

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 12 July 2001

The Council met at Nine 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, G.B.S., J.P.

THE HONOURABLE DAVID CHU YU-LIN, J.P.

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, G.B.S., J.P.

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

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, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

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, G.B.S., 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 IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

MEMBERS ABSENT:

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

THE HONOURABLE FREDERICK FUNG KIN-KEE

PUBLIC OFFICERS ATTENDING:

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

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

MR LAM WOON-KWONG, G.B.S., J.P.
SECRETARY FOR HOME AFFAIRS

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

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

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

MS AU KING-CHI, J.P.
SECRETARY FOR FINANCIAL SERVICES

CLERKS IN ATTENDANCE:

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

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

BILLS**Resumption of Second Reading Debate on Bill**

PRESIDENT (in Cantonese): Council will now continue with the debate on the Second Reading of the Revenue (No. 3) Bill 2001.

REVENUE (NO. 3) BILL 2001

MR HENRY WU (in Cantonese): Good morning, Madam President. Being a representative of the financial services sector, I welcome the decision of the Government to reduce the stamp duty on stock transactions from the existing 0.225% to 0.2%. This is consistent with the worldwide trend of reducing or entirely abolishing such stamp duty. It will not only be conducive to bringing down the transaction cost, but will also further consolidate the status of Hong Kong as the prime financial centre in the region.

On the other hand, the Government also proposes to increase the existing levy on securities transaction by 0.002%, which would be allocated to the Unified Exchange Compensation Fund (UECF) and subsequently transferred to the proposed new Investor Compensation Fund (the Compensation Fund). The industry supports the proposal. It is believed that the new Compensation Fund, if maintained at a reasonable level, will be helpful to enhancing investor confidence enormously, and will also be conducive to the further development of the financial market in a more healthy manner in the long run.

During the course of scrutinizing the Bill, I have raised several practical problems with the daily operation of the industry as a result of the enactment of the Bill, including the payment method of the levy on securities transaction, the format of the trading fee of the Stock Exchange of Hong Kong (SEHK), whether adequate time would be given to the industry for the purpose of upgrading the computer programme, and whether the industry would be allowed to keep on using the existing transaction notes.

Madam President, the Bill proposes to remove the portion of the levy accounting to the SEHK and substitute with a trading fee agreed by the Administration and the SEHK. At the operational level, if the industry has to pay the trading fee and the levy to the SEHK and the Government separately, the

original streamlined process will become complicated, which may bring about extra procedures to the industry. Fortunately, the Administration told the Bills Committee that the Administration and the SEHK had agreed that even if the fare structure is adjusted in future, the existing payment method would not change, so that inconvenience to the operation of the industry could be avoided.

Secondly, given the change in the fare structure, especially a trading fee payable to the SEHK is replacing the original levy, the industry needs some time to make necessary modifications to computer systems or programmes. In order to allow computer consultants commissioned by the industry to carry out the relevant programme modification work, I welcome the decision of the Administration of giving a month's time to the industry to make preparations for compliance with the implementation of the ordinance.

Moreover, as many securities companies have already printed different kinds of forms such as transaction notes in advance, and the quantity is probably large, it will be a waste and not environmentally friendly to dispose of them after the enactment of the Bill. For this reason, I hope the Administration will allow the industry to continue to use existing transaction notes or forms. However, the new levy and trading fee should be stated on those transaction notes and forms in print either by computer or by stamp, in order to ensure that investors are aware of the new fare structure. I am delighted that the Administration has accepted my proposal, which will avoid wasting the resources as well as minimizing the extra work and expenses caused the immediate printing of new transaction notes and forms.

Lastly, I am also glad that the Administration has undertaken to review, after the assets of the UECF have reached the level of \$800 million, the funding needs of the UECF and consider whether the 0.002% levy should continue. I believe that it can ensure the Compensation Fund to maintain a reasonable level of reserve, as well as a further reduction in the cost of securities transaction.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam President, the Democratic Party supports the Bill. Our focus is on the group of small investors. The local securities industry and small investors have been battered by the 1998 financial turmoil and a lot of petitions were staged that year. In addition to strengthening

regulation of the securities industry, I think the Government should also ensure the compensation fund is maintained at a sufficient level to cope with unanticipated incidents.

In fact, the abolition of the minimum brokerage commission rate will take effect by 1 April next year, which I think will constitute potential impact on the securities industry. In order to ensure the Compensation Fund is sufficient to cope with problems when they arise, I support the Government's proposal of increase the existing levy on securities, so as to ensure that the Compensation Fund can meet contingencies. Certainly, with regard to the level of the Compensation Fund, the Government has admitted that a review would be necessary. After the incident in connection with C.A. Pacific Securities Limited, the Government has set the maximum limit of compensation at \$150,000. In fact, this \$150,000 ceiling was determined on a random basis, because it would mostly cover the compensation for 80% of small investors. At present, the Government has set the compensation limit for bank depositors at \$100,000, which would cover 90% of depositors. I believe this should be the scope of duty of the Hong Kong Monetary Authority (HKMA), but the limit of \$150,000 should be reviewed in order to examine whether it suffices as the maximum limit of compensation. I believe inducing the confidence of small depositors is an important factor for the market to attract foreign investors to make transactions in Hong Kong.

The Democratic Party supports the amendment exercise. Thank you, Madam President.

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

(No Member responded)

SECRETARY FOR THE TREASURY (in Cantonese): Good morning, Madam President. I would like to apologize to the President and the Honourable Miss Margaret NG for I was unable to arrive at this Chamber in time to listen to the report made by Miss NG on the deliberations of the Bills Committee on the Revenue (No. 3) Bill 2001.

First of all, I would like to thank the Chairman of the Bills Committee, Miss Margaret NG, and members of the Bills Committee for completing the scrutiny of the Bill within such a short period of time, thus enabling the Government to resume the Second Reading of the Bill before the close of this Legislative Session to expedite the implementation of the proposals made in the Bill.

The Bill seeks to implement two related proposals made by the Financial Secretary in the 2001-02 Budget, that is, to reduce the stamp duty on stock transactions from the existing 0.225% to 0.2% *ad valorem*, and to increase the existing levy on securities transactions by 0.002 percentage points to maintain the Unified Exchange Compensation Fund (UECF) at a prudent level. This Council is currently scrutinizing legislation relating to the setting up of a new Investor Compensation Fund. Subject to the passage of the relevant legislation, the above proposal will lay a sound foundation for the new Fund. The objective of the two proposals is to raise the competitiveness of Hong Kong's financial market.

It is envisaged that the proposal for lowering the stamp duty will cause a loss in government revenue at \$680 million in 2001-02 and, and by the end of the Medium Range Forecast period, that is, 2004-07, the total loss will stand at \$4.17 billion. The reduction in stamp duty is not purely a tax relief measure. Rather, it is a proactive measure for promoting the development of our financial and securities markets. In the long run, this will help boost other revenues of the Government. It is necessary for Hong Kong to enhance the competitiveness of its stock market in order to reinforce its status as an international financial hub. At present, stamp duty on stock transactions is not levied in a number of stock markets, including those in the United States, Germany, Japan, Singapore, New Zealand, and so on. Reducing or abolishing this duty item has become the general trend in markets worldwide.

Members have expressed a lot of opinions on the proposal of raising levy on stock transactions in the Bills Committee. The Government has originally proposed to raise the existing levy on stock transactions by 0.002% until the proposed new Fund to be set up under the Securities and Futures Bill has accumulated \$1 billion. However, the Bills Committee does not approve of this proposal. Members of the Bills Committee generally hold the view that the proposal of increasing the levy is premised on an assumption that the Securities and Futures Bill, which is still under scrutiny, and the proposal of setting up a new Investor Compensation Fund under the Bill, will be passed by this Council. But this assumption is inappropriate.

Actually, the current balance of the UECF is inadequate. There is a need to raise the levy on stock transactions even if the Government has not planned to set up the new Investor Compensation Fund. The original intent of the Government is to explain clearly and fully to this Council, the securities sector, and the general public its long-term policy and planning on protection of stock investors.

In response to the views expressed by the Bills Committee and after careful evaluation of the actual asset needs of the UECF, the Government has decided to retain its proposal of raising the rate of levy by 0.002 percentage point. In accordance with the existing compensation mechanism and arrangements, the UECF should maintain assets at a prudent level, which is \$800 million.

In recent years, major broker default cases occurred during the Asian financial crisis. While some claims are still being processed, the claims in connection with four default cases have already totalled approximately \$500 million. After deducting the amount of compensation arising from these four default cases, the UECF will have a balance of approximately \$658 million. According to the analysis of the consultants engaged by the Securities and Futures Commission (SFC) and under the existing compensation arrangements, the UECF should maintain assets at about \$800 million in order to reach a prudent level. As there is no recurrent source of levy income to maintain the operation of the UECF and in order to maintain adequate assets for investor protection, we have to raise the existing rate of levy by 0.002 percentage point to boost the assets of the UECF.

As stated by the Government in the Bills Committee, the SFC will, pursuant to the Securities Ordinance (Cap. 333), pay to the UECF all the incomes received from the 0.002 percentage point increase of the rate of levy payable on stock transactions. After the assets of the UECF have reached the level of \$800 million after the levy increase, the Government will review the asset needs of the UECF to determine whether the 0.002 percentage point increase of the rate of levy should continue, and whether legislative amendments should be introduced to give effect to the outcome of the relevant review. In arranging for the relevant review, we will make corresponding co-ordinated efforts in the light of the progress of scrutiny of the provisions of the new Investor Compensation Fund under the Securities and Futures Bill.

Furthermore, we have proposed to abolish the transaction levy payable at the rate of 0.005 percentage point to the Stock Exchange of Hong Kong (SEHK). As the SEHK has become a subsidiary of the Hong Kong Exchanges and Clearing Limited (HKEx), now a commercial organization, it is no longer justifiable for the SEHK to continue to rely on the statutory levy as a source of income. Actually, the HKEx has obtained the approval of the SFC to levy a new trading fee. This proposal, in conjunction with the abovementioned proposal of raising the transaction levy by 0.002 percentage point to boost the assets of the UECF, will lower the rate of the statutory transaction levy by a total of 0.007 percentage point.

We propose that the lowering of the stamp duty on stock transactions and that of the levy on stock transactions should be implemented jointly. Should these two proposals be implemented jointly, the transaction costs of investors will be greatly reduced and better protection will be provided for investors. Considering the need of the HKEx and the industry to make appropriate adjustments to their operating systems before the new rates of levy come into effect, the Government plans to, subject to the passage of the Bill, promulgate the joint implementation of the two proposals on 1 September 2001 upon the gazettal of the ordinance on 20 July 2001. This arrangement is supported by the HKEx and the industry concerned.

With these remarks, Madam President, I hope Members will support the passage of the Bill.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Revenue (No. 3) Bill 2001 be read the Second time. 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 the Members present. I declare the motion passed.

CLERK (in Cantonese): Revenue (No. 3) Bill 2001.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

REVENUE (NO. 3) BILL 2001

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Revenue (No. 3) Bill 2001.

CLERK (in Cantonese): Clauses 1 to 4.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

REVENUE (NO. 3) BILL 2001

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, the

Revenue (No. 3) Bill 2001

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Revenue (No. 3) Bill 2001 be read the Third time and do pass.

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 of the Members present. I declare the motion passed.

CLERK (in Cantonese): Revenue (No. 3) Bill 2001.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): Council will now resume the Second Reading debate on the Supplementary Appropriation (2000-2001) Bill 2001.

SUPPLEMENTARY APPROPRIATION (2000-2001) BILL 2001**Resumption of debate on Second Reading which was moved on 20 June 2001**

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 Supplementary Appropriation (2000-2001) Bill 2001 be read the Second time. 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 the Members present. I declare the motion passed.

CLERK (in Cantonese): Supplementary Appropriation (2000-2001) Bill 2001.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

SUPPLEMENTARY APPROPRIATION (2000-2001) BILL 2001

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Supplementary Appropriation (2000-2001) Bill 2001.

CLERK (in Cantonese): Clauses 1 and 2.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Schedule.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

SUPPLEMENTARY APPROPRIATION (2000-2001) BILL 2001

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, the

Supplementary Appropriation (2000-2001) Bill 2001

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Supplementary Appropriation (2000-2001) Bill 2001 be read the Third time and do pass.

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 of the Members present. I declare the motion passed.

CLERK (in Cantonese): Supplementary Appropriation (2000-2001) Bill 2001.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): Council will now resume the Second Reading debate on the Fixed Penalty (Public Cleanliness Offences) Bill.

FIXED PENALTY (PUBLIC CLEANLINESS OFFENCES) BILL

Resumption of debate on Second Reading which was moved on 28 February 2001

PRESIDENT (in Cantonese): Mr Fred LI, Chairman of the Bills Committee on the above Bill, will now address the Council on the Committee's report.

MR FRED LI (in Cantonese): Madam President, I now address the Council in my capacity as Chairman of the Bills Committee on Fixed Penalty (Public Cleanliness Offences) Bill.

The Bill seeks to introduce a fixed penalty system for three minor public cleanliness offences, including depositing of litter or waste in public places and into the sea, spitting in public places and display of bills or posters without permission. The Bill proposes that the fixed penalty be set at \$600 and certain grades of public officers in six enforcement departments be responsible for enforcement of the law.

The Bills Committee supports the Bill, which proposes a fixed penalty system for minor public cleanliness offences in order to increase deterrence against such offences. The Bills Committee has examined in detail the scope of the proposed fixed penalty system, enforcement arrangements and the procedures for recovery of payments.

Regarding the scope of the fixed penalty system, the Bills Committee regards dog fouling a common public cleanliness offence, which causes much nuisance to the public and should be included in the fixed penalty system. The Administration has accepted the proposal of the Bills Committee and will propose Committee stage amendments (CSAs) for this.

The Bills Committee agrees that fixed penalties should be set at a level with sufficient deterrent effect. It notes that in the past the average fine imposed by Courts were \$468 for littering and \$570 for spitting and so agrees that the penalty be set at \$600 by the Administration. Clause 17 of the Bill provides that the Legislative Council may, by resolution, increase the fixed penalty. In this connection, the Bills Committee proposes that the Bill grant the Legislative Council flexibility to increase or decrease the fixed penalty as necessary. The Administration agrees to propose an amendment for this.

Some members have suggested imposing a heavier fine on repeated offenders to achieve greater deterrence. The Administration has indicated that a two-tier system will pose serious administrative and operational problems, such as keeping and checking of conviction records to impose additional penalty on repeated offenders. This will increase the cost for implementing the system and defeat the purpose of having a simple and effective means to combat littering.

With the introduction of a new penalty system under the Bill, over 10 000 public officers in six government departments will be authorized to issue fixed penalty notices. The Bills Committee is very much concerned about the enforcement arrangements, especially the scope of enforcement by different departments and the consistency of their enforcement standards.

The Administration indicated that the Food and Environmental Hygiene Department (FEHD), as the principal department responsible for environmental hygiene, will take up the co-ordinating role for the implementation of the fixed penalty system and evaluate the effectiveness of the system from time to time. In addition, certain public officers in the Agriculture, Fisheries and Conservation Department, Housing Department, Leisure and Cultural Services Department, Environmental Protection Department and Marine Department will be authorized to enforce the fixed penalty system according to the purview of their respective departments when they are on duty.

While agreeing that the police's priority should be to maintain law and order and to combat crimes, the Bills Committee considers that to ensure consistency in enforcement, the police should also be authorized to issue fixed penalty notices. Finally, the police accepted the proposal of the Bills Committee and the Administration will move CSAs to this effect. The Bills Committee welcomes the police's decision.

Some members of the Bills Committee, including me, have expressed particular concern about the fact that private management companies not going to be authorized to enforce the fixed penalty system, though they are contracted to manage some public housing estates. The Administration has advised that in principle the Housing Department (HD) will only take enforcement action against littering and public cleanliness offences in those public housing estates where it has the ultimate management responsibility, that is, where no owners' corporations have been formed.

Some members are of the view that there should be sufficient deterrence against non-payment of the fixed penalty in order to ensure effectiveness of the proposed fixed penalty system. The Bills Committee agrees with the proposal by the Government to charge double penalty on those who fail to pay the penalty within specified time and to require offenders to pay costs if they intend to dispute liability.

Moreover, some members considered that if an offender fails to pay the fixed penalty within 31 days and makes no indication to dispute liability, in addition to the double penalty, they should also be required to pay the costs for the issue of the court order arising therefrom. The Administration has agreed to move amendments to this effect.

The Bills Committee has made a number of suggestions on the "Guidelines on Enforcement", particularly those in relation to the verification of identity, the power of arrest, as well as the need to explain to the offender of his rights and consequences of non-compliance with the requirements in the Bill to avoid unnecessary misunderstanding or disputes.

To ensure that the general public and visitors in Hong Kong are fully aware of the proposed fixed penalty system, members have requested the Administration to step up publicity and education for the public before the Bill comes into operation.

I thank members of the Bills Committee for their careful scrutiny of the Bill and for having made many constructive suggestions. The Bills Committee also welcomes the acceptance of its many proposals by the Administration which has heeded good advice.

