terms, even if a decision is made on the first point and we have decided that there is or there is not the need to do so, the details of the insurance system will have to be worked out later. Just now, many Members expressed their views on such options as a mandatory flat rate of premium or risk-based premium, but we still have to deal with many other issues. Therefore, even if this motion is passed today, it may actually lead to many more discussions. That is, even if we do consider it necessary to set up this system in keeping with the times, we will have to discuss more specifically what kind of deposit insurance system should be put in place.

Madam Deputy, in the long term, a deposit insurance system is good for Hong Kong's banking system. I remember that Honourable colleagues have mentioned just now that in 1991, the then Commissioner of Banking, Mr David

CARSE, said the day after the outbreak of the Bank of Credit and Commerce incident that nothing would go wrong given the sound regulation of banks in Hong Kong. He then held a press conference the following day saying that the Bank of Credit and Commerce in Hong Kong would have to be closed for its parent company had dragged the local Bank of Credit and Commerce into troubles.

Hong Kong is an open economy. Frankly speaking, no matter what improvements are made to better our banking system, the banking system will remain open. Although this development is certainly welcome, we very much hope that our system can be consolidated. While we practise an open economy in Hong Kong, we will at the same time face external attacks on the local banking system. This is the first point. Second, while Hong Kong has claimed to be a financial centre, its market is actually very small in scale and any massive attack will do damage to us easily. A simple example is that during the 1997 Asian financial turmoil, we had been repeatedly affected by rumours. As the Honourable Bernard CHAN has said just now, we even saw people queuing up to redeem their cake coupons at bakeries, let alone banks. After 1997, there had been several cases in which queues of people were seen at banks. Fortunately, nothing had gone wrong in the end. That might be the result of the Office of the Commissioner of Banking, the Government or other major banks joining forces to support the banking system. However, we must consider do we always have to repair the damages caused by rumours on an ad hoc basis. Do we have to consider ways to block these rumours? Should we institutionalize measures so that the public will not be influenced by these rumours and small depositors who are more vulnerable to rumours can feel more secure? The implementation of this deposit insurance system actually aims to bolster the confidence of small depositors as a whole so that rumours can be melted away more easily. Moreover, assuming that the HKMA can properly manage the first \$3 billion of the premium, is it still necessary to make continuous premium payment in future? The answer is still unknown. Of course, we also agree that no guarantee can be given in this regard. But as far as we adopt a two-pronged approach whereby strong protection can be provided, we can establish a system under which small depositors will feel secure.

Madam Deputy, in the international context, the general trend now is that competition is given an increasing weight. After the Interest Rate Agreement is lifted in July next year, competition among banks will set to become fiercer in which case only the fittest will survive. Under this circumstance, it is all the

more important to ensure protection for small depositors. With globalization and a faster rate at which information is disseminated, some rumours may take their toll more readily. In the past couple of years, trivial rumours on the Internet were often reported in international news. Regarding these loopholes — perhaps they cannot be taken as loopholes for this phenomenon will arise as a matter of course — we must seriously think about setting up systems to fend off attacks on our banking system that has been attacked before.

Madam Deputy, the last point I wish to make is about the time of implementation. From this consultation document of the HKMA, and according to what the Government said in its briefing to the Legislative Council Panel on Financial Affairs in October, this system will not be implemented as early as in 2002. I hope that after listening to this motion debate, the Government can draw a conclusion that Members support this system in principle. But prior to its implementation, I very much hope that the Government can discuss this in more detail with the banking sector or other relevant sectors in order to reach a better consensus and incorporate their views in drafting the legislation before tabling it before the Legislative Council. Do not turn the Legislative Council merely into a venue for a second round of debate as there is this possibility indeed. Therefore, I would rather hope that the Government, in drafting the legislation, can do better in its consultation with the banking sector. According to the original timetable of the Government, the bill can be tabled at the Legislative Council only by the end of 2001. This may enable us to observe the changes in the situation of banks, big or small, after the Interest Agreement Rate is lifted in July next year. The statistics collected at that time may present a clearer picture and they can be submitted to the Legislative Council together with the bill for consideration. This, I think, may produce better results.