Madam President, in addition to speaking as Chairman of the Bills Committee, I would like to speak in my capacity as Member of this Council.

At the meetings of the Bills Committee, I stressed my worries over the HD the management of more and more of its public housing estates will be contracted out to private management companies. After contracting out, basically the HD will not post any of its staff to these public housing estates and even their offices will be vacated.

At present, seven government departments including the police are authorized to arrest "litter bugs". In the HD, only three grades of staff are so authorized, that is, Housing Managers, Assistant Housing Managers and Housing Officers. They represent ranks that are far from being junior in the HD establishment, especially Housing Managers, who, I do not think, can ever find time to arrest "litter bugs". Moreover, most of the Housing Managers have left due to the voluntary retirement scheme and fewer and fewer Housing Managers are working in public housing estates.

Thus, as the management of more and more public housing estates is contracted out against a reducing number of Housing Managers working in public housing estates, I am worried that if enforcement is devolved to only three grades of staff as mentioned, there would not be sufficient deterrence effect or effect on cleanliness when the fixed penalty system is enforced in nearly 200 public housing estates where 2 million-odd residents are living. I wish to highlight this point, hoping that the Environment and Food Bureau and the FEHD will monitor the complaints received and the enforcement situation in the public housing estates after the fixed penalty system is implemented for a certain period of time.

Next, I wish to speak on the two-tier system. I agree in principle that greater deterrence should be effected against repeated offenders who are not repentant, such as those who spit and litter around. I think the Government can try to examine whether there are any real difficulties after the law in respect of the fixed penalty system has come into effect.

Lastly, I would like to talk about spitting at sea, as mentioned by the Secretary. Madam President, during the scrutiny of the Bill, members of the Bills Committee first learned that there is at present no law governing spitting from a yacht or a boat into the sea, while there is such law for spitting on land, that is, there are restrictions on spitting from land or the sea-shore to the sea, but no law for spitting from a vessel to the sea. I hope the Secretary will respond to this point during the Second Reading of the Bill so that the loophole can be removed.

I so submit.

MR WONG YUNG-KAN (in Cantonese): Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the Bill proposed by the Government to combat littering by introducing a fixed penalty system. This may solve the problem of littering and some other problems and enhance people's confidence in the enforcement and deterrent effect of the law. However, in the long run, the DAB hopes that the Government will step up civic education and the civic-mindedness of the people of Hong Kong so that the cleanliness problems can be resolved.

Some Members requested the Government to undertake at this resumed Second Reading debate of the Bill to introduce legislative amendments to make spitting at sea a cleanliness offence punishable under the fixed penalty system. I have some comments on this. We must understand that spitting into sea and spitting on land are slightly different. While the definition of spitting on land is relatively clear, there are many grey areas with the definition of spitting into the sea. Members of this Council must have swum at one of our beaches and I wonder if they have ever had the experience of being choked by seawater. What did they do? Did they swallow the seawater or did they spit it out? If they did the latter, would they be fined? This is what I regard as a grey area.

I would also like to make a point about those people who frequently spit into sea. They do so perhaps because of a long-time habit that is difficult to change. But to fine the people for doing so may, I trust, meet with difficulties in definition. I have spoken to the Marine Department, which also agrees it would be difficult to prosecute these people. Of course, the fact that there are difficulties does not mean the law cannot be enforced. If a person is seen spitting from a ferry into the sea and then fined, I think this is reasonable.

Another worry of mine is the possibility of the introduction of a law requiring the washroom facilities installed on boats, be they yachts or fishing boats, must carry containers that can be removed onto land for processing later. When the Bills Committee scrutinized the Bill, some members said most yachts had such facilities. But I have been given to understand that many others do not have them yet. Would yacht owners be fined for that? I hope Members of this Council could think twice to see if this should become part of the law. I do agree, however, the Government should come up with some measures of regulation.

I never object to punishing people for littering at sea. I have never said there should not be any regulation, but I hope the Government should step up publicity and education on the issue.

I would like to talk about publicity and education activities on cleaning our waters, fire precaution, wind precaution and anti-theft activities, and so on hosted by the Joint Committee of Hong Kong Fishermen's Organization during the period of June when fishing was suspended. The activities were meant to promote our intention to keep our harbour clean. Our trade is continually raising our standards and I hope the Government could do its job to regulate and conduct matching publicity and education activities in various other trades. It is especially important that education be carried out first among students so that the next generation and the young people are more conscious of the environment and understand that littering is an offence for it affects public hygiene. I hope the Government can put more efforts into this and on promotion before the law takes effect.

Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, must we have a "one person, one vote" system to elect our Chief Executive for Hong Kong to become a first-class city in the world? This may be discussed later. But I think a place must be clean before it can be a first-class city.

Recently, the Government commissioned a consultant to design a flying dragon as the image of Hong Kong. I have spoken to some staff of the consultancy and understood that they had collected from a number of foreigners some comments on Hong Kong, which pointed to some strengths and weaknesses

of Hong Kong. The Government would surely gladly accept all the praises and make them known to overseas countries as far as possible. We are shy, however, to talk about criticisms by foreigners, but among them, the worst is that many foreigners found Hong Kong to be not clean enough. People and places in Hong Kong are not clean. More than 10 years ago, Hong Kong launched a Clean Hong Kong Campaign and a "litter bug" was created for promotion purposes. In the few years that followed, Hong Kong became quite clean. And then suddenly, for no reason, the Government seemed to have slowed down and people turned their attention to other issues. Hong Kong as it is now gives people an impression that it is dirtier than it used to be.

Madam President, I have joined the Bills Committee on the Bill. I think fixed penalties have deterrent effects. We held discussions on the appropriateness of setting the penalty level at \$600, that is, whether it is too high or too low, and whether people could afford it under the present economic situation. In the view of the Liberal Party, people should not litter, but, if they can afford the penalty, what is the use of fining them? If the penalty level is set at \$200 or \$300 and everybody can afford it, the penalty will not achieve deterrent effect at all! Thus, we very much support the Government setting the level at \$600. In addition, we also support the Honourable Fred LI, Chairman of the Bills Committee, when he said repeated offenders should be given heavier penalties. For offenders who breach the law for a second or third time, such as people or corporations that deliberately deposit garbage outside their offices or shops, the fines should be raised if the Government can prove that it is not a first time offence.

Furthermore, we have also discussed the issue of marine littering on a number of occasions. Madam President, many colleagues know that I have a yacht. Sometimes, I will go to the beach on my yacht and see something not even tourists will believe can happen in Hong Kong if they do not see it personally. Some people will pick up their garbage from the beach and while on their yachts, especially rented ones, they will throw the bags of garbage into the sea when no one is watching. It will be difficult to prove they have thrown the garbage into the sea. Should we ask the Marine Police to use binoculars to keep these people under watch? This is out of the question. Even if caught red-handed, they will certainly deny it. Moreover, this should not be a major duty of our Marine Police, who should be keeping watch over smugglers of goods and people. I do frequently see black bags of rubbish thrown into the sea while I am boating. The black bags float on the sea surface at first and then will burst to foul our waters.

We have spoken to the Secretary about this and understood it to be the responsibility of the Marine Department, but there is little the Marine Department can do. We have suggested starting with educating the people. I have even made a suggestion, which will be rather difficult to implement, and that is, to sample check some rented yachts at berth and where necessary ask why there is no rubbish at all, with scores of people on board. This is certainly not feasible, even for the Government.

The Honourable WONG Yung-kan talked about spitting into sea and he came up with a very good and novel argument, which I support. If a person is not good at swimming and gets choked by seawater, is what he or she coughs out during the swim seawater or a gob of spit? Mr WONG's argument sounds quite reasonable. I consider the problem spitting into sea to be less serious compared to littering. Regarding the problem of marine garbage, can the Marine Department do a better of it? I think it needs to do that.

We noted that the police initially thought their duty was to detect crimes and track down criminals, rather than to issue fixed penalty notices. Fortunately, at meetings of the Bills Committee, other members and I held the same view so when the Government and the police met with us, we could tell them we understood it was not a major duty of the police to issue such notices but they would be doing it on behalf of another department. We were not asking the police to stop their usual crime detection or other work to give way to the issue of fixed penalty notices. Later, the Government successfully convinced the police to accept the job which is supported by us.

Lastly, I wish to mention that I, like Mr Fred LI, am concerned about the issue raised by him, which is: Will the people accept the fact that six government departments, particularly the 10 000-odd staff of the Housing Department, are suddenly authorized to issue fixed penalty notices? The Government must provide sufficient publicity support for this. If not, members of the public may find it bewildering while returning home one evening to be stopped and issued a fixed penalty notice by another person not wearing a readily recognizable uniform. Though the officer may be wearing an identification card, it would not be easily recognizable.

Though I said that was my last point, I am sorry, I have another point about tourism. I think we need to be careful in handling tourists. On the one hand, we endeavour to attract tourists, yet on the other, we have to provide more

publicity at the arrival/departure halls at the airport, Customs control points and the Lo Wu Control Point, following the implementation of the fixed penalty system. Otherwise, when the system is implemented, a tourist may be very upset when he or she is given a fixed penalty notice of \$600 after throwing away a MacDonald's paper bag or a paper cup. Hence, the Government should step up publicity at the airport, the Lo Wu Control Point or the Hong Kong-Macau Ferry Terminal.

Madam President, the Liberal Party will fully support the passage of the Bill today.

DR LO WING-LOK (in Cantonese): Madam President, after listening to Mr WONG Yung-kan, the Honourable James TIEN and Mr Fred LI describing littering and other behaviour that foul our environment, we know there have been in-depth discussions in the Bills Committee. I am honoured to have participated in such a Committee that has taken its work so seriously.

Indeed, there has been much talk over a number of years of education and propaganda on keeping Hong Kong clean. I trust we have been talking about it for over 20 years. Twenty years ago, we invented a litter bug. Now, the green monster with red dots is back on the stage again. Hence, propaganda and education alone are not sufficiently effective or efficient. It is said, "It takes ten years to grow trees but a hundred years to rear people". Thus, education takes time to see results. In the medium and short terms, we must adopt some measures to change people's attitude and habit. I think the most effective means is to hurt their purse by setting up a deterrent fixed penalty system. Therefore, I am very much in favour of setting the penalty level at \$600 and implementing the fixed penalty system, which is an effective system.

MRS SELINA CHOW (in Cantonese): Madam President, I am not a member of the Bills Committee on the Bill but I would like to speak on several aspects, particularly the aspect of tourism referred to by Mr James TIEN. I would like to talk about what we should do to make tourists understand Hong Kong is in fact a city that loves to be clean. I think we have complete consensus on this, but I must say the Government has to be very careful in promoting the idea. It must not put up posters everywhere stating offenders will be fined, because this may give tourists the impression that Hong Kong is like Singapore: Penalties are the

major consideration for everything. We should try to tell our visitors in a euphemistic and hence acceptable manner on every possible aspect that we are in fact a city that loves cleanliness. I trust this will not pose any problems then.

Next, I would like to talk about some observations, though I may run the risk of being accused of being discriminatory, but these are the reality we have to face. I was told that in recent years Hong Kong has become dirtier than before, and spitting sound is often heard. Some think the habit could have been brought in by friends from the Mainland or new immigrants. We do not have evidence to prove that and so that may be an unfair idea. Owing to a cultural difference, whereas spitting is not treated as a very offensive behaviour, it is an act that may incur heavy penalties in Hong Kong, which has been the case for many years, even since the time when I was still a small child. In addition, in the '40s and '50s, we were very wary of tuberculosis and so regarded spitting an unacceptable behaviour. I deem it certainly justified to fine people for spitting; nevertheless, education is indeed more important.

Can a civilized society accept such behaviour? Another issue is law enforcement, which is also very important. It would be useless to have laws but not to enforce them. Since we have a mechanism for penalties, we should strictly enforce it. Some people will surely say it is a great inconvenience to the public, but I think this is inevitable, especially when we are trying to rectify a cultural retrogression. For those who like travelling, it would not be difficult to find that our neighbouring countries — not to mention some very advanced countries, just neighbouring ones — are continually progressing, while we seem to be continually retrogressing, which I believe is not acceptable.

I think enforcement and education are equally very important. I remember that we used the "litter bug" to assist us in the promotion and now we are trying to revive it. The lesson we should learn is that education of the people, especially young people, should be conducted in a simple or even humorous or entertaining manner. In the past, the Clean Hong Kong Campaign relied on children giving reminders to their parents or creating peer group pressure to tell the community our youngsters had hopes and standards which adults might not meet. I believe if the pressure is felt by the entire community, the effect would be better than penalties. The Government should not set standards through penalties. Rather, it should secure support from the

entire community. I hope the Government will not give more weight to penalties than education. It should not adopt some empty slogans, but it should instead design some specific and focused methods which would be more effective.

MR LAU CHIN-SHEK (in Cantonese): Madam President, a few days ago, I returned from Chiang Rai, which is a small city in northern Thailand. It is comparatively poor but the streets are very clean. We saw no garbage or spit around. The night market at Chiang Rai is as lively as those at Chiang Mai or Bangkok. People there will not put things haphazardly around just to find more space for themselves.

The Honourable Mrs Selina CHOW said we had a cultural retrogression and we should put in more efforts on education. This I totally endorse. Today, I would not even raise objections to fines either. But we should give some thoughts on an issue: Our workers are working for 10 to 20 hours daily at low wages, how do they let off steam? They spit. They litter. Why do they not treat Hong Kong as their home or why do they not have a sense of belonging? Should we not reflect on what the social condition today? We need education. We need penalties. How do we go about pacifying people? I think we need to know how to make people treat Hong Kong as their home. This is the important point, otherwise penalties or education would not help as far as their grievances are concerned. So, I trust there would still be people who would spit on the ground.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, I visited Singapore for the first time several years ago. The city was so clean that I felt refreshing and high-spirited, and I hoped that someday Hong Kong would be as clean as Singapore.

Madam President, I believe nobody would say no if I say most people like cleanliness, but how we can make our city clean. This is the most important question. Many Honourable Members, in particular Mr James TIEN and Mrs Selina CHOW, have mentioned the fact that Hong Kong has seen cleaner times. In fact, we have seen that Hong Kong transforming from a not so clean and tidy city in the earlier days, to a clean and tidy one later on. However, just as everybody says, it is taking the road back to those not-so-clean-and-tidy days. Have we ever looked into the reason for that phenomenon in depth?

Now I feel that it is rather simple and easy for the Government to propose this Bill. It seems that Honourable Members present in this Chamber also feel that it is a very simple thing to make Hong Kong cleaner by drawing up legislation and imposing heavy fines. However, can we really solve the problem in this way? Is the imposition of heavy fines the best solution to make Hong Kong clean?

Members have just said that Hong Kong had the relevant legislation in place in the early days, but it was not enforced vigorously, as fines were not meted out lightly in those days. However, Hong Kong turned into a clean city gradually. I think there are several important reasons for that. Firstly, as society develops upwards, the sense of participation and the sense of belonging of the people are enhanced, therefore they will cherish Hong Kong and try their best to protect Hong Kong. Secondly, as more people receive education, the general public become more sensible and reasonable to identify that they have to cherish the environment, as a result, less people litter up the environment.

I used to see some elderly people spitting on buses, but such behaviour is almost extinct now. Therefore, I think that we should seriously think about the crux of the matter before increasing the level of penalty. Of course the easiest way is to impose penalty, as all misconduct can be penalized. As a result, the Singaporean authority tends to deal with most situations with penalty, but is it a good thing? I do not think it is. I had talked to young Singaporeans as well as the general public when I was staying in Singapore, most of them felt that it was not sensible to penalize every wrongdoing, because it only made them feel that there were a lot of impediments in society and made them feel that they have no freedom at all. Certainly, I am not saying that littering is a kind of freedom, but penalizing every wrongdoing makes people feel that there is no individuality in oneself, and it makes people feel that there are restrictions for everything.

The same situation happens in schools. Is it sensible to impose penalties on students indiscriminately? They may behave themselves and refrain from chatting secretly or littering because they are afraid of being penalized, but what will they think in their mind? They will still harbour a lot of resentment. Perhaps they will no longer chat secretly or litter up the place, but they may vent their grievances in other ways. Just in recent years, we can see that a lot of students hate to go to school, as they only enjoy participating in rave parties and abusing psychedelic drugs and so on. All of these phenomena are caused by the punishment system. Do we really want to see such things? On the surface, the

problem seems to have been solved, but another problem is caused. Everybody knows that the economy of Hong Kong is not doing well and the incomes of the people are lower than before

PRESIDENT (in Cantonese): Mr LEUNG, I have to interrupt you. I hope you can focus on the content of the Bill. You have talked of many lofty ideals, nevertheless, please speak on the content of the Bill.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, I actually wish to advance an argument, that is, fixed penalty is senseless. Madam President, I wish to express my disagreement.

PRESIDENT (in Cantonese): That would be fine.

MR LEUNG YIU-CHUNG (in Cantonese): I have also mentioned that imposing severe penalties would apparently stop the littering behaviour of some people, but another social problem may well be caused to arise.

Madam President, please allow me to go on with my speech. I have just said that as the economic condition is not good, a lot of people earn less income than before. Of course I neither agree nor support the behaviour of littering, but in case one of them is penalized for littering, he would have to pay a penalty at \$600 which may account for a fairly large portion of his income. If he has met difficulties in living as a result of this, what should he do? Let me reiterate my argument, I neither support nor encourage the behaviour of littering, but the question is that when a petty member of the public is penalized with a fine of \$600, what else can he live on? To those people receiving Comprehensive Social Security Assistance (CSSA), they only receive two to three thousand dollars monthly, so if they are penalized with a fine of \$600, a large proportion of their living expenses would be taken away from them. I have just mentioned that Hong Kong was very clean some time ago, have we ever thought of the reason why it was so clean then? Was it because people were heavily fined, therefore Hong Kong was so clean?

Madam President, I have just mentioned a lot of views that you consider irrelevant to the question. In fact, they are relevant, because I feel that education is the most important thing. Perhaps it will take a long time to achieve the goal, but are we really unable to afford a little more time? Have we ever thought of the question that the present education is comprehensive enough? I very much oppose taking the easy route of imposing heavy fines. Earlier I have been beating around the bush for so many things because I just want to say that I oppose the Bill strongly.

Everybody knows that fixed penalties can easily be abused, and a lot of cases of injustice would arise. What should we do? In fact, the approach in the past was not lenient at all. If a person is caught red-handed for littering, he has to go to the Court other than just paying the fine. The cost he has to pay is not necessary very minimal, despite the fine would be \$300 or \$400 or even more, which is relatively not that much compared to \$600; but he has to take leave from work for his Court appearance, to him, it is equivalent to paying the money. As a result, I feel that a penalty system was already in place in the past, but we are just raising the level of the penalty. Once the penalty is increased, besides cases of injustice, I am afraid that it will also impose pressure on the people's livelihood. At the same time, our educational efforts made in the past may also be obliterated, too.

I feel the remarks Mr LAU Chin-shek made earlier were very important. That is, the sense of belonging is something we should cherish and regard. The most important thing is how we can foster a sense of belonging among the public under such circumstances, so that they will cherish our society. It is senseless if this issue is not mentioned. Even if everybody accepts the penalty system and Hong Kong becomes cleaner apparently, does the public like the community? I am afraid the answer is no. Perhaps people hate and dislike this society more in the bottom of their hearts.

Madam President, I hope legislators will understand the impact of legislation. I feel that if we pass this Bill today, it will cause an enormous impact on the public, I am concerned that perhaps there will be some negative effects. Meanwhile, I wish to stress that we have once educated the public successfully, our society was once very clean, why are we unable to think of the key to success in the past, but just adopting a simple way to address the problem? As a result, Madam President, I reiterate that I oppose this Bill.

MR HOWARD YOUNG (in Cantonese): Madam President, sometimes we have to try both tough and soft tactics when we deal with social problems. I remember in the '70s, the "Litter Bug" took the leading role in the promotion when the first Clean Hong Kong Campaign was launched. At that time, my kids were very small. Dr HUANG Mong-hua was the chairman of that Campaign. In the '80s, we launched the second round of the Clean Hong Kong Campaign, I was the campaign chairman for two years. At that time, the "protagonist" of the anti-litter advertisement was replaced by a pair of eyes.

Targets of the first Clean Hong Kong Campaign were mainly children, with the aim of arousing their consciousness in the course of studying; later, the litter bug was replaced by the pair of eyes, which implied that the two watchful eyes were always around. Does the change in the approach of publicity mean that the previous campaign was not enough, or does it mean that the target has changed? Since students in the '70s have become adolescents or middle-aged people, perhaps it was the problem of a specific generation. Nevertheless, the present campaign adopts the modified "Litter Bug" again.

The current issue of our debate is the penalty system. A number of Members have mentioned Singapore earlier. Many people know that one should not litter in Singapore, because one would be penalized for littering. Singapore is a city of all sorts of fines, but when people return to Hong Kong after travelling to Singapore, they will say that Singapore is a fine city as it is clean and tidy. People say, "Singapore is a fine city", but how should we construe that? Should the word "fine" be construed as "good", or should it be construed as "penalty"? I believe they are correlated. It seems that the ideal result cannot be achieved through education alone, as a result, tougher measures should be adopted from time to time.

I would like to point out that the targets of the current and the first campaign are mainly children. I have noticed a phenomenon, that is, if we go to barbecue sites in country parks in Sai Kung on Sunday or Monday mornings, we could see litter all over the place. I believe the place was littered by people who drove there for barbecue on Saturday or Sunday night. Those people littering the places are neither the same group of people who only have a monthly income of \$3,000 or \$4,000, nor are they those people who have deep resentment just as Mr LEUNG Yiu-chung said. In fact, they are those people who drive their vehicles there as they can afford private cars and they find

driving to the barbecue sites more convenient. Besides, they also take the liberty of littering up the places despite litter bins are in close proximity.

Therefore, I hope that after this Bill is passed, civil servants should not just carry out their duties during their duty hours (nine to five) and ignore weekends. We should also think about the hours of enforcement. As far as barbecue sites are concerned, people tend to litter up barbecue sites at night particularly. Besides punitive measures, the Government should not relax efforts in education. I have mentioned earlier that the hours of enforcement should not be too rigid and it should not be confined to only the duty hours of (nine to five) of civil servants. Law enforcement officers should not hold such attitude and turn a blind eye to such misconduct even if it was committed at night when nobody would see it. Thank you.

MR KENNETH TING (in Cantonese): Madam President, I think we should think about what the Honourable LEUNG Yiu-chung has said earlier, that for a period of time, why the cleanliness condition of Hong Kong had been improved? When I recall the days in the '70s, just as Mrs Selina CHOW said earlier, the Clean Hong Kong Campaign led by the "Litter Bug" was actually targeting at children in Hong Kong, and the purpose was to impart the concept of keeping Hong Kong clean. Gradually, the children might develop a good habit of keeping clean.

Perhaps a long time has lapsed and because there was no such kind of campaign in the '90s in addition to the indolence of the public, the cleanliness condition in Hong Kong has deteriorated. In the long run, I hope we can enhance the education of the next generation. However, I also support the proposal of the Government in setting up a penalty system. I do not agree with the point made by some Honourable Members that people may violate the law or spit around as they please because they have grievances. In fact, there are many ways to air grievances. For example, when I was a high school student, my teacher used to tell us that we could go to the roof of a building and shout to the ocean, in order to air our grievances. Furthermore, we should not impose our grievances on others. I think it would be more useful if we can transform the grievances into contributions to society.

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

(No Member responded)

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam President, the Fixed Penalty (Public Cleanliness Offences) Bill seeks mainly to enhance deterrence of the existing legislation against such offences as littering, spitting, unauthorized display of bills, and so on, through a fixed penalty system. I am grateful to Mr Fred LI, Chairman of the Bills Committee, and other Committee members for their efforts and co-operation. They have offered a lot of valuable opinions on the Bill and reached a consensus in supporting the resumption of the Second Reading of the Bill.

A fixed penalty of \$600 is provided for in the Bill. I understand that education and publicity are as important as deterrence to keeping Hong Kong thoroughly clean. Insofar as the Government is concerned, the setting up of a fixed penalty system is definitely not the simplest solution since government officers must be responsible for their enforcement actions, just as those who litter must be responsible for what they have done regardless of their status and background. The fixed penalty of \$600 is considered appropriate and should be able to achieve some measure of deterrent effect. The Bill has provided for additional penalties against late payment or non-payment. Offenders wishing to dispute after receiving fixed penalty notices may offer defence against liability before a Magistrate under the mechanism provided under the Bill. As for the proposal raised by some Members with respect to imposing a heavier penalty on repeated offenders, a review will be conducted some time after the new legislation has come into effect.

We will introduce a few amendments in response to the views expressed by the Bills Committee on individual clauses of the Bill. The amendments include regulating the conduct of "permitting fouling of street by dog faeces" by the fixed penalty system, and designating police officers as authorized public officers to enable them to issue fixed penalty notices under the Ordinance. I will explain the relevant amendments to Members in detail later at the Committee stage. Now I would like to respond to some of the issues raised by Members earlier and in the meetings of the Bills Committee.

Mr Fred LI has mentioned that some members of the Bills Committee are worried that enforcement officers from different government departments may not adopt the same enforcement standard. There may also be the so-called grey areas the scope of enforcement by different government departments. To address these issues of concern, the enforcement department will issue a set of standardized departmental guidelines to ensure that enforcement officers from

various government departments adhere to a consistent standard in enforcement. The guidelines will cover verification of the identity of offenders, the power of arrest, explanation to the offenders of their rights, the consequences of non-compliance with the requirements in the Bill, and so on. To match the implementation of the Ordinance, the Food and Environmental Hygiene Department will provide law enforcement officers from various government departments with training, which covers such aspects as operating procedures, gathering of evidence, dealing with confrontation, giving evidence in Court, conduct and discipline, and so on. Insofar as the scope of enforcement is concerned, government departments will maintain the highest standard of communication so that joint actions can be taken as and when necessary to prevent the emergence of grey areas.

I would now like to turn to enforcement by enforcement officers when they are not on duty. To avoid causing the public confusion, we have decided that enforcement officers can issue fixed penalty notices only when they are on duty. However, this does not mean that the Ordinance will only be enforced from nine to five since different enforcement officers will be on duty at different hours of the day. When off-duty enforcement officers witness non-compliance behaviour, they may report to duty officers who will take enforcement action. The departmental guidelines will also specify that uniform officers must wear full uniform and carry their warrants while they are on duty. Those who are not required to wear uniform must display their warrants conspicuously to show their identity before issuing fixed penalty notices to offenders.

Mr LI has also pointed out that some members of the Bills Committee, including himself, are concerned about enforcement in those housing estates the management of which has been contracted out to private management companies. In principle, as the management work has been contracted out, the management companies shall be responsible for ensuring the cleanliness of the housing estates. To ensure the quality of enforcement, we have decided not to empower more grades to issue fixed penalty notices for the time being. The Housing Department (HD) also has reservations about empowering private management companies to issue fixed penalty notices. Nevertheless, more than 2 000 officers in the HD have been authorized to issue fixed penalty notices and the Department will also ensure that adequate manpower will be deployed for enforcement of the relevant Ordinance. Furthermore, in order to ensure the cleanliness of housing estates, the HD has set up a mobile task force to, as and

when necessary, take enforcement actions in estates where the management work has been contracted out, with the support of these property service companies.

Some members of the Bills Committee are worried that marine spitting is not regulated under the Bill. Although there is no general provision against marine spitting, spitting from public places on land into the sea is covered by the Bill. Spitting from certain locations at sea, such as ferries, into the sea is also covered by other existing laws. Notwithstanding this, we will work with the relevant enforcement departments to examine the feasibility of introducing amendments to the relevant legislation with a view to listing marine spitting as a cleanliness offence and including it as an offence regulated by the fixed penalty system. To tackle marine littering, the Marine Department has set up a task force to take enforcement actions at major black spots, such as the seaside and public piers, after office hours and on Sundays and holidays. The Marine police will also assist in joint operations with the Marine Department to tackle marine littering at black spots as and when necessary.

Just now, a few Members mentioned the importance of publicity and education. We have taken comprehensive actions to strengthen our efforts in keeping Hong Kong clean. To this end, television announcement of public interest has been broadcast continuously and community activities have been held over the past few months.

Announcement of public interest on marine littering is also broadcast on television. In addition to strengthening comprehensive publicity and education campaigns, we will help children and youngsters to better understand the importance of keeping Hong Kong clean. We will step up publicity in such places as the airport, boundary control points, and so on, to help tourists and new arrivals to better understand the relevant legislation and the importance of keeping Hong Kong clean.

I would like to once again thank the Bills Committee for its effort and co-operation to enable the smooth conduct of deliberations of the Bill. I hope the new fixed penalty system can take effect by the end of this year or early next year after the passage of the Bill and the enactment of relevant subsidiary legislation. I hope Members can support the Bill and the amendments to be introduced by me later.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Fixed Penalty (Public Cleanliness Offences) Bill be read the Second time. 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 LEUNG Yiu-chung rose to claim a division.

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung has claimed a division. The division bell will ring for three minutes.

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

Mr Kenneth TING, Mr James TIEN, Mr David CHU, Miss Cyd HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Eric LI, Mr Fred LI, Dr LUI Ming-wah, Mr NG Leung-sing, Prof NG Ching-fai, Mrs Selina CHOW, Mr James TO, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr CHAN Kam-lam, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Jasper TSANG, Mr Howard YOUNG, Dr YEUNG Sum, Mr YEUNG Yiu-chung, Mr LAU Chin-shek, Mr LAU Kong-wah, Mrs Miriam LAU, Mr Ambrose LAU, Miss CHOY So-yuk, Mr SZETO Wah, Mr LAW Chi-kwong, Mr TAM Yiu-chung, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Mr Michael MAK, Mr Albert CHAN, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr WONG Sing-chi, Mr IP Kwok-him and Ms Audrey EU voted for the motion.

Mr LEUNG Yiu-chung voted against the motion.

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

THE PRESIDENT announced that there were 44 Members present, 42 were in favour of the motion and one against it. Since the question was agreed by a majority of the Members present, she therefore declared that the motion was carried.

CLERK (in Cantonese): Fixed Penalty (Public Cleanliness Offences) Bill.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

FIXED PENALTY (PUBLIC CLEANLINESS OFFENCES) BILL

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Fixed Penalty (Public Cleanliness Offences) Bill.

CLERK (in Cantonese): Clauses 1, 2, 8, 12, 14, 16, 18, 19 and 20.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Clauses 3 to 7, 9, 10, 11, 13, 15 and 17.

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam Chairman, I move the amendments to the clauses read out just now, as set out in the paper circularized to Members.

The proposed amendments have been scrutinized and endorsed by the Bills Committee. I will now explain the amendments briefly.

With reference to the views of the Bills Committee, I propose to amend the Chinese text of clause 3(2) by substituting "面交發出對象" with "當面交付該人". This amendment is merely a textual amendment. It will not affect the original intent of the provision.

I propose to add clause 3(4) to ensure that the issuance of fixed penalty notices will not be hindered by the failure of offenders to co-operate, such as refusal to accept the notices issued by enforcement officers.

I move to amend clause 4(1) to include the offender's contact telephone number as the required information to help ascertain his accurate contact address.

I also move to amend clause 4(2) to prevent an offender from being penalized for failing to provide all information provided he has reasonable excuses. For instance, if an offender has no contact telephone number, he will not be penalized for his failure to supply the telephone number requested by an enforcement officer.

Furthermore, I introduce a technical amendment to clause 4(4) to ensure that it is not necessary for a police officer to put an offender under the custody of a police officer like what other enforcement officers do.

I propose to introduce a technical amendment to the English text of clause 4(5) to make the meaning of the Chinese and English texts consistent.

I will also introduce a technical amendment to the Chinese texts of clauses 5(1) and (2) to make them consistent with their English texts.

I move to amend clause 6(1) to make its meaning clearer and easier to understand.

In addition, I move to introduce a technical amendment to the Chinese texts of clauses 7(1), 9(1)(b)(i), 9(3) and 9(4) to make them consistent with their English texts.

With reference to the views of the Bills Committee, I propose to add "and the sum of \$300 by way of costs" in clauses 7(1) and 9(1)(b)(ii) to recover the administrative expenses incurred for the purpose of issuing court orders.

New clauses 7(5) and 9(6) seek to permit a Magistrate to sentence an offender to imprisonment under section 68 of the Magistrates Ordinance (Cap. 227) if the offender refuses to pay the amount of penalty after an order has been issued to him under corresponding provisions, that is, sections 7(1) and 9(1)(b).

New clauses 7(6) and 9(7) seek to ensure that offenders who have paid the full amount of the fixed penalty will not be prosecuted or convicted for the offence in question.

I propose to amend clause 10 to ensure that a summons issued under that provision shall be delivered in such manner as specified under section 8 of the Magistrates Ordinance (Cap. 227).

I also propose to introduce a technical amendment to the Chinese text of clause 10(c) to make its meaning clearer.

Furthermore, I propose to introduce a technical amendment to the Chinese text of clause 11 to make its meaning clearer.

I propose to introduce a technical amendment to the Chinese text of clause 13(1) to make its meaning consistent with its English text.

I introduce a technical amendment to clause 15 to make its meaning clearer.

Finally, I propose to amend clause 17 to substitute "increase" with "vary" to enable this Council to enjoy greater flexibility in varying the amount of the fixed penalty.

The above amendments have been scrutinized and endorsed by the Bills Committee.

Thank you, Madam Chairman.

Proposed amendments

Clause 3 (see Annex IV)

Clause 4 (see Annex IV)

Clause 5 (see Annex IV)

Clause 6 (see Annex IV)

Clause 7 (see Annex IV)

Clause 9 (see Annex IV)

Clause 10 (see Annex IV)

Clause 11 (see Annex IV)

Clause 13 (see Annex IV)

Clause 15 (see Annex IV)

Clause 17 (see Annex IV)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by the Secretary for the Environment and Food be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Clauses 3 to 7, 9, 10, 11, 13, 15 and 17 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): New clause 4A Supply of false information.