Madam Deputy, even if this motion is passed, the Democratic Party, in examining the relevant legislation in future, will surely consider carefully the issues that may arise from the implementation of the deposit insurance system as mentioned by Honourable colleagues. We will also study carefully whether the bill can plug certain loopholes.

Thank you, Madam Deputy.

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

MR ALBERT HO (in Cantonese): Madam Deputy, Mr Tommy CHEUNG's amendment to my original motion consists mainly of two points.

First, he proposed to add the phrase "which is cost-effective" after "a deposit insurance system" and replace the words "appropriate framework" in my original motion by "complementary measures". I wish to point out that an ideal system is to achieve cost-effectiveness and surely no one would disagree with this. When we make a concerted effort to do a piece of work, who will take exception to this requirement or target? But of course, as regards what should be achieved for it to be considered cost-effective, this is perhaps open to question. As Honourable colleagues have said today, different proposals may eventually arise in respect the implementation of the system, whether we support the motion or have reservations about it. For instance, will there be a classification of banks that corresponds with different levels of premium? Will the insured amount be divided in that the first tier provides 100% protection whereas the second tier provides protection in other areas? This is one of the measures that will have certain impact on the implementation of the system. Some may even ask if it is necessary for the HKMA to act as the insurer. All these may have a bearing on this issue and controversies will also arise. Some may consider it appropriate for the HKMA to play a part while some may not. Some may even think that the HKMA should participate by acting as the insurer. Therefore, all these are debatable. But it is indisputable that the system should be cost-effective, come what may. So, it can be said that there is absolutely nothing in this amendment that is contentious.

Furthermore, the amendment proposed to replace "appropriate framework" by "complementary measures". In fact, these two terms carry very similar meanings. What the motion refers to is certainly a set of measures or a framework. All of us will agree that it should be appropriate and that it can complement the implementation of the system as a whole. Therefore, I found it very difficult to understand what specific difference this amendment has made to my original motion. In general, I do not see any particular reason for me to oppose the addition of these words.

Second, the Honourable Tommy CHEUNG considered that this deposit insurance system must be easily understood by depositors. This is not an easy

task. I believe it is rather difficult to require depositors to actually take steps to specifically understand the operation of a system. If they are required to take lessons and read books so as to understand the operation of the entire deposit insurance system, the basis points for premium, and to find out what the regulatory authorities are, the difference of having the system regulated by different authorities, the merits of implementing the system in future, and so on, I believe depositors will not necessarily be interested. Even if they are forced to take lessons, they may not necessarily be interested in listening to what they are told. What depositors want to know the most is certainly how much interest they will earn from banks. As for whether the services of banks are good, depositors can tell from their personal experience. Further, how much compensation depositors can obtain in times of a bank failure is another thing that depositors are most concerned about, and this is also the depositors' right to know. Therefore, I found it difficult to understand how we can design a system which is easy for depositors to understand. The design of the system is also a major consideration. But anyhow, I have no objection to designing a system which is easy for depositors to understand as far as possible.

To conclude, I do not consider it necessary for me to oppose Mr Tommy CHEUNG's amendment in principle. Nor do I wish to get into disputes because of this amendment and consequently lose support from the Liberal Party for my original motion. If colleagues of the Liberal Party consider that my motion as amended will be a motion jointly sponsored by both parties, and that this will facilitate Members' participation and hence inducing support for me, they are most welcome. Under such circumstances, I will not oppose the amendment and I will even support it. Since I do not oppose it, I cannot abstain in the vote. Therefore, the Democratic Party will support this amendment.

THE PRESIDENT resumed the Chair.

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I am very grateful to Mr Albert HO for moving the original motion and to Mr Tommy CHEUNG for moving the amendment because they have given me an opportunity to take part in this debate as well as listening to Members' views on the deposit insurance scheme (DIS) today. The Government is conducting a three-month public consultation on this important topic. Through the debate held in this Council today, I hope the public will become more interested in this topic and express their views as early as possible.