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam Chairman, I move that new clause 4A, as set out in the paper circularized to Members, be read the Second time.

New clause 4A provides that a person who knowingly or deliberately supplies false or misleading information shall commit an offence and is liable to a fine at level 2 and to imprisonment for six months.

Thank you, Madam Chairman.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That new clause 4A be read the Second time.

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): New clause 4A.

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam Chairman, I move that new clause 4A be added to the Bill.

Proposed addition

New clause 4A (see Annex IV)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That new clause 4A be added to the Bill.

CHAIRMAN (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Schedules 1 and 2.

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam Chairman, I move the amendments to Schedules 1 and 2, as set out in the paper circularized to Members.

The amended Schedules 1 and 2 seek to include "fouling of street by dog faeces" into the listed offences covered by the fixed penalty system. In addition, police officers are designated as authorized public officers and empowered to issue fixed penalty notices under the Ordinance.

Thank you, Madam Chairman.

Proposed amendments

Schedule 1 (see Annex IV)

Schedule 2 (see Annex IV)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by the Secretary for the Environment and Food be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Schedules 1 and 2 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

FIXED PENALTY (PUBLIC CLEANLINESS OFFENCES) BILL

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese):
Madam President, the

Fixed Penalty (Public Cleanliness Offences) Bill

has passed through Committee with amendments. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Fixed Penalty (Public Cleanliness Offences) Bill be read the Third time and do pass.

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 of the Members present. I declare the motion passed.

CLERK (in Cantonese): Fixed Penalty (Public Cleanliness Offences) Bill.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the Pharmacy and Poisons Ordinance.

PROPOSED RESOLUTION UNDER THE PHARMACY AND POISONS ORDINANCE

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The purpose of the motion is to amend the Poisons List Regulations and the Pharmacy and Poisons Regulations.

Currently, we regulate the sale and supply of pharmaceutical products through a registration and inspection system set up in accordance with the Pharmacy and Poisons Ordinance. The Ordinance maintains a Poisons List under the Poisons List Regulations and several Schedules under the Pharmacy and Poisons Regulations. Pharmaceutical products put on different parts of the Poisons List and different Schedules are subject to different levels of control in regard to the conditions of sale and keeping of records.

For the protection of public health, some pharmaceutical products can only be sold in pharmacies under the supervision of registered pharmacists and in their presence. For certain pharmaceutical products, proper records of the particulars of the sale must be kept, including the date of sale, the name and address of the purchaser, the name and quantity of the medicine and the purpose for which it is required. The sale of some pharmaceutical products must be authorized by prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

The Amendment Regulations now before Members seek to amend the Poisons List in the Poisons List Regulations and the Schedules to the Pharmacy and Poisons Regulations, for the purpose of imposing control on a number of new medicines.

The Pharmacy and Poisons Board proposes to add six new medicines to Part I of the Poisons List, and the First and Third Schedules to the Pharmacy and Poisons Regulations so that pharmaceutical products containing any of them must

be sold in pharmacies under the supervision of registered pharmacists and in their presence, with the support of prescriptions.

The two Amendment Regulations are made by the Pharmacy and Poisons Board, which is a statutory authority established under section 3 of the Ordinance to regulate the registration and control of pharmaceutical products. The Board comprises members engaged in the pharmacy, medical and academic professions. The Board considers the proposed amendments necessary in view of the potency, toxicity and potential side effects of the medicines concerned.

Madam President, I beg to move.

The Secretary for Health and Welfare moved the following motion:

"That the following Regulations, made by the Pharmacy and Poisons Board on 18 June 2001, be approved —

- (a) the Pharmacy and Poisons (Amendment) (No. 4) Regulation 2001; and
- (b) the Poisons List (Amendment) (No. 3) Regulation 2001."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Health and Welfare be passed.

MRS SELINA CHOW (in Cantonese): Madam President, first of all, let me make it clear that both the Liberal Party and I support this motion.

We do not object to the extension of the scope of regulation to cover these medicines, the names of which we barely know how to pronounce. As a representative of the wholesale and retail constituency, I have consulted the industry. The Secretary has also stated earlier that the Health and Welfare Bureau and the Government have frequently consulted the industry through certain channels. Although the industry has not raised any objection to the proposed extension of the scope of regulation to cover the medicines under discussion, people in the industry have made it clear to me that they earnestly hope that the Government can try to understand the operation of the industry.

Moreover, in including certain new medicines into the Poisons List, the Government must bear in mind not to adopt enforcement standards that are excessively stringent or harsh. Of course, we are not pinpointing the several types of medicines under discussion at the moment. What we are talking about is a matter of general direction. People in the industry feel that if the Government should include certain medicines into the Poisons List lightly, the operation of the industry will be severely affected and subjected to a certain extent of impediment and disturbance. Therefore, we hope the Secretary and the Government can understand that the industry is sensitive in this area.

Of course, we are not saying that public safety should be ignored and that medicines that need to be covered can be left out. I believe no one will make such a request. Even people in the industry will not make such a request. Yet it is undeniable that they feel that the Government tends to expand the scope of regulation to cover more and more medicines. It is hoped that the Secretary can pay attention to the views of the industry and listen to their voices as far as possible. Thank you, Madam President.

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

(No Member responded)

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, our amendments to both the regulatory regime of the Poisons List and the Poisons List Regulations are always made in the light of the potency, toxicity and potential side effects of the medicines concerned. And since these proposed amendments are made by the Pharmacy and Poisons Board, I will reflect the views raised by Mrs Selina CHOW to the Board for its future consideration. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Health and Welfare 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 the Members present. I declare the motion passed.

PRESIDENT (in Cantonese): Proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The motion seeks to make several technical amendments to the Freight Container (Safety) (Examination Procedure) Order.

The International Convention of Safe Containers 1972 drawn up under the aegis of the International Maritime Organization standardizes requirements for the testing, inspection and approval of containers; and prescribes procedures for their maintenance, examination and control so as to ensure safety in the handling, stacking and transportation of containers. To implement the Convention in Hong Kong, we made the Freight Container (Safety) Ordinance in April 1997.

Section 4 of the Ordinance stipulates that a container in use should meet the examination requirements of section 12 in accordance with an examination procedure approved by the Director of Marine. Accordingly we have made under section 12(1)(a) of the Freight Container (Safety) Ordinance the Freight Container (Safety) (Examination Procedure) Order, and tabled the Order before the Legislative Council on 6 June.

The House Committee of the Legislative Council discussed the Order at its meetings on 8 June and 29 June. We accept the proposal of the House Committee to amend two provisions in the Order where the structure of the Chinese and English texts is not exactly consistent. I would like to thank

Members of the House Committee and in particular the House Committee Chairman, Mrs Selina CHOW.

The motion amends the English text of section 4(1)(b)(ii) and 4(2)(b)(ii) with the principal purpose of adding in the words equivalent to the term "合資格人士" appearing in the Chinese text of the two provisions. It also replaces the words "specified" and "指明" in the original texts of section 4(1)(b)(ii) and 4(2)(b)(ii) by appropriate words, that is, "determined by" and "決定", respectively. The purpose is to achieve consistency with the relevant wording used in section 8(b)(i), to which reference is made by the two provisions, to describe the action required of the competent person.

Thank you, Madam President.

The Secretary for Economic Services moved the following motion:

"That the Freight Containers (Safety) (Examination Procedure) Order, published in the Gazette as Legal Notice No. 114 of 2001 and laid on the table of the Legislative Council on 6 June 2001, be amended, in section 4(1)(b)(ii) and (2)(b)(ii), by repealing "specified" and substituting "determined by the competent person"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Economic Services 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 the Secretary for Economic Services 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 the Members present. I declare the motion passed.

MEMBERS' BILLS

PRESIDENT (in Cantonese): Members' Bills.

Resumption of Second Reading Debate on Members' Bill

PRESIDENT (in Cantonese): Council will now resume the Second Reading debate on the Bank of China (Hong Kong) Limited (Merger) Bill.

BANK OF CHINA (HONG KONG) LIMITED (MERGER) BILL

Resumption of debate on Second Reading which was moved on 13 June 2001

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

MR NG LEUNG-SING (in Cantonese): Madam President, I just wish to declare an interest. I am a member of the Bank of China Group.

MISS CYD HO (in Cantonese): Madam President, I support that the merger of commercial entities be provided for by legislative means. However, in view of the privacy protection issue arising from such mergers, I hope the Administration can review the relevant legislation expeditiously, with a view to filling the voids currently not covered by law.

This is the first time since the enactment of the Personal Data (Privacy) Ordinance in 1995 that this Council deals with merger of banks by legislative means. The two merger Bills under debate today are the Bank of China (Hong Kong) Limited (Merger) Bill and The Bank of East Asia, Limited Bill.

PRESIDENT (in Cantonese): Miss Cyd HO, in your speech earlier you said it was your hope that the Government would respond to the views raised by you. But then the Secretary for Financial Services has just arrived in time. Miss HO, please go on.

MISS CYD HO (in Cantonese): I am sorry, Madam President, I did not notice that the government official concerned was not here. I hereby apologize for my oversight.

PRESIDENT (in Cantonese): It was not an oversight on your part. Just now I would have let you go on with your speech if you had not mentioned that you hoped government officials would respond to your views. Please go on.

MISS CYD HO (in Cantonese): Thank you, Madam President. Should I start from the very beginning, so that the Secretary would not miss any part of my speech?

PRESIDENT (in Cantonese): This would certainly be better.

MISS CYD HO (in Cantonese): Madam President, I support that the merger of commercial entities be provided for by legislative means. However, in view of the privacy protection issue arising from such mergers, I hope the Administration can review the relevant legislation expeditiously to fill the voids currently not covered by law.

This is the first time since the enactment of the Personal Data (Privacy) Ordinance (Privacy Ordinance) in 1995 that this Council deals with a merger of banks by legislative means. While the debate today involves two merger Bills, my views on them are formed on the same basis.

Madam President, with your permission, I should like to discuss the Bank of China (Hong Kong) Limited (Merger) Bill (BOC Bill) and The Bank of East Asia, Limited Bill (BEA Bill) jointly. In this connection

PRESIDENT (in Cantonese): I just wish to clarify one point. The two Bills you are commenting on now are in fact made on the same

MISS CYD HO (in Cantonese): basis. Yes, they are made on the same basis.

PRESIDENT (in Cantonese): In that case, you may now state it clearly that your comments on the Bank of China (Hong Kong) Limited (Merger) Bill also apply on the next Bill.

MISS CYD HO (in Cantonese): Yes, and thank you, Madam President. A clause under the BOC Bill, which is clause 8(1), contains a provision very similar to an exemption clause that enables the entity concerned to be exempted from the provision of the Privacy Ordinance requiring relevant information users to seek the "prescribed consent" of customers in respect of the transfer and disclosure of their personal data.

After the special meeting of the Panel on Financial Affairs, I wrote a letter to the Home Affairs Bureau to raise this point as well. Regrettably, the response from the Government was indeed disappointing. Today, there are not any relevant government officials attending the meeting to answer questions relating to privacy issues. Madam President, I have no objections to the merger of commercial entities; however, I have indeed found it most regrettable that only the Secretary for Financial Services is here today. I certainly hope that the Secretary will take note of my views for reference and look into them with the Home Affairs Bureau together. Actually, I am rather disappointed that no representatives from the Home Affairs Bureau are present at this meeting today.

In the reply letter given by the Home Affairs Bureau, the Administration only mentions that the inclusion of a provision, which is very much an exemption clause, in the two merger Bills is mainly to make it more convenient for the

entities concerned to resolve certain practical issues upon merging. Since the point was already raised by Members during the last special meeting of the Panel on Financial Affairs, we understand that banks can hardly seek the prescribed consent of 100% of their customers, as some of them are illiterate while others may have difficulty understanding such complex procedures. Besides, there are also other customers who have moved, emigrated overseas, or even passed away. It is simply impracticable to require the relevant banks to seek the prescribed consent of all their customers before their mergers are approved. I can understand that very well.

But then, I believe the resolution to the matter is not confined to exempting the privacy protection obligations of the relevant banks by including in the Bills a provision the effect of which is very much similar to that of an exemption clause. Rather, we should deal with the situation in a more active manner. The solicitors acting for a relevant bank have advised that the relevant clause would not constitute a breach of the Privacy Ordinance. Their view was that since the Privacy Ordinance is adapted from Britain and the merger Bills are also adaptations of British examples, there should not be any problem. Speaking of overseas examples, however, I can give Honourable Members a disproof.

In 1999, the United States passed a Financial Services Modernization Act to require banks and financial institutions to undergo a procedure whereby their customers can choose whether they refuse to have their information disclosed before disclosing customers' data to a third party or a non-associated entity. Under this Act, the relevant entities have to actively contact customers in writing in respect of the disclosure, and those customers from whom no response is received will be deemed as not raising any objection. This is known as the "Opt-out" procedure. However, the Act was criticized by many privacy concern groups even after its passage. What is more, certain individual Senators have moved a private bill to amend the Act by replacing the "Opt-out" procedure with a "Opt-in" procedure. Under this "Opt-in" procedure, the relevant entities are required to not only contact their customers in writing to seek their consent, but also collect reply slips proving their consent before transferring or disclosing their information. The said bill was not passed in the United States.

We understand that requirements of this kind are difficult to comply because it is very difficult to collect 100% of the reply slips. Nevertheless, from this disproof we can see that while the financial industries across the world

are engaging actively in merging activities, they are making an effort to review the relevant laws and regulations, with a view to enabling the relevant provisions to cater to the ever increasing business activities in this respect, thereby protecting the privacy of the public.

Madam President, another point I should like to speak on is the meaning of prescribed consent. When we were scrutinizing the Bill, a relevant entity mentioned that its customers had in fact signed the terms and conditions for services and thereby indicated their consent to the disclosure of their information to the merged entities. I inquired with the public relations department of the Bank of China Group about the matter. The staff there were very co-operative, as the reply to my inquiry made in the morning was received in the afternoon on the same day. They also furnished me with a printed pamphlet containing the terms and conditions which they considered as having the effect of giving one's prescribed consent. There are many terms and conditions on the pamphlet and the size of the characters is slightly larger than that of the printed words on the pale grey or light blue side of our laundry receipts. I think they are most probably of font size 8.

I then asked the representatives of the Bank of China Group, "Do you think each and every one of your customers can read these terms and conditions and understand what they mean?" Their answer was that the customers were encouraged to consult expert advice. We have to note that many bank customers are elderly persons and persons with limited education. For my part, I will not hire an expert to explain those terms and conditions to me, nor will I look into them myself. I will only trust that the entities concerned will not cheat me. But then, the approach adopted by them is by no means any active measure to protect the interests of their customers. Besides, both the Legal Adviser to the Legislative Council and the Privacy Commissioner for Personal Data disagree with the views of the legal advisers to the relevant entities in this respect.

According to our Legal Adviser, such agreements may not meet the requirement specified in respect of prescribed consent under section 2(3) of the Privacy Ordinance. The Privacy Commissioner holds that prescribed consent must be given voluntarily and explicitly, which means that customers will not receive unfavourable treatment just because they refuse to accede to a certain request. As the agreement mentioned by the entity concerned is a standard agreement which customers have to sign before they can receive services, so if

customers should refuse to sign the agreement, the situation would be very much unlike the voluntary prescribed consent the Privacy Commissioner has referred to. Further still, the Privacy Commissioner also considers that signing agreements of this kind is not tantamount to giving prescribed consent.

Therefore, both the Legal Adviser to the Legislative Council and the Privacy Commissioner for Personal Data are of the view that the legal opinions provided respectively by the Administration and the relevant entities are biased. I therefore have considerable reservations about the hasty passage of the Bill. Certainly, the proposed arrangements of the entities concerned are made on the basis of business considerations. On the one hand, they are accountable to their customers, and on the other they believe the proposed arrangements can ensure efficiency. While I can appreciate the rationale of the relevant entities for their proposed arrangements, I feel that the Administration has been slack and careless in their work in accepting the entities' proposals without much thinking, and without looking into them in detail.

Madam President, there have in fact been a number of commercial mergers in recent years, only that the one before us now is the first commercial merger carried out by way of legislation. It is expected that more mergers involving small and medium enterprises will take place in future. Indeed, the Pacific Century CyberWorks is also a merged entity. During the process of merger, issues like transfer of customers' data and information disclosure will inevitably be involved. Are the arrangements concerned all in compliance with the provisions of the Privacy Ordinance? This is indeed open to question.

The case before this Council today is in fact reflective of the fact that the relevant legal provisions are lagging behind the changes in society. In this connection, I hope that the Government will not abandon its basic objective of protecting the privacy of the public in exchange for some changes. I also hope that the Government will review the Privacy Ordinance. Actually, the Ordinance is currently under review. As a result of the efforts to promote the concept of privacy protection, more complaints from the public have been received in a number of fields. For example, there have been complaints against the practice of posting the personal data of people applying for marriage at marriage registries. Another example is that flat owners' personal data at the Land Registry are easily accessible by real estate agents. I hope that the working group set up in June 1999 to review the Privacy Ordinance can expand its scope of review. I hope it will consult the various business entities

concerned, solicit opinions from the Consumer Council and hold discussions with the Privacy Commissioner for Personal Data, with a view to formulating appropriate measures to deal with the matter. The most important point is to ensure that the merging entities, regardless of whether their mergers are conducted by way of legislation or not, can have a set of impartial, transparent and fair procedures to follow, so that the mergers can be conducted in accordance with the law. That way, things will be better planned than the present case, and the entities concerned will not bear the risk of breaching the Privacy Ordinance unwittingly in the process.

Madam President, as society changes, it is inevitable and necessary that the laws should be amended accordingly. Since the enactment of the Privacy Ordinance in 1995, there have been a number of areas that warrant our attention. Rather than avoiding the issue or seeking to resolve the issue by a near exemption clause, the Government should proactively set up a procedure for the public to follow. Otherwise, the existing grey areas will remain and continue to cause entities to breach the law unwittingly.

Madam President, I will vote against the Bill later on.

MR JASPER TSANG (in Cantonese): Madam President, I rise to speak on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB) in support of the Bank of China (Hong Kong) Limited (Merger) Bill. After the Bill has been passed today, the 12 banks under the Bank of China Group (BOC Group) can be merged smoothly later this year.

The DAB believes that the merger is beneficial to the clients of these banks as well as the entire financial system of Hong Kong. In fact, in the process of enhancing competitiveness, merger and consolidation of banks have become inevitable. It applies not only to Hong Kong, for similar examples are also found in other regions. As far as we know, the operation and services provided by a number of banks under the BOC Group are in fact very similar. However, as the administration and finance of individual banks are relatively independent, some resources are therefore not most effectively utilized. For instance, two banks with different names but under the same group are located in close proximity. On the surface, it seems to give customers choices, but in fact, there is not much difference between the services provided by a certain bank and the other bank just a few blocks away; resources are therefore not reasonable utilized.

We believe that after the merger and consolidation of the BOC Group, the cost effectiveness of individual subsidiary banks would be greatly enhanced.

Madam President, the banks in Hong Kong have abolished the Interest Rate Agreement since this month. We are all concerned if the banks can provide better services to customers under such a new environment of competition, and whether such changes would really be beneficial to customers? Based on the reason I have mentioned, the DAB believes that the merger of the BOC Group will not reduce the choices open to customers, but will conversely further improve the services provided to clients as a result of improved efficiency. We are glad to see the result. I would like to say in passing that the redeployment of human resources is inevitable in the process of consolidation. We hope that the management of the BOC Group will make appropriate manpower arrangement, to keep up the staff morale and give play to the advantages of the merger.

With respect to the privacy of clients, we trust the information provided by the banks. We believe that the merger of the BOC Group banks will not expand the scope of circulation of the personal data of clients. The provisions regarding privacy in the Bill only provides extra protection technically, and we accept this explanation. We have also noticed that effecting the merger by way of a private bill will eliminate the need for individual banks to tackle the privacy concern of their customers one by one, as it is impossible to do so. However, we also agree that the problem revealed the loopholes in the implementation of the Personal Data (Privacy) Ordinance in respect of the merger and restructuring of large companies. For this reason, we agree that a review should be conducted on the Personal Data (Privacy) Ordinance to plug these loopholes.

Madam President, the DAB supports the Bill and, for the same reason, we will support The Bank of East Asia, Limited Bill later.

MRS SELINA CHOW (in Cantonese): Madam President, let me state at the outset that I support the Second Reading of the Bank of China (Hong Kong) Limited (Merger) Bill and I also support the Bill.

I would like to express my opinions on the Bill, and my remarks will also apply to The Bank of East Asia, Limited Bill later. I would like to talk about the process of introduction of these two Members' Bills. Although the final

outcome is good, the process has not at all been satisfactory. In fact, such complicated Bills should be passed to Bills Committees for deliberation and scrutiny. However, we also understand why there would be time constraints. However, provided that it is in the public interest, it will have a positive impact on the merger as a whole if it can be conducted as soon as possible. Therefore, the relevant Members have adopted a pragmatic approach to tackle the issue.

Notwithstanding this, I think we should avoid taking the same approach in the future, as such bills should be passed to the Bills Committee for scrutiny after all. Doubtless our work during the process has been very clear and we have not confounded it with other matters. However, we have passed the Bill to the relevant panel which is an approach that has not been adopted before. Why do we have to resort to this approach? One of the reasons is that they are private bills. The Bills were introduced by Members who also represent certain business organizations, so when these two Bills were introduced, the business organizations and Members concerned were not experienced enough to handle such work. They were not aware that they had to submit the relevant information before introducing the Bills, so that Members can make some preparations or gain an understanding of the Bills. They also failed to make use of the time before the Second Reading to give Members a detail account of the provisions. In fact, it may be helpful to do so.

Why do I say this? When the Government introduces a bill to the Council, it will generally undergo a "cooling off" procedure. The Government will first explain to the relevant panel about the underlying policy, the principal and key provisions of the bill and give an account of the conception process and background of the provisions. This will enable Members to have gained a certain degree of understanding of the Bill when it comes to Second Reading. Nevertheless, this has not been done this time. If Members wish to move private bills of a similar nature in the future, I hope that they can spend more time to explain matters to Members, and give us more time for discussion. I am not referring to those bills in the past which were very simple and only involved a name change, but more complicated bills. This is the first point.

The second point is that, I have heard remarks stating that the Government should also assume some responsibility on this occasion. When commercial entities introduce such complicated private bills, they have to obtain the prior approval from the Government or various organizations such as the Hong Kong Monetary Authority, as well as the consent of various parties. It certainly

involves some legal issues or policy issues which have to undergo very complicated procedures. As far as I understand it (maybe the Secretary can explain this further later), such process has dragged on for a long period of time on this occasion. Therefore, the Member who introduced the Bill and the organization which he works together could only have very little time to discuss the issue with the Council.

I think it is utterly undesirable for us to work against a deadline. Why? As we should all understand, Members have to scrutinize each bill very prudently, especially when the Bill involves an extensive scope, extensive areas and many people. From the angle of Members, we could not treat it lightly, and we must take considerable time to consider the issue. This time, as all of us would have noticed, Members were given very limited time for scrutiny. Moreover, we have not anticipated certain working time, such as the time required for certain procedures including the issue of notices and circulars.

We should not excessively expect that the private sector and commercial organizations to fully understand the legislative process. As such, I believe the Government should provide some guidance to these organizations as far as possible. On our part, we should acquire the experience from this occasion and do better in the future. I hope Members would learn from this experience and work in a more satisfactory manner when other bills on merger or other private bills are introduced in the future. Having said this, however, I still believe that Members already have enough opportunities to scrutinize the Bill in an explicit, detailed and specific manner, and they can make a decision as to whether they support or oppose the Bill, as well as follow up and make improvement in the future. Thank you, Madam President.

DR YEUNG SUM (in Cantonese): Madam President, I would also like to make a few comments on the scrutiny of these two Bills. The Bank of China (Hong Kong) Limited (Merger) Bill and The Bank of East Asia, Limited Bill are in fact crucial to the reputation and development of the financial sector of Hong Kong. We are glad that Members from different political parties, groups and fronts were able to adopt a practical and realistic attitude this time. Had we requested the setting up of a Bills Committee for every Bill, on the basis of the procedures of the scrutiny of bills by the Council, we would not have been able to resume

the Second Reading debate within this Legislative Session. After we have completed the scrutiny today, the Council will rise in recess and it would not start working until the next Session.

The time was pressing, but the Bills were crucial to the development of the financial sector, could we keep our eyes closed and pass them without even looking at them? In view of our responsibilities, we could hardly do so. However, if we were to set up Bills Committees, the Bills would definitely impossible pass through the Council before the summer recess. However, the information had been released, and the market had certain expectations. What should be done if the scrutiny of the Bills could not be completed on time? Members therefore had to work even harder. Thanks to the full co-operation of the organizations and their members who proposed the Bills, we completed a great deal of work within a very short time. Had we been given sufficient time, we would have been able to do even better. The question of privacy of customers, as raised by Miss Cyd HO, is a significant issue. It is possible to acquire information from the customers on a one-to-one basis, but what should be done given such a vast number of customers? In fact, we have never come across such cases, but it is really a problem. The Honourable Albert HO mentioned the issue of guarantor and loans. What should be done? Members were actually fully aware of the problem, and had acquired a basic understanding of the problem and expressed their opinions. I believe we should really learn a lesson from this incident.

When the Government introduces a bill, it will certainly submit it to the relevant panel for "cooling off", and Members will be provided with the policy documents (the so-called briefing) setting out the motives, mechanisms, justifications and the issues expected to be scrutinized by Members. For private bills, we could hardly expect Members to have such manpower to handle these tasks. The Government may hold the view that the private bill is not introduced by the Government, and it thus will not actively take follow-up actions. The Secretary would certainly take follow-up actions but he may not do so actively. Therefore, the relevant government departments, the Director of Administration and Members should learn a lesson from this incident when handling private bills of similar extensive scopes (not merely change in name or an additional member to the Board of Governors of a school).

Despite the unsatisfactory scrutiny process of the Bill, we had taken a practical and realistic approach and tried our best for the reputation of the

financial sector of Hong Kong. I believe we have tried our best to discharge our duties. But as far as the scrutiny process is concerned, I hope that we would not handle the matter this way when another Member introduces such an important private bill to the Council in the future. Thank you, Madam President.

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

MR ALBERT HO (in Cantonese): Madam President, Honourable colleagues of this Council have expressed support for the Bank of China (Hong Kong) Limited (Merger) Bill.

Undoubtedly, bank merger is entirely a business decision. Insofar as such a decision is concerned, the Council does not have a role to play and Members are not in a position to determine whether the merger is appropriate. A merger is purely a business decision. However, if banks or business groups are considering a merger, and the decision has to be effected by legislation, that is, the business decision has to be consolidated by way of legislation, the Council will have a role to play. In fact, we can make reference to many examples in the past and see that such decisions were effected by means of private bills. Why was it necessary to achieve this aim by legislation? It was because the restructuring and merger of a bank is a very complicated affair and it may not be successfully completed solely by applying to the Court for approval. Moreover, a lot of problems cannot be solved this way, and people may associate it with other problems. Would it also involve a private bill when large insurance companies or major firms decide to restructure in future? Insofar as this point is concerned, I hope that the Government would provide us with some information at an appropriate time. In any way, I have looked up some records and found that many bank mergers in Hong Kong were indeed effected by means of private bills.

Under such a premise, I believe that such bills are submitted by Members to the Council, we are duty-bound to scrutinize them. Although it is a business decision, we are responsible not only for studying the social impact of the merger, but also considering whether the relevant customers are treated fairly under the principle of fairness, or whether the decision is consistent with the current policy or principles under our financial framework before the decision is implemented. These are the points we have to take into careful consideration as scrutinizers of legislation. This is the first point.

Secondly, the Bank of China Group (the BOC Group) is undoubtedly a very important business group in Hong Kong. It is a note-issuing bank and with reference to its capital value, it plays a crucial role in the Hong Kong financial market. On this occasion, the BOC Group's decision to carry out a merger in Hong Kong and to subject it to the regulation of local legislation is indeed a good thing. It would at least demonstrate that, firstly, the BOC Group is confident in Hong Kong as a financial centre. Secondly, it is willing to be regulated by the Hong Kong Monetary Authority and the laws of Hong Kong, thus enhancing its transparency. It is definitely a good thing for Hong Kong and it would upgrade the status of Hong Kong as a financial hub. Therefore, we should support the merger from this point of view. The general goal of the entire Bill is non-controversial, and I believe many colleagues of this Council have rendered their support under this principle.

There remain two issues. Firstly, there are the procedures and secondly, the question of how the Bill can dovetail with the existing policies of Hong Kong. Insofar as the procedures are concerned, I agree with some of the points made by Mrs Selina CHOW and Dr the Honourable YEUNG Sum. The time allowed for scrutiny of the Bill was too tight. Under normal circumstances, it would be most desirable and appropriate for the relevant bills to be committed to a Bills Committee for scrutiny. There are certain things which we should spend sufficient time sorting out. Despite all this, Members were aware that time was very limited for we all hoped that the Bill could be passed before the summer recess, so as to facilitate the relevant group to proceed to the next important stage of implementing its plan. Although an official Bills Committee was not set up, Members have tried their best to acquire the relevant information, ask the relevant questions and urge the provision of the relevant answers as soon as possible. The relevant panel has also held a special meeting to facilitate Members understanding the Bill. I would like to make the point here that when private bills are introduced in future, the Government should take a more active approach and do more. When a bill is gazetted, the Government should provide us with the relevant policy documents as soon as possible, stating how many public policies are involved in the bill and what is the stance of the Government.

Let me cite an example. The Bill under discussion involves a taxation issue. Before 1997, we were not required to obtain the then Governor's approval even if a bill involves public finance. However, after 1997, with the implementation of the Basic Law, any bill that involves government policy should obtain the written consent of the Chief Executive before it can be gazetted

and then submitted to this Council for scrutiny. This is one of the public policies. On what ground would the Chief Executive issue the certificate or grant his consent? What is the concept behind it? Is it consistent with past policies? In fact, the Government should have provided us with the answers to these questions as soon as possible. There may certainly be some impact on other policies, such as the privacy problem which emerged after the Bill had been gazetted. If the Government is aware that there may be possible impact on public policies, I believe the Government is duty-bound to submit a policy document to us as soon as possible to facilitate the scrutiny, rather than waiting for Members to raise the questions. I think this is a very important point. If the Secretary finds my opinions to be reasonable, would he at least take our opinions into consideration and promise that when private bills are introduced in future, the Government will take a more active approach by promptly submitting comprehensive documents stating the Government's stance and the government policies involved and making the relevant analysis.

I understand that Dr the Honourable David LI and the Honourable NG Leung-sing, the proponent of The Bank of East Asia, Limited Bill, have made their best efforts to ensure that the Bill can be submitted to the Council as soon as possible, but the process involves many procedures. I have dealt with private bills before and I understand that the process is very complicated. As Members are aware, we are close to the summer recess, so it is particularly important to grasp the time. I would not repeat what I have said before. However, the most unsatisfactory aspect of the scrutiny of the Bill is that there was too little time. I hope that similar cases will not arise in the future. I hope that we could have more time to participate in studying, discussing and commenting on the Bill.

I must point out that, Members have put in extra efforts and employed many different means to acquire more information to enhance their understanding of the Bill. It has thus upset the priorities of our businesses. As we had to handle this Bill, we had to put aside other issues. This is definitely undesirable indeed. I have to repeat again that we found it necessary to do so this time and we were able to handle it. However, I must stress again that we would not settle for any doubts or uncertainties simply because we must pass the Bill before the summer recess. We will not compromise a bill will only be passed after careful and sufficient scrutiny. We have pursued various channels and spent a lot of time for the scrutiny of this particular Bill. Therefore, although it was not scrutinized by a Bills Committee, I think we have already

done what we should do. However, I hope that we do not have to use the same method in future, and that bills can be scrutinized by Bills Committees according to the normal procedure.

With reference to the Bill itself, I am most concerned about two points. Firstly, it is the taxation issue. In the Bank of China (Hong Kong) Limited (Merger) Bill, clause 10 appears to be different from similar provisions in the past. It is *inter alia* stated that after the merger, a bank with losses could offset against the assessable profits of a profitable bank, and enjoy tax concessions. I have not quoted the text from the Bill, but as far as I know, the effects is that there is an offsetting arrangement whereby no tax will be payable. Such a case was rarely found in the past. Therefore, when we scrutinized the Bill, we asked the Government if this was a consistent policy, whether the Government would implement the same policy in future and the concept behind it. The Government gave a very clear answer that it was in support of the merger of the relevant banks so that they would become part of the Hong Kong banking system, being regulated by the laws of Hong Kong. The Government found this worth encouraging and supporting, and therefore, accepted the arrangement in respect of the taxation policy. After the Government has accepted this arrangement, the tax revenue may decrease, but if it does not accept the arrangement, the tax revenue may increase as some banks may have to pay tax on their profits before the merger. Through this arrangement, the tax payable by the banks may be reduced but the Government still thinks that it is worth doing so. I have considered this point and I agree with it. However, the most important point is that once the policy has been adopted, it should prevail in future, so that all cases must be handled fairly for consistency in policy. I recall the Government explicitly stated that this was a consistent policy at the last meeting of the Panel on Financial Affairs, therefore, I support the policy.

Moreover, the second point is that, after the Bill had been gazetted, I read it several times and I started to feel worried. I was worried about whether the liability of some customers, particularly the guarantors, would be increased. I raise this point because I am working in the legal profession and I know that as far as a bank mortgage agreement is concerned, a mortgage with a guarantor involves a third party, and the mortgagee is not only placing a mortgage on his flat and providing the guarantee himself. For instance, if I place a mortgage on my flat to provide guarantee for a loan of another person, or for myself, there is unlimited liability for the document I signed with the bank. It is unlimited

liability because the bank is asking for a guarantee of all monies, regardless of its amount.