In the past few years, we have taken a series of measures to enhance deposit protection, including the introduction of amendments to the Companies Ordinance in 1995 to allow depositors to receive priority of payment in the liquidation of a failed bank up to a maximum of \$100,000 of their total deposits with the bank.

In 1998, the Hong Kong Monetary Authority (HKMA) commissioned a consultant to carry out strategic studies on the banking industry in Hong Kong. The consultant held that enhancing deposit protection merits detailed study for this will benefit Hong Kong. This year, the HKMA commissioned a consultant to conduct an in-depth study on the issue again. The conclusion of the consultant is that a formalized DIS would offer the best protection for depositors.

While we support moves to further enhance deposit protection in principle, we have yet to finalize on the ways to put the DIS into implementation. The few options identified by the consultant have their pros and cons. As the relevant proposals will directly affect public interest, we consider it necessary to, before making any decision, listen to the public's views in order to determine in what way we should enhance deposit protection. The HKMA is also pleased to visit the local districts to listen to, for instance, the views of District Council members.

We welcome this Council's debate on this topic this evening, as it gives us an opportunity to listen to the valuable views of Members. The speeches delivered by Members earlier have conveyed to us this message clearly and that is: Though Members hold different views on the design and implementation details of the DIS, it appears to me from what I have heard that most Members support the major principle of putting the DIS into implementation. Perhaps this is because they are depositors too. (*Laughter*)

As the consultation exercise is now in full swing, I do not intend to discuss the details as to how the DIS should be implemented. Actually, a number of options have been analysed in detail in the consultant's study report. If it is finally decided that a DIS should be introduced, we will further consult the public and this Council on the design and implementation details of the scheme. At this stage, I will focus on a few major principles in which Members are more interested.

Like most Members, we agree the DIS should meet two basic objectives: First, to provide small depositors with a measure of protection; second, to enhance the stability of our financial system. Whatever option is to be eventually adopted, it must meet these two basic objectives.

We have a very stable banking system. The banks in Hong Kong have been operated efficiently under effective regulation. Therefore, putting aside some unpredictable scenarios, we believe the public should not be unduly worried about bank failure. On behalf of the HKMA's Chief Executive, Mr Joseph YAM, I would like to thank Members who have praised the HKMA for acting as a bank regulator. However, we still face the problem that we cannot absolutely deny the possibility of unpredictable circumstances. There is still a possibility for such circumstances to happen. After all, a bank may be subject to the influence of external factors or face unfounded rumours, no matter how effectively it has been operated and how prudently it has been regulated. In spite of the extremely low possibility, we still cannot deny that a bank may face the crisis of closure because these negative factors might undermine public confidence in the bank.

Although the DIS is unable to prevent the closure of a bank unable to offset its debts with its capitals, a properly designed DIS should help prevent a run on the bank. This is because depositors who are aware that their deposits are protected will not swarm to a bank which is plagued by undesirable news or rumours to withdraw the money they have deposited with the bank. Members may still recall a run on two major banks subsequent to the closure of the Bank of Credit and Commerce Hong Kong in 1991. We should be able to minimize such chain reaction if a DIS is in place. Therefore, a means of assurance is very important for its presence can prevent depositors from rushing to the bank to line up without any good reason.

Madam President, the DIS is not aimed at rescuing banks unable to offset their debts with their capitals and prevent them from closing down. Yet the DIS should be able to provide an effective mechanism in advance for handling bank closure and minimize the impact on small depositors.

For instance, under the current arrangements, small depositors are entitled to priority payment in the closure of a bank the first \$100,000 of their total deposits from the liquidator. However, whether they can actually receive full

payment of \$100,000 is dependent on whether the relevant bank has sufficient assets. Moreover, it will usually take some time for the depositors to get back their money. Under the DIS, however, depositors are fully insured and they are entitled to receiving the insured amount. Moreover, they will be able to get back the money very quickly.

This shows that the DIS is able to protect small depositors and help provide a quick solution to problems faced by depositors of a failed bank. This will prevent the problems from spreading to other banks and help contributing to the stability of the entire banking sector, which will in turn help Hong Kong to consolidate its status as an international financial centre.

Just now, a number of Members expressed concern over the design and complementary measures of the DIS. In conclusion, their concern focuses on three areas: first, the risk of moral hazard; second, cost-effectiveness; and third, administrative problems.

The concerns with the risk of moral hazard can be divided into two main points. First, the bank may take greater risks for they know their depositors will not incur losses even if they fail. Second, under a deposit insurance system, depositors may be tempted to deposit their money with banks offering higher return rates instead of differentiating them carefully in terms of their stability. Furthermore, the banks may undertake more risky activities to compensate for the rising costs.

These concerns are absolutely reasonable. Nevertheless, this does not mean it is impossible for the problems to be solved. Overseas countries have accumulated a lot of experience in handling the risks of moral hazard. In conclusion, there are two major considerations for the problems to be solved: to put in place an effective regulatory mechanism to prevent the banks from taking excessive risks; to set the coverage cap at a reasonable level to encourage depositors to choose a stable bank. In this respect, the HKMA, as the regulator, will enhance its regulatory regime to ensure that the stability of the banking sector will not be affected because of excessive risks. In fact, the disclosure by the banking sector has enhanced greatly in terms of both quantity and transparency. People in the market can now examine and assess the performance of the banks more effectively and accurately with the help of the disclosed information.

Members' suggestion that the DIS should be risk-based to reduce the risks of moral hazard can definitely be considered. As it stands, however, it is difficult in practice for the authorities concerned to determine the level of premium on basis of an objective comparison of various banks. This approach is not popular with most of the countries where a DIS is implemented. Moreover, the technique required is not yet mature. Therefore, the consultant suggested that it would be more appropriate to adopt a flat-rate system, or at least during the initial period. A risk-based assessment system should not be considered until the DIS is firmly established or when such a need arises.

On the question of cost-effectiveness, we agree that the DIS must be effective for the scheme will inevitably incur costs. According to the consultancy study, perhaps a premium of 0.1% per year can be considered as a point of reference. If a decision is made for the scheme to be implemented, a more detailed analysis will be made.

I fully understand that Members are seriously concerned with who should bear the costs of the DIS. Of course, it should be up to the banks to decide whether or not the costs should be passed onto depositors. But given the great number of banks in Hong Kong and increasingly fierce market competition, it is really doubtful as to whether the full costs will be passed onto depositors for the banks need to retain their competitive edge. In any case, the amount involved will not be too great. It is really contradictory that some banks recently remarked openly on the one hand that they would pass the full costs onto depositors should the DIS be implemented and, on the other hand, some of them said the DIS would increase their operating costs. In fact, the banks were able to slash mortgage interest rates sharply in the past few years in order to strive for more businesses. We will naturally ask: Do they really need to pass the full costs onto their clients? Just now, a Member raised a question on the gains and losses of depositors. I believe Members will ask this question: Will the depositors, like some people have said, be willing to bear enormous risks just for the sake of earning an extra interest of \$0.1 per \$100 and deposit their money in some unknown offshore places in overseas countries instead?

The last point of concern relates to the administration of the DIS. This also involves the issue of cost-effectiveness mentioned by Members a moment ago. This is because if an administrative organ is oversized and cumbersome, it will not only raise costs but also probably lead to other drawbacks, thereby

reducing effectiveness. This we must avoid. As pointed out earlier, the design and operation of the scheme can take a number of options. The consultant recommends that the DIS should be publicly administered and privately funded. In principle, we believe limited public sector participation may be necessary in order to safeguard public confidence. But whatever option is finally adopted, our basic principle is that public sector participation must be minimized as far as possible. The blueprint we have is that the DIS will need to be built on a fund amounting to approximately \$3 billion. If a decision is made in the future for the DIS to be implemented and Members agree that the HKMA should be made responsible for administering the fund, the extra \$3 billion is just a negligible amount in the eyes of the HKMA for approximately \$1,000 billion in foreign exchange is administered by it at the moment. The HKMA can as well make use of its existing framework to administer the DIS fund. I believe the HKMA is fully confident that the extra administrative costs incurred will be extremely low.