Let me cite an example. If I placed a mortgage of my flat to provide guarantee for a loan of \$1 million to Dr YEUNG Sum before the merger of a bank, the agreement I signed with the bank involved unlimited liability which is known as "all monies clause" in law. In other words, I have to provide guarantee for the total amount of the loan. However, the problem is, if Dr YEUNG Sum has also secured a loan from a second bank, and the two banks merge later, the guarantee I have provided may also be applicable to the loan he borrowed from the second bank. If a borrower has obtained loans from many banks before the 10-odd banks under the BOC Group are merged, the guarantor who only provided guarantee for the loan from the first bank may become liable as the guarantor of all the loans after the merger. Back to the example about Dr YEUNG Sum, if he has obtained loans from 10 banks under the BOC Group, I may have to undertake unlimited guarantee and liability. Therefore, I do not think this is a desirable arrangement, and the Bill should not have such an effect and give such an advantage to the banks, albeit I believe the relevant banks have not sought a merger in order to obtain this advantage.

After I had raised this point, Dr David LI, Mr NG Leung-sing and other lawyers from the BOC Group and The Bank of East Asia as well as various interested parties co-operated fully and discussed with us, and promptly came up with proposals for amendment. I fully appreciate their efforts. They have pointed out explicitly that the liability of a guarantor would not increase after the merger and I am very pleased with their handling of this issue.

As regards the privacy issue raised by the Honourable Miss Cyd HO, I agree that there is a need for further study as this is also an important issue. As we all know, it is impossible to obtain the consent of each and every customer before the merger. It is not feasible even though the bank may wish to do so. However, after the ordinance has come into effect, there may still be some technical issues to address. As such, I will support a motion on a review.

For the above reasons, I support the passage of the Bank of China (Hong Kong) Limited (Merger) Bill generally, and for the same reasons, I support the passage of The Bank of East Asia, Limited Bill. Thank you.

MR AMBROSE LAU (in Cantonese): Madam President, the Hong Kong Progressive Alliance (HKPA) supports the Bank of China (Hong Kong) Limited (Merger) Bill and The Bank of East Asia, Limited Bill. We believe mergers of banks in Hong Kong will definitely consolidate the development of the banking sector and the financial sector which is beneficial to Hong Kong.

The Panel on Financial Affairs has held a special meeting and discussed these two Bills. Members have expressed grave concern about issues involving all aspects. Fortunately, with the co-operation of Members and the interested parties, including the Government, we were able to hold a thorough discussion on the issues of concern in one meeting. For instance, on the issue of the liability of the guarantor raised by Mr Albert HO, the relevant banks accepted the suggestion readily and made appropriate amendments. As for the issue regarding the Personal Data (Privacy) Ordinance raised by Miss Cyd HO, in accordance with the law, both Bills have included an exemption clause which the HKPA considered would not prejudice the interests of bank customers. Therefore, it can be said that all issues of concern have been basically resolved, and the HKPA supports these two Bills.

Thank you, Madam President.

MR ERIC LI (in Cantonese): Madam President, I speak in support of the Bank of China (Hong Kong) Limited (Merger) Bill. My comments on this Bill also apply to The Bank of East Asia, Limited Bill.

A number of colleagues have expressed many excellent views, and I do not wish to make too many repetitions. I only wish to make a few supplementary remarks. Just as many Members have mentioned, the merger is in the interest of the public and conducive to the business development of the relevant banks. I would like to make some additional remarks and explain clearly what this is all about.

The Hong Kong Monetary Authority enforces many regulatory legislation and sets out the requirements and rules for the assets and loan services of banks in Hong Kong. The merger of bank assets and services will not only be helpful to individual banks, but also to the entire banking system as it would greatly enhance security and protection. This is particularly so to Hong Kong as an

international financial hub where banks have ample opportunities for overseas development. When local banks pursue development overseas, and when foreign banks consider the takeover and merger activities of Hong Kong banks in overseas countries, the foreign banks will certainly wish to know the strength and credit rating of Hong Kong banks. Overseas and mainland banks often have certain requirements for the assets value of the banks in Hong Kong, and they would set limits for loans in Renminbi yuan. As such, consolidation and merger have become an important cornerstone for the internationalization of local banking business. I believe that the momentum of merger and consolidation will not stop at the mergers of these two banking groups. A third or even a fourth merger will also happen in future, possibly in the near future, as some institutions have already started discussions (as Dr David LI also agrees). I believe that the merger and consolidation of banks are enormously beneficial to bank users, whether or not they are borrowers or depositors. They can receive more diversified banking services and they will have access to more of the so-called "access points" as banking services can be extended to more regions.

As regards systematic security and the scrutiny of the Bill, a number of Members have already made their points. I would also like to express my personal views. Firstly, local banks have co-operated very well with the Council, and they have completed all the tasks required by law with their customers before the merger, and even some additional work has also been done. For instance, the Bank of China sent letters to their customers well in advance notifying them of the relevant arrangement in respect of customer data. I also understand the point made by Miss Cyd HO that some customers may not have clearly read all the clauses, but the banks have at least exercised due care and diligence and fulfilled all their obligations. Since they have done all they should as far as the law and system are concerned, I think they have fulfilled their obligations.

During the process of scrutiny, though some Members have expressed concern over the taxation arrangements, I believe their concern is that, under the present circumstances, among various limited companies that are going to be merged, if any one has losses in terms of taxation, it is uncertain if its losses can be transferred to another company to relieve its burden. However, the transfer of taxation losses is still applicable when a group is formed after the merger. Undoubtedly, the merger will bring about certain benefit. Actually, when the

shares of a few companies are merged together, all the businesses of the group will be converged under the same group. From the angle of a taxation expert, it is definitely not difficult to undertake or make arrangements for any business restructuring and utilize the taxation losses. In fact, this can only bring about limited benefits, but it will eventually not cause the Government any material losses.

I fully understand Miss Cyd HO's concern in relation to the Personal Data (Privacy) Ordinance. However, I believe that the information obtained by the banks are only general information, without any specific information or data which cannot be acquired under normal circumstances. Besides, customers are usually willing to provide such information to the banks. I certainly agree that we should conduct a review, but I consider there are more advantages than disadvantages in the current process. If the Government agrees to conduct a review, I think we should render our support. I also agree with the comment made by Mr Albert HO on the issue of loans. I am glad to know that the banks have taken the comments positively and made a prompt response.

Throughout the entire course of scrutiny process, although we had to make special arrangements to share time for the scrutiny, Members of the Council and members of the Panel who participated in the work had not been lax for a single moment and they had put forward many specific and constructive opinions. I believe that to this stage, it has demonstrated that all Members of the Council have put in their best efforts in the scrutiny of this Bill. Time is right to pass the Bill, and the scrutiny has been completed through a sound procedure.

Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): In accordance with Rule 84(1) of the Rules of Procedure, I will withdraw when the Council votes on the Bill.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I agree very much with what the Honourable Eric LI said just now, but I do not agree that the personal data kept by the bank is of a general nature. Though the data seems to be rather general, it is actually not that general. In fact, the bank will keep a lot of sensitive data; otherwise, Swiss banks will not be making so much profits.

In my view, clause 8 of the Bank of China (Hong Kong) Limited (Merger) Bill and The Bank of East Asia, Limited Bill relating to privacy poses no problems and I will accept such an arrangement. However, I think that the Personal Data (Privacy) Ordinance should be amended so as to address the problems caused by the merger of companies in a wholesale manner. For example, a merger of telecommunications companies will also affect the data of the clients of the telecommunications companies. While creating a convenient business environment, we should also protect privacy in Hong Kong. Actually, I have observed that there is a trend for banks or commercial organizations to effect mergers one after another, and the trend has just begun.

Now that the Government advocates that Hong Kong should strive to attain the status of a financial hub and it wishes to do better in this respect, I think that after the passage of this Bill, the Government does not have to make this provision when mergers of banks occur in future. Therefore, our legal framework will better facilitate such mergers and compliance by banks. It would be better because the responsibilities of the merging companies after merger, and the rights and obligations to be observed have been specified.

At the meeting of the Panel on Financial Affairs, the Government said that it would conduct a relevant study. However, it is not a task for the Home Affairs Bureau, but the Financial Services Bureau. Thus, the Financial Services Bureau should conduct a study and make suggestions to the Home Affairs Bureau so that they can review the issues related to the Personal Data (Privacy) Ordinance. I think that the Government should amend the Personal Data (Privacy) Ordinance as soon as possible and specify a framework to facilitate the merger of companies.

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, first of all, I must apologize to Honourable Members for being late. I hope Members will excuse me because I was caught in a traffic jam earlier and got delayed. It is fortunate of me to have made it in time to listen to Members' views.

The Government welcomes the Bank of China (Hong Kong) Limited (Merger) Bill introduced by Dr David LI and The Bank of East Asia, Limited Bill to be introduced by Mr NG Leung-sing later today. It is the policy of the Government to support the continued consolidation of the banking sector in Hong Kong, with a view to improving its competitiveness, enhancing the systematic

stability of the banking system and ensuring an appropriate degree of protection for depositors' interests. The Government believes that the proposed mergers under the two Bills are in line with the aforesaid policy and conducive to maintaining Hong Kong's status as an international financial hub.

When scrutinizing the Bills, Members asked the Government about its policy on the setting-off and carrying forward of losses of the merging entities for taxation purposes. Just now Mr Albert HO and Mr Eric LI also mentioned this in their speeches. As we have pointed out to Members earlier, when deciding whether or not the surviving entity upon merger may carry forward the assessed losses of the merging entities, our main consideration is the status of the surviving entity in law.

Section 19C(4) of the Inland Revenue Ordinance provides for matters relating to the set-off of loss between corporations. It stipulates that the loss of one corporation cannot be set off against the profits of another corporation for the purpose of reducing assessable profits. As both Bills deem the surviving entity as one and the same as the merging entities, subject to their passage, the Government will enforce the provisions contained in the Bills, including the one allowing the surviving entity to carry forward the losses of the merging entities in accordance with section 19C(4) of the Ordinance for tax assessment purposes.

The same would apply to other merger entities, providing the related merger bills carry similar provisions deeming the surviving entity as one and the same as the merging entities, and that they are enacted. The same would also apply if the merger of entities is conducted outside Hong Kong in a jurisdiction where the law deems the surviving entity as one and the same as the merging entities. This is because under the principle of private international law, the Government must accept the surviving entity as one and the same as the merging entities. Besides, according to section 19C(4) of the Inland Revenue Ordinance, the surviving entity would be allowed to carry forward the losses of the merging entities for tax assessment purposes.

I wish to point out that this is in line with the established taxation policy of the Government. There are past cases in which we permitted the carrying forward of losses from the merging entities to the surviving entity for tax assessment purpose. And our rationale for approving such arrangements was that the relevant legislation effecting the mergers contained provisions deeming

the surviving entity as one and the same as the merging entities. In future, for any other mergers effected through legislation carrying the same effect under the operation of law, we will also adopt the same approach in handling the carrying forward of losses for tax purposes.

I would like to thank Miss Cyd HO, Dr YEUNG Sum and other Members for their concern for the protection of privacy. As mentioned at the meeting of the Legislative Council Panel on Financial Affairs on 19 June, the Government will study and consider whether the Personal Data (Privacy) Ordinance should be amended to include an exemption clause to address the privacy issues relating to the use of customer information pursuant to the transfer of personal data to the merged entities upon merger of businesses.

The Government will certainly consider the various views raised by Members when conducting the said study.

Both merger Bills are Members' Bills. The Government has no objection to the provisions related to the protection of personal data contained in the Bills. This arrangement is meant not to give privileges to individual institutions but to address the following considerations: (a) mergers are normal commercial activities; (b) it is impracticable to require the relevant banks to obtain the "prescribed consent" of all their clients as required by the Personal Data (Privacy) Ordinance in order to make use of their data and to continue providing banking services to them after merger; and (c) the Privacy Commissioner for Personal Data has no objection to the relevant provisions.

With your permission, Madam President, I should like to respond to the comments made by Mrs Selina CHOW, Mr Albert HO, and other Members during the scrutiny of the Bills.

I believe Members all understand that the various government departments concerned have to study the Bills thoroughly in respect of the many policy areas involved. These include banking supervision, taxation and other related policies. At the same time, we have to ensure that the Bills are consistent with the Basic Law and general law drafting principles, while the relevant government departments have to discuss the Bills with the banks. All these are duties that the Government must discharge duly. In this connection, the Hong Kong Monetary Authority received in February this year the first draft of the Bill relating to the Bank of China (BOC) and immediately started discussions with the

BOC on matters relating to its reorganization arrangements. By early April, upon receipt of the confirmed draft Bill from the BOC, a number of government departments expeditiously examined the draft Bill through flexible deployment of resources, with a view to completing the job done as soon as possible.

As a result of these preparatory efforts, we were able to give prompt assistance to the Legislative Council when it examined the Bills. For instance, when the Council consulted the Government on the draft Bill relating to the BOC in mid-May, we were able to provide Members with a reply in just four days. Through the above explanation, I hope Members will appreciate that the Government has every intention to complete the tasks without delay.

Certainly, like Honourable Members, all of us should also learn from experience and see what improvements can be made in similar situations in the future.

Madam President, the Government is aware that Dr David LI and Mr NG Leung-sing will move amendments to the respective Bills at the Committee stage. Having examined the amendments, we are of the view that they will improve the implementation of the relevant provisions of the Bills and therefore have no objection to them.

Thank you, Madam President.

PRESIDENT (in Cantonese): I will call upon Dr David LI to reply.

DR DAVID LI: Madam President, may I first say how very grateful I am to Honourable Members for the scrutiny they have given to this Bill and the helpful comments they have made. I am particularly grateful to Honourable Members for considering the Bill so promptly.

As Honourable Members are aware, this Bill will facilitate the restructuring of the Bank of China Group in Hong Kong. It provides for the transfer of the undertakings of Bank of China Hong Kong Branch, the Hong Kong branches of seven Mainland Incorporated Banks, and Hua Chiao Commercial Bank (華僑商業銀行) to Po Sang Bank (寶生銀行), whose name

will then be changed to "Bank of China (Hong Kong) Limited" (BOCHK). The Bill also provides for two other banks, namely Nanyang Commercial Bank (南洋商業銀行) and Chiyu Banking Corporation (集友銀行), plus BOC Credit Card (International) Limited, to become subsidiaries of BOCHK.

A private bill is necessary to assist with this restructuring, in order to avoid having to get all agreements and other documents assigned or novated to BOCHK. There are more than eight million agreements and other documents between the merging banks and their customers. It is not practical to individually transfer all such agreements and other documents.

Madam President, I believe that this Bill represents an important step in the growing maturity of the banking industry in Hong Kong. As the Acting Secretary for Financial Services stated, it is the Government's policy to support consolidation of the banking sector in Hong Kong.

The Bill should further improve the competitiveness and stability of the banking sector in Hong Kong and assist in maintaining Hong Kong's position as a world-class financial centre. I therefore commend the Bill to this Council.

PRESIDENT (in Cantonese): Honourable Members, Mr NG Leung-sing has already declared his interests at the beginning of the resumption of the Second Reading debate, and he has also withdrawn from this Council in accordance with Rule 84(1) of the Rules of Procedure. I would like to remind Members that Rule 84(1) of the Rules of Procedure provides that: "A Member shall not vote upon any question, in the Council, in which he has a direct pecuniary interest, except where his interest is in common with the rest of the population of Hong Kong or a sector thereof or his vote is given on a matter of Government policy."

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Bank of China (Hong Kong) Limited (Merger) Bill be read the Second time. 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 Cyd HO rose to claim a division.

PRESIDENT (in Cantonese): Miss Cyd HO has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Dr Raymond HO, Mr Eric LI, Dr David LI, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK, Mr LEUNG Fu-wah, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-sek, Mr LAU Kong-wah, Miss Choy So-yuk, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Albert CHAN, Mr WONG Sing-chi, Mr David CHU, Prof NG Ching-fai and Mr YEUNG Yiu-chung voted for the motion.

Miss Cyd HO 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, 23 were present and 23 were in favour of the motion; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 19 were present, 17 were in favour of the motion and one against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was carried.

CLERK (in Cantonese): Bank of China (Hong Kong) Limited (Merger) Bill.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

BANK OF CHINA (HONG KONG) LIMITED (MERGER) BILL

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Bank of China (Hong Kong) Limited (Merger) Bill.

CLERK (in Cantonese): Clauses 1 to 7 and 9 to 22.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clause 8.

DR DAVID LI: Madam Chairman, I move an amendment to clause 8(g), as set out in the paper sent to Members.

This amendment is proposed in response to Members' comments. It makes clear that the transfer to and vesting in Po Sang Bank of the undertakings of the merging banks will not expand the scope of the liability of a charger or guarantor who has granted an "all monies" charge or guarantee to one of the merging banks, or Po Sang Bank, before the appointed time.

This amendment has been proposed to provide assurance that there is no intention of expanding the scope of the existing "all monies" charges and guarantees.

Proposed amendment

Clause 8 (see Annex V)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by Dr David LI be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clause 8 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Preamble.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That this be the preamble to the Bill.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Members' Bill

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

BANK OF CHINA (HONG KONG) LIMITED (MERGER) BILL

DR DAVID LI: Madam President, the

Bank of China (Hong Kong) Limited (Merger) Bill

has passed through Committee with amendment. I move that the Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Bank of China (Hong Kong) Limited (Merger) Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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

CLERK (in Cantonese): Bank of China (Hong Kong) Limited (Merger) Bill.

Resumption of Second Reading Debate on Members' Bill

PRESIDENT (in Cantonese): Council will now resume the Second Reading debate on The Bank of East Asia, Limited Bill.

THE BANK OF EAST ASIA, LIMITED BILL**Resumption of debate on Second Reading which was moved on 13 June 2001**

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I have already expounded on the stance of the Government on The Bank of East Asia, Limited Bill during the debate on the Second Reading of the Bank of China (Hong Kong) Limited (Merger) Bill. I do not have anything to add. Thank you, Madam President.

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

DR DAVID LI: Madam President, I would like to declare an interest, as I work for The Bank of East Asia, Limited.

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

(No Member responded)

PRESIDENT (in Cantonese): I will call upon Mr NG Leung-sing to reply.

MR NG LEUNG-SING (in Cantonese): Madam President, as the content of this Bill is generally similar to that of the previous Bill, I do not wish to take up too much of Members' time. I would like to thank Honourable colleagues for their concerted efforts in scrutinizing this Bill and the previous Bill. Basically, this Bill will facilitate the smooth merger of the undertakings of the United Chinese Bank Limited and The Bank of East Asia, Limited, and all the undertakings of the two banks will be legally transferred at the appointed merger date. Here, I

do not wish to take up any more of Members' time. I thank Members for their support.

PRESIDENT (in Cantonese): I now put the question to you and that is: That The Bank of East Asia, Limited Bill be read the Second time. 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 agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

CLERK (in Cantonese): The Bank of East Asia, Limited Bill.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

THE BANK OF EAST ASIA, LIMITED BILL

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of The Bank of East Asia, Limited Bill.

CLERK (in Cantonese): Clauses 1 to 6 and 8 to 18.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clause 7.

MR NG LEUNG-SING (in Cantonese): Madam Chairman, I move the amendment to clause 7(g), as set out in the paper circularized to Members. The amendment to clause 7(g) seeks to add items (v) and (vi) to the Bill to ensure that the scope of liability of the guarantor of either party of the United Chinese Bank Limited or The Bank of East Asia, Limited, such as one who has granted an all monies guarantee, will not be expanded after the undertaking of the United Chinese Bank Limited has been transferred to The Bank of East Asia, Limited. As I have stated earlier, I am not going to go into the details of this Bill for its content is generally similar to that of the previous Bill. So, I am not going to repeat them here. Thank you, Madam Chairman.

Proposed amendment

Clause 7 (see Annex VI)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr NG Leung-sing be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (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.

CLERK (in Cantonese): Clause 7 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by

functional constituencies and those returned by geographical constituencies through direct elections and by the Election Committee, who are present. I declare the motion passed.

CLERK (in Cantonese): Preamble.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That this be the preamble to the Bill.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Members' Bill

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

THE BANK OF EAST ASIA, LIMITED BILL

MR NG LEUNG-SING (in Cantonese): Madam President,

The Bank of East Asia, Limited Bill

has passed through Committee with amendment. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That The Bank of East Asia, Limited Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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

CLERK (in Cantonese): The Bank of East Asia, Limited Bill.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under Article 75 of the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China.

PROPOSED RESOLUTION UNDER ARTICLE 75 OF THE BASIC LAW OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA

MR JASPER TSANG (in Cantonese): Madam President, I move that the resolution standing under my name on the amendment to the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, be passed. The content of the resolution is set out on the Agenda.

The amendment proposed by the Committee on the Rules of Procedure to the Rules of Procedure seeks mainly to bring the wordings of the saving clause in relation to "private bills" under Rule 50(8) in line with the saving clause of the Adaptation of Laws (No. 5) Ordinance 1999. The Committee also proposes to make consequential amendments to Rule 51(6).

Madam President, I urge Members to support this resolution to amend the Rules of Procedure.

Thank you.

Mr Jasper TSANG moved the following motion:

"That the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region be amended -

(1) by repealing Rule 50(8) and substituting -

"(8) In the case of a bill which is a "private bill" as defined in the Private Bills Ordinance (Cap. 69), there shall be included in the bill the following clause:

"Saving

Nothing in this Ordinance shall affect or be deemed to affect the rights of the Central Authorities or the Government of the Hong Kong Special Administrative Region under the Basic Law and other laws, or the rights of any body politic or corporate or of any other person except such as are mentioned in this Ordinance and those claiming by, from or under them."."

- (2) in Rule 51(6), by repealing "having any intention such as is described" and substituting "such as is referred to".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Jasper TSANG 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 Jasper TSANG be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limit on speeches for the motion debates.

First motion: The cosmopolitan city.

THE COSMOPOLITAN CITY

MR MARTIN LEE (in Cantonese): Madam President, I move the motion as set out on the Agenda. Today, we have the last meeting of this Session and a Member has asked me why I have to put forward such a subject that is as wide-ranging as the policy address. This is precisely what I wish to do, actually. I precisely wish to launch a skirmish before the delivery of the policy address by the Chief Executive in October. Through today's debate, I hope that Members can draw on collective wisdom and prepare well for the next Session.

A Member has asked me if the motion has certain inclination, and my answer is yes. As we wish to promote the development of Hong Kong into a first-class cosmopolitan city like New York and London, the Government cannot lay emphasis only on promoting a knowledge-based economy, producing highly-talented people and cultivating a healthy natural environment. The Council also calls upon the Government to adopt effective measures to establish a political system based on universal suffrage, a tradition of respect for human rights and the rule of law and a social system that upholds social justice and the dignity of the individual, which no cosmopolitan city can do without. Therefore, the motion does have certain inclination.

But it does not matter if any colleague should disagree with the priorities proposed by me, and he only needs to give the reasons why he disagrees. When I was a member of the Basic Law Drafting Committee, a member from Hong Kong suggested hastily recording the matters discussed but not the reasons when the drafting process was nearing conclusion. It turned out that the progress of the meeting became much faster, but the result was not very satisfactory. Though today is the last day of the meeting, it is now before noon and I hope that Members would express their views, even though they can speak for only a minute or two.

Meanwhile, I would like to thank Miss Cyd HO. She intended to amend my motion because she had found it somewhat deficient. I told her that I was sure there were deficiencies but the motion was already very long and I did not like to propose a motion that was one and a half page long. Therefore, I considered that it was unnecessary to amend my motion. All Miss Cyd HO has to do is to put forward the deficiencies she have in mind. Fair enough?

Therefore, I hope Members will express their views and I also hope that the Chief Executive and government officials will note Members' remarks as to what it should do. If we can all adopt such an attitude, then it does not matter if the motion will be passed or not. However, some Members may wish to beat my motion. Do Members think that democracy, human rights, freedom and the rule of law which have yet to exist in the Mainland are unimportant to Hong Kong? Are they not indispensable? If Members really wish to beat my motion, then come to think about this question: If one of these four items is missing in future, what would Hong Kong become? I would talk about this question briefly, before other Members of the Democratic Party express their views.

I would discuss democracy first because I am Chairman of the Democratic Party. Many people query why Hong Kong operated well during the rule by the British though there was no democracy and why we advocate democracy now that the British have gone. In my view, when the British ruled Hong Kong, there was no democracy in Hong Kong but we were able to enjoy the fruits of democracy. We enjoyed the rule of law, freedom and human rights. However, the tree of democracy is in Britain now and it has nothing to do with us at all while the Mainland still does not have a tree of democracy. If the National People's Congress is elected by universal suffrage and the Government is elected, we can still follow the tree of democracy in the Mainland and continue to enjoy democracy in Hong Kong. Yet, this cannot be done now. Thus, we must plant our own tree of democracy and protect the fruits of democracy.

I consider the rule of law is very important to Hong Kong. I believe many people will agree that the rule of law is the most important underpinning of Hong Kong because we are the only Chinese community in the world that enjoys the rule of law. The rule of law is not upheld in the Mainland, Taiwan, Singapore and Macao. Though the rule of law is upheld in Toronto and Vancouver, these are not Chinese communities and there are not enough Chinese people there.

Recently, I have formed the view that freedom is also very important and some even think that it is of the utmost importance. Why do we live in Hong Kong? Many people work and live in Hong Kong because their fathers, grandfathers or great grandfathers brought their families from mainland China to Hong Kong many years ago because Hong Kong enjoyed freedom, though it was not prosperous. Why had so many people chosen to leave Hong Kong before 1997 then? Similarly, they decided to leave Hong Kong for a free country because they were afraid of losing the freedom that they already enjoyed. Thus, we must protect freedom.

Lastly, I would like to discuss human rights. We are actually born with human rights and we human beings should enjoy some basic rights. For those people who do not believe in human rights, perhaps "human rights" refer to other people's rights. VOLTAIRE, a French philosopher, once said, "I totally disagree with what you say, but I will defend to the death your right to say it." I hope that people from all walks of life will understand the importance of protecting other people's rights. If you do not respect other people's rights today, other people may not respect your rights tomorrow. When we make preparations for the policy address for the coming year, I hope that we would treasure the rule of law, human rights and freedom that we already enjoy. Although we are gravely worried because of many things as we are undermining the rule of law, human rights and freedom that we already enjoy, we also wish to establish democracy in Hong Kong because there is no democracy here yet. Now that there is democracy in Taiwan, another Chinese community, why is there no democracy in Hong Kong? Why is there no democracy in the Mainland?

Madam President, I will stop here for I wish to save some time for concluding remarks later. Thank you.

Mr Martin LEE moved the following motion: (Translation)

"That, acknowledging that if Hong Kong is to be developed into a first-class cosmopolitan city comparable to New York or London, the Government cannot confine itself to promoting a knowledge-based economy, producing highly-talented people and cultivating a healthy natural environment, this Council calls upon the Government to urgently take effective measures to establish a political system based on universal suffrage, a tradition of respect for human rights and the rule of law, and a social system that upholds social justice and the dignity of the individual — which no cosmopolitan city can do without."

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 Martin LEE be passed.

MR BERNARD CHAN: Madam Deputy, no one in this Council, in the Administration or in the whole of Hong Kong, could seriously disagree with the basic ideas in this motion.

We all want to see Hong Kong develop into a first-class cosmopolitan city. The Honourable Martin LEE asks the Government of the Special Administrative Region (SAR) to do three particular things, and I would like to make a few brief comments on them.

Firstly, he would like the Government to establish universal suffrage. I share this desire, and so does the Central People's Government, whose Basic Law declares universal suffrage to be a goal of Hong Kong's constitutional development. The Basic Law also specifies that universal suffrage may not be introduced before a fixed date. We have to respect that. As it happens, the fixed date is not that far away, when you consider the amount of debate we will need on this issue.

Secondly, he asks the Government to establish a tradition of respect for human rights and the rule of law. Obviously, traditions cannot be established at short notice. But as we all know, Hong Kong is fortunate in already having such traditions. As a member of the legal profession, Mr LEE has played an important role in upholding these traditions, and long may he continue to do so.

Thirdly, he asks the Government to establish a social system that upholds social justice and the dignity of the individual. If the Government could push a button and make it happen, I am sure it would do so.

It requires an efficient, competitive economy to create prosperity. It requires continued good quality government and institutions. And it requires the commitment of all 7 million members of the community.

I believe that we in Hong Kong are well on the way to achieving these goals. However, I would remind this Council that there are other things that we need to do to ensure that Hong Kong moves closer to being a top-class international city.

We need to sort out our air pollution. However, some Members of this Council oppose some of the necessary measures. We need to control traffic growth and pedestrianize more of our streets. But some Members of this

Council oppose these things. We need to increase competition and ensure higher standards in legal, medical and educational services. Again, some Members of this Council oppose these things.

If we are to have democracy, we need a society where the majority of people share the tax burden and only a deserving minority depend on subsidized services. But, needless to say, some Members of this Council strongly resist such ideas.

Madam Deputy, we cannot pick and choose the things that we like and ignore the rest. I look forward to Hong Kong becoming a top-class international city in every way.

Thank you.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, the Chief Executive wanted Hong Kong to surpass Britain and equal the United States and to develop into a cosmopolitan city comparable to New York and London. This is not a new idea. In as early as 1999, the Chief Executive talked about his ambitions in his policy address. In his mind, New York and London are "vibrant economies and possess the financial strength to serve the region and the world at large in areas such as finance, trade, tourism information technology and transport, while being home to numerous multi-national enterprises." They have a "solid economic foundation". From his description of the two places, I am sure the Chief Executive is suffering serious vision defects because he can see only the wealth that can be found in the two cosmopolitan cities but not the humanity values and outlook of a cosmopolitan city.

The SAR has a huge reserve, so huge that it can be used to build another rose-garden new airport. Supporters of the Chief Executive are tycoons. It would not be difficult for them to build Hong Kong into a cyber wonderland. However, money cannot buy an outlook, an essential part of a cosmopolitan city. It includes the pursuit of social justice and humanity values, which coincides with what the Hong Kong Confederation of Trade Unions has been upholding firmly. Unfortunately, the policies adopted by the Chief Executive and his senior officers have been orientated to pull Hong Kong further and further away from becoming a modern cosmopolitan city. Let us take the Government's attitude in dealing with the International Covenant on Economic, Social and Civil Rights

(the Covenant) as an example. It turns a deaf ear to the Covenant and treats it with contempt. It focuses only on market operation but pays no heed to the recommendations of the United Nations Human Rights Committee. This is an enormous insult to human civilization.

While we are hoping that Hong Kong will become a Manhattan Plus, our labour rights remain at Manhattan standards of a hundred years ago. Despite our continuous economic growth, the rights of the labour sector have seen no progress. We do not have a limit on the number of working hours or a minimum wage. What kind of Manhattan will Hong Kong become?

We all know that several days ago, a refuse truck fell on a residential building. It was reported that the driver involved in the accident had to work 36 hours before he could get 12 hours' rest. When things were better before, he had to work only 24 hours to earn 12 hours' rest, but when the accident occurred, he had to work 36 hours before getting the 12 hours' rest. At the time when the accident occurred, the driver had been working for exactly 17 hours. Shame on Hong Kong! In fact, many container truck drivers work long hours too. Without a limit on the number of working hours, some trades even dispense with mealtime altogether. For example, some carpark attendants have to eat inside carparks. Workers in dyeing factories have only 10 minutes to take their meals before returning to their posts because they have to keep the machine running. If during the 10-minute period something happens to the machine, the workers will be fined.

In Hong Kong, there are no time for rest and no limit on the number of working hours. Wages are getting lower and lower, without a minimum. Why does the Government think only of economic issues without regard for justice when it thinks of Manhattan or a cosmopolitan city? I am glad that Mr Martin LEE has moved this motion and I hope that after the debate is completed, the Democratic Party can change its stance on minimum wages as soon as possible. Our discussion about social justice and the Covenant in fact includes protection of labour interests. Thus I hope the Hong Kong community can enhance labour protection as it strives to develop its economy.

Recently, the Government has again been very disappointing in its handling of some issues. I think it has forfeited the diversification characteristic of Hong Kong, our freedom and the rules of the game, evident in its handling of

the strike at the Cathay Pacific Airways (CPA). Why did I say that? It can be seen that the Government has inappropriately commented on the CPA strike recently. The Chief Executive pointed out twice that CPA pilots were among the top salary earners in the world. Why did the Chief Executive comment on their salaries? Why did the Chief Executive not comment on the salary of Mr Joseph YAM (Chief Executive of the Hong Kong Monetary Authority) but on the pilots' salaries? Did the Chief Executive want the people to feel a repugnance to the pilots? The Chief Executive even mentioned in the course of his talk the term "*gweilo*" (meaning "foreigners") pilots. This particular remark of his has forfeited the diversification characteristic of Hong Kong and indirectly caused conflict between the Chinese and the expatriates. Thanks to this remark, we have lost the spirit of accommodation which is invariably demonstrated by a cosmopolitan city. The Secretary for Economic Services also made inappropriate comments, saying that Hong Kong could ill afford to threats of industrial actions from time to time, that the economy was fragile and that it was important to maintain the status of Hong Kong as a shipping hub.

I would not deny that the Hong Kong economy is extremely important, and so is the status of Hong Kong as a shipping hub. But I see no reason why the Government should forfeit the freedom in Hong Kong. To a certain extent, it implies workers should not have the freedom to stage industrial actions because industrial actions would ruin the economy of Hong Kong. To pitch economic issues against freedom is not the kind of attitude that a cosmopolitan city should hold. As a cosmopolitan city, we should tell our people unequivocally that freedom, including freedom of workers to stage industrial actions, is very important. Indeed, when workers go on a strike, they should act in a responsible manner. However, has the employer side of CPA acted in a responsible manner too? In 1993, their air hostesses were instigated to take industrial actions. Who was the backstage players? Sometimes, it could be the employer side, but they shifted all the responsibilities to the labour side. The reality is that any strike is the making of both sides. A strike cannot be caused by one side only. The Government has been very disappointing because it has given up the fair rules of the game by making inappropriate comments while the strike was going on. This shows clearly that the Government has favoured the employer side and tarnished the image of Hong Kong as a cosmopolitan city. I hope that through the debate, the importance of fairness in the rules of the game can be highlighted.