At the international level, a formalized DIS is now implemented in more than 70 countries in the world, including all European Union countries and the United States. Organizations such as the Financial Stability Forum and the International Monetary Fund also share the view that the DIS is worthy of recommendation provided that it is properly designed. In light of the policy of upholding and consolidating Hong Kong's status as an international financial centre, we will definitely refer to practices and experiences of overseas countries.

A DIS can ensure that depositors can, within a short period of time, receive the full amount of insured deposit when a bank fails. Therefore, protection given to depositors will be more specific than what is provided under the present arrangements and it will be much easier for depositors to understand. In the course of designing the DIS, such details as the insured organizations' classification, form of participation, coverage cap, ways of determining the premium and how depositors can receive their deposits in the case of bank failure must be considered. At the same time, we must ensure the system is simple, effective and easy to understand. After all, depositors will build up confidence in the scheme only after they have fully understood how they will be protected. Otherwise, they may run on a bank when it is plagued by rumours or undesirable news. In this respect, the Government shares Members' view.

In conclusion, the Government supports enhancing effective protection for depositors and the stability of the financial system. We believe the DIS will help achieve these two objectives. Our attitude towards deposit protection is prudent and yet open. We hope members of the public, like Members in this Council, can express more opinions. In fact, deposit insurance has previously been considered by us in 1992. In the past eight years, there were dramatic changes in the external environment as a result of globalization of the financial markets. Like any other places, Hong Kong's banking services have experienced dramatic changes too. For instance, profits from mortgage business are now much less than before; the Interest Rate Agreement will soon be abolished and competition is considered unprecedentedly fierce. Actually, most European countries and the United States have adopted the DIS. Under such circumstances, I believe Members will agree it is now opportune for us to consider whether we should provide small depositors with a more specific safety net.

Madam President, we entirely agree that a properly designed DIS must be effective and easy to understand. At the same time, appropriate complementary measures should be taken to reduce the risk of moral hazard. If a final decision is made for the DIS to be implemented, we will definitely consult the public and this Council extensively with respect to its implementation and design details in order to strive for an objective option in public interest.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Tommy CHEUNG to Mr Albert HO's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr Albert HO, you may now reply and you have up to two minutes 10 seconds out of your original 15 minutes.

MR ALBERT HO (in Cantonese): Madam President, I am very grateful to the many Members who have spoken on today's motion. From their speeches, I did not hear any strong opposing view. I only heard that some Members had expressed reservations and raised some questions. I think these views are fully understandable and worthy of discussion.

I just wish to specifically respond to a point or two. First, some Members queried whether this deposit insurance system will distort competition in the market. It beats me indeed. When we introduce an insurance system for better protection of consumers so that they can feel secure to make various choices, how can we possibly consider this a distortion of competition in the market? On the contrary, consumers may refrain from choosing other banks for they do not have a good understanding of the market and risks borne by the banks. They are, therefore, forced to choose major banks which appear to be healthy on the surface even though their terms are less favourable, and yet, consumers still have to choose those major banks for they have no other choice. Is this not another instance of distortion of competition in the market? Therefore, I do not consider distortion of competition a strong argument against this system.

Second, no matter what improvements are made to the rules of liquidation of banks, I believe it cannot satisfy the depositors' demand for compensation. So, I think this is not a solution to the problem. A deposit insurance system can provide comprehensive protection for the interest of small depositors and contribute to the stability of the system as a whole. The Secretary said just now that it is not feasible to determine the premium on the basis of risk rating. But as far as I know, of the 68 countries or territories where a deposit insurance system is being implemented, some 30% have determined the level of premium

by this system of risk rating. On this point, I hope that the Government can provide the Legislative Council with the relevant information after conducting in-depth studies on the subject. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Albert HO, as amended by Mr Tommy CHEUNG, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 20 December 2000.

Adjourned accordingly at half past Ten o'clock.

WRITTEN ANSWER**Written answer by the Secretary for Transport to Dr Raymond HO's supplementary question to Question 2**

According to our record, we have never adopted 5.0 tonnes as the dividing line for the classification of light goods vehicles. Under the current legislation, light goods vehicle means a goods vehicle having a permitted gross vehicle weight of not exceeding 5.5 tonnes.

Annex II**WRITTEN ANSWER****Written answer by the Secretary for Transport to Mr Henry WU's supplementary question to Question 2**

Accident statistics kept by the Government are classified by type of vehicles such as private cars, taxis, public light buses, motorcycles, light goods vehicles, medium and heavy goods vehicles, and so on. These accident statistics do not contain further breakdowns by vehicle tonnage.

WRITTEN ANSWER**Written answer by the Secretary for Commerce and Industry to Dr Raymond HO's supplementary question to Question 4**

The Government is committed to promoting basic research and development (R&D) by providing the local universities with funding and infrastructural support through the University Grants Committee (UGC). The objectives of conducting basic R&D are not only to foster commercialization of R&D results, but also to address the social, cultural and economic needs of Hong Kong. Moreover, the very essence of basic R&D is the creation and discovery of new knowledge, which in itself is vital to teaching and learning, maintaining the international profile of the local academia, and conducting international exchange activities. Although in some cases we can directly adopt and utilize the basic R&D results achieved elsewhere, we still need to build up a strong research base of our own in order to understand and make better use of the results concerned. Therefore, we will encourage our universities to keep strengthening their R&D efforts, both in terms of quality and quantity.

Regarding the adoption of the Mainland's basic R&D results, Hong Kong's higher educational institutions can either adopt such results directly or conduct applied R&D projects in collaboration with the Mainland's academic or science and technology (S&T) institutions. In this connection, there is already close connection and collaboration between the local institutions and their counterparts in the Mainland, which enables the exchange of information and also for them to leverage on each other's strength and edges. At present, when local researchers realize that their R&D projects can be further developed with the input of suitable basic R&D results available in the Mainland, they would, through appropriate channels, hold discussions with the Mainland's S&T institutions to explore access to such results or possibility to conduct some joint projects. In general, our universities consider that their co-operation with the Mainland in this aspect has been effective and highly conducive to Hong Kong's R&D activities.

WRITTEN ANSWER — *Continued*

Besides, the Government has also implemented various measures to promote and encourage the collaboration between the local universities and the Mainland's academic and S&T institutions. For example, in order to introduce the Mainland's R&D results to the local institutions and other interested parties, the Innovation and Technology Commission (ITC) established in March this year an Internet electronic database on the Mainland's S&T institutions, which contains information on the Mainland's S&T institutions, including their major research areas. In addition, the Research Grants Council of Hong Kong and the National Natural Science Foundation of China have launched a joint research-funding scheme. As a pilot project initially scheduled for three years from 1999, this scheme aims to promote collaboration between researchers of both sides in areas which are of common interests and complementary in nature. The total amount of funds available to the scheme is \$15 million per year. By providing financial support through a number of other funding schemes, the ITC also helps foster collaboration in applied R&D activities between higher educational institutions and industrial organizations in Hong Kong and institutions in the Mainland.

Annex IV**WRITTEN ANSWER****Follow-up answer by the Secretary for Planning and Lands to Question 12 asked by Mr LAU Wong-fat**

With reference to the last paragraph of the Secretary for Planning and Lands' reply to the question, please find enclosed information on the area of privately-owned land in water gathering grounds.

Area of privately-owned land within water gathering grounds

	<i>Total Area (hectares)</i>	<i>Area of land in private ownership (hectares)</i>
Direct water gathering ground	9 000	170
Indirect water gathering ground	18 600	1 050
Flood pumping gathering ground	6 600	1 930