Thank you, Madam Deputy.

MR JASPER TSANG (in Cantonese): Madam Deputy, I believe Mr Martin LEE would have guessed that the Democratic Alliance for Betterment of Hong Kong (DAB) would oppose his motion. Mr Martin LEE has just quoted a saying by a famous person: "I totally disagree with what you say, but I will defend to the death your right to say it". I do not think I have to defend with my life or any person's life the right of Mr Martin LEE to speak. However, before the reunification, I publicly said more than once that I disagreed with Mr Martin LEE but I would defend with my freedom the right of Mr Martin LEE to express his views. Why? Mr Martin LEE and I met on several occasions before the reunification and Mr Martin LEE said that he only drank water but not tea, especially in front of young students. It was because he envisaged that he might be imprisoned in the future after the reunification because of what he had said, thus he wanted to get used to only drinking water but not tea. At that time, I said that if Mr Martin LEE were imprisoned because of his speech, I would certainly go to jail with him.

In these several years after the reunification, I often hear many people say that we used to be excessively pessimistic about our political future before the reunification but excessively optimistic about our economy. As we all know, the most significant change to Hong Kong after the reunification would be its political status and everybody was worried that the change would impact on the original system and lifestyle in Hong Kong. But many people said at that time that our economy would be fine and even the higher echelon of the then Hong Kong Government often said that our economy would be fine and it seemed that Hong Kong would certainly continue to enjoy prosperity. But all our problems emerged with the onset of the financial turmoil. After an impartial and objective observation of the situation after the reunification in the past few years, most people now agree that a lot of the pre-reunification worries about a deterioration of the political situation of Hong Kong have actually been dispelled. Yet, the motion proposed by Mr Martin LEE seems to suggest that he has remained at the speculation stage before the reunification.

This motion proposes an all-embracing host of elements for the development of Hong Kong into a cosmopolitan city, and it is a very sound motion in that it has listed all the elements so that nobody can oppose it. Such elements as a knowledge-based economy, talented people, environment, a democratic political system, respect for human rights and the rule of law, a social system that upholds social justice and the dignity of the individual are essential, and nobody would oppose them or think that any one of them is unimportant.

However, just as admitted by Mr Martin LEE at the very beginning, the wordings of his motion give people an impression that the Government has concentrated only on the economy, human resources development and the environment, having little to write home about in respect of democracy and the rule of law. The motion, in stating that the Government "cannot confine itself to", seems to affirm that the Government has suitably made efforts in the above areas but problems have emerged only because it has neglected a few other areas. According to Mr LEE, the areas mentioned in the latter part of the motion, that is, a tradition of respect for human rights and the rule of law, are indispensable to the building of a cosmopolitan city. It gives a message that the institutions do not exist yet and a social system that upholds social justice and the dignity of the individual has yet to be established. Mr LEE Cheuk-yan agreed in his speech that this is the situation now, but the DAB cannot subscribe to his view. Therefore, we cannot support this motion.

In regard to developing Hong Kong into a cosmopolitan city, we have conversely discussed a lot about the efforts to be made to build up our economy as stated above. What is knowledge-based economy? We have yet to see a clear direction. Human resources development and environmental protection in Hong Kong lag far behind the standards of a cosmopolitan city. It cannot be said the Government is working in this aspect, that it is on the right path doing fine, only that it has not been working well in the latter aspects. This is not true.

In this connection, I would like to express the views of the DAB. In particular, we would like to draw Members' attention to the ranking of Hong Kong in the World Competitiveness Yearbook 2000 of the International Institute for Management Development in Lausanne, Switzerland. The ranking of Hong Kong has actually dropped from the third in 1998 to the fourteenth in 2000. Our competitiveness has been dwindling, but I do not believe the decline in our competitiveness is caused by the problems in the areas mentioned in the latter half of Mr Martin LEE's motion and there are no problems in the areas mentioned in the first half. As we can see, first-class cosmopolitans in the world are actually founded upon the economic mode of network economy and technological innovation. Hong Kong should have very favourable conditions in this respect and we should have the conditions to make Hong Kong an ideal channel for the Mainland to gather the latest information in the world. In the Internet era, Hong Kong should be able to become an important content provider that collects information on a global scale. But we think that there is still a very

long way to go. We attach importance to human resources but we do not have a clear direction yet for human resources development. Concerning the environment, we have heard time and again that foreign investors in Hong Kong are not satisfied with the living environment here, a point which Mr James TIEN has reflected earlier. Although the Government has made certain efforts in this area in recent years, we are still lagging far behind the standards of a cosmopolitan city. In our view, though the Government has talked a lot about the areas mentioned in the first part of the motion, it has not done anything practical. The Honourable Miss CHOY So-yuk will later on express her views on some controversial points in respect of democracy and the legal system.

DEPUTY PRESIDENT (in Cantonese): Mr SIN Chung-kai, do you wish to raise a point of order or speak?

MR SIN CHUNG-KAI (in Cantonese): I only wish to speak.

DEPUTY PRESIDENT (in Cantonese): I would call upon you to speak later.

MR HOWARD YOUNG (in Cantonese): Madam Deputy, the premise of this motion today is to make Hong Kong a cosmopolitan city. This the Liberal Party agrees. It is actually our goal, especially on the economic front. Members will find the wordings of the motion proposed by Mr Martin LEE very familiar because we have been discussing the political system and universal suffrage these few days. For instance, we have deliberated on the Chief Executive Election Bill in this meeting and the resolution to amend the Basic Law proposed by Mr LEUNG Yiu-chung at the last meeting. Therefore, I believe we do not have to repeat the points already made.

Concerning democracy, freedom, human rights and the rule of law, Mr James TIEN has compared various Chinese communities earlier. In the Liberal Party's view, democracy, freedom and the rule of law are essential to the development of Hong Kong into a cosmopolitan city. Mr Martin LEE has emphasized in his motion the indispensable political system based on universal suffrage. I certainly understand that many democrats think that the pace of democratization in Hong Kong has been too slow, therefore, they would press

the Government to expedite the process on different occasions such as during motion debates. However, in respect of the political development of Hong Kong, the Liberal Party wonders if the goal of universal suffrage, coveted by people now, would certainly have a causal relationship with a cosmopolitan city? We do not agree with this and we think that there are indicators for measuring whether Hong Kong is a cosmopolitan city. The indicators recognized worldwide are mostly living or economic indicators or per capita income. These indicators are used internationally to evaluate whether a city is a cosmopolitan city. Of course, the languages used, whether there are people of different nationalities and the extent of their participation in society are also indicators for such evaluation. Thus, at this stage, it is unrealistic to highlight that universal suffrage can be introduced very soon. It is because the Basic Law has specified a timetable for gradual and orderly progress towards this and that changes would be made by 2007. The Liberal Party thinks that we should hold deeper discussions around 2003 and examine what is the consensus of the community at that time. At present, the consensus of the community is that economic problems are the major concern. We just have to take a look at all opinion polls and we would find that people are most concerned about economic and unemployment problems. Therefore, if the Government really wishes to develop Hong Kong into a cosmopolitan city, it should focus on economic and livelihood issues but it can certainly not neglect the environmental protection problems already mentioned in the debate. Though we wish to become a cosmopolitan city, taking into account the achievements of Hong Kong in the past years, we have already become a cosmopolitan city in Asia long ago. I believe all newspapers and magazines that have commented on and expressed concern for this would admit that Hong Kong has already become a cosmopolitan city in Asia long ago, probably the first cosmopolitan city in Asia. Such achievements were not made in recent years but during the colonial era before the implementation of a democratic voting system. So, the Liberal Party is convinced that there is no inevitable causal relationship between the two.

Madam Deputy, Mr LEE Cheuk-yan referred to another incident in his speech, that is, the Cathay Pacific Airways strike. As I am an employee of Cathay Pacific, it is inconvenient for me to comment on the incident. I am only an employee but not an employer. Mr LEE criticized the Chief Executive and the Secretary for Economic Services just now, and you, Madam Deputy, are concurrently Chairman of the Hong Kong Tourism Board, so some think that you should not make any comments on the incident. Yet, I have a different opinion. The Chief Executive and the Secretary for Economic Services have

listened to others' views and their comments are not fabricated. For instance, the tourism sector has expressed concern on whether Hong Kong can put up with the flight disruptions, and the Chairman of the Hong Kong Tourism Board had made comments time and again on radio long before the Chief Executive made his remarks. Therefore, I believe their comments are not biased towards any party and they have only reflected the views of the community. I just wish to add this point. The Liberal Party thinks that Mr Martin LEE's motion is not comprehensive enough. Certainly, we agree that universal suffrage is a long-term goal, but the motion falls short on comprehensiveness in saying that there is a causal relationship between universal suffrage and a cosmopolitan city, thus, we cannot support it.

MR SIN CHUNG-KAI (in Cantonese): Madam Deputy, Mr Jasper TSANG said just now that the work of promoting a knowledge-based economy, training high-quality people and the conservation of a good natural environment has not been done to a satisfactory level, so we should emphasize these tasks. Having gone through Mr Martin LEE's motion again, I find that he has clearly stated that the Government "cannot confine itself to" these tasks and he has affirmed the importance of these tasks. Mr LEE has affirmed that these tasks have to be tackled and stated again that we cannot neglect the problems mentioned in the latter half of the motion. If any Member opposes this motion for such reasons as a knowledge-based economy has not been established, I think he has committed a mistake as far as logic is concerned.

Madam Deputy, Mr Jasper TSANG has mentioned rating earlier. There are many rating agencies in the world, such as the International Institute for Management Development in Lausanne, Switzerland that he has mentioned. In the past few years, the Democratic Party has submitted a list of ratings to the Financial Secretary every year and pointed out from time to time that Hong Kong should be alert to the ratings by different international agencies. Let us consider the factors for rating by international agencies or the indicators mentioned by the Honourable Howard YOUNG. There are such factors as freedom of speech, respect for the rule of law, legal basis, whether the local laws are respected and the comparison between the local legal basis and the international standards. In the past few years, our ratings fell as a result of the above and an alarm was set off in the international arena. Therefore we must take these factors into consideration when we tackle the economic problem. The Government cannot overlook the point that a decline in our rating in respect

of the rule of law also leads to a decline in our overall rating. Therefore, Mr Martin LEE advocates a tradition of respect for human rights and the rule of law. In the long run, we often have to compare ourselves with various parts of the world in this respect. Thus, we cannot overlook this point.

In the past few years, the Chief Executive and the Government often mentioned such places as Shanghai, Hong Kong, New York and London and many people said that Shanghai would catch up with Hong Kong very soon. We had discussed the issue with a lot of economists and they agreed that hardware construction could be very fast and Shanghai might be able to construct a magnificent hardware rapidly in a few years' time through such plans as the development of Pudong. However, the value of a cosmopolitan city lies not only in its hardware, but also its software which is more important. A foundation in the rule of law, a financial system and a regulatory framework for the financial system are precisely the software of a society.

Such social software includes such elements as respect for human rights and the rule of law as mentioned by Mr Martin LEE. We need a good foundation in the rule of law before we can compare with other cosmopolitan cities like London and New York, before we can become a great financial centre. People would do business in Hong Kong only because they have trust in our rule of law. In fact, many people who engage in China trade may make the products in the Mainland or place the whole production base in the Mainland, but they often choose to sign contracts in Hong Kong. This precisely reminds us that we must uphold the tradition of the rule of law, otherwise, what can Hong Kong use to compete with other countries in the world in the future?

Mr LEE Cheuk-yan said earlier that the economic take-off would continue but workers would continue to be badly off. I certainly do not wish that workers would continue to be badly off, but I do not think the economic take-off would necessarily continue. This issue worries me very much. Actually, as a long-term plan, many people have already moved their production lines to the Mainland and the service industry has also relocated to the Mainland. We can only restrict labour importation but not the export of work. Regardless of how much we have done in this respect, we should remind us that, for Hong Kong to become a very attractive cosmopolitan city, we not only have to develop a knowledge-based economy, train high-quality people and cultivate a healthy natural environment. A more important point is how we can compete with others in the international arena. We have to rely on our hardware facilities as well as our software for this.

As compared with our neighbouring regions, Hong Kong is still competitive with the existing system of the rule of law and the free flow of information. But the SAR Government was repeatedly hurt itself in these aspects in the past three years. The Democratic Party has proposed this motion today to remind the SAR Government that in developing Hong Kong into a cosmopolitan city — not only a cosmopolitan city but Manhattan Plus — we need to have a better system of the rule of law, a better tradition of freedom and better compatible features than New York. We hope that Members will ponder over these questions.

MR AMBROSE LAU (in Cantonese): Madam Deputy, it is stated in Mr Martin LEE's motion that "the Government cannot confine itself to promoting a knowledge-based economy" and it "calls upon the Government to urgently take effective measures to establish a political system based on universal suffrage, a tradition of respect for human rights and the rule of law, and a social system that upholds social justice and the dignity of the individual — which no cosmopolitan city can do without".

From the wording of the motion, we can see that such expressions as "cannot confine itself to" and "to urgently take" have actually tactfully stated that the Government "has not emphasized" or "has neglected" the establishment of a political system based on universal suffrage. Though I do not agree with Mr LEE's judgement and viewpoints, the wordings of his motion manage to criticize and advise the Government in a rather civilized and tactful manner. I commend him for his poise.

However I think Mr LEE's judgement and advice do not tally with the actual situation in Hong Kong because the Basic Law, the constitutional law of the Hong Kong Special Administrative Region (SAR), has fully and explicitly specified the things that Mr LEE has emphasized. Since the establishment of the SAR, the satisfactory implementation of the Basic Law has been highly praised and affirmed by the international community.

Madam Deputy, with respect to "to establish a political system based on universal suffrage — which no cosmopolitan city can do without", the Basic Law has explicitly specified two major principles for the method of selection of the Chief Executive and the formation of the Legislative Council, namely, on the basis of the actual situation of Hong Kong and gradual and orderly progress, with

universal suffrage being the ultimate goal. Annex I and Annex II to the Basic Law have specified the specific arrangements for the political system within 10 years and a specific mechanism for amendments to the Basic Law if universal suffrage is to be implemented 10 years later. Therefore, the Basic Law can be described as showing great foresight, in synthesizing and balancing the different views of the community even as early as the drafting and formulating process. It has also specified the pace of democratic development that Hong Kong cannot do without in developing into a cosmopolitan city and the ultimate goal of universal suffrage. If Hong Kong achieves this goal within 10 years, then comparing to the British electoral system which took 281 years and the American electoral system 184 years to achieve universal suffrage, the pace of democratic development in Hong Kong would obviously be much faster than that of the United States and Britain, with such first-class cosmopolitan cities as New York and London.

Madam Deputy, regarding "a tradition of respect for human rights and the rule of law, and a social system that upholds social justice and the dignity of the individual", the Basic Law has comprehensively specified the basic rights and human rights of Hong Kong residents, the strict and impartial rule of law and respect for social justice and the dignity of the individual.

Madam Deputy, I do not need to praise the achievements of Hong Kong in the past four years in the above areas. I only wish to list the evaluations of the international community to illustrate this point.

A report of the *Asian Intelligence* that specifically studied the political and business environment in the Asian region published on 22 February this year indicates that Hong Kong is the most non-bureaucratic city with an efficient political structure. Besides, it has been evaluated to have successfully maintained the operation of a free economy and upheld a high degree of autonomy.

Meetings of the *Fortune* global forum were held in Hong Kong between 8 and 10 May, and the important political figures and business leaders who gathered in the territory had a good impression of Hong Kong. They thought that Hong Kong had successfully implemented "one country, two systems" and the Basic Law and was the "leading business hub and monetary and financial centre in Asia". Mr John HUEY, managing editor of the *Fortune* that used "Hong Kong is dead" as the headline on the cover of the magazine four years ago should now use the word "vitality" to describe Hong Kong.

To promote Brand Hong Kong in the international community, the Government engaged an international communications consultancy, an image consultant and an opinion survey firm to jointly conduct a worldwide opinion survey on Hong Kong. The result of the survey was published on 11 May this year and it showed that Hong Kong had been praised highly by the international community and had gained a good reputation all over the world.

Madam Deputy, the international community has extensively praised Hong Kong during the four years after the reunification, but some people in Hong Kong have criticized the SAR practising "Hong Kong people ruling Hong Kong" and "a high degree of autonomy" as devoid of any merit. Some also think that Hong Kong has only emphasized economic affairs to the neglect of democracy, human rights and the rule of law. In view of such a dissenting view, I cannot help sighing that "they fail to see the truth just because they have not looked from another perspective". Indeed, we can only identify the problems clearly through comparison. Many former British colonies immediately implemented universal suffrage once they had become independent, but where followed were political chaos and corruption, economic depression and abject poverty for their people.

Madam Deputy, we should emphasize the facts. We cannot merely stress political ideas or prejudice. We have to admit the facts. Provided that Hong Kong successfully implements the "one country, two systems" policy and the Basic Law, endeavours to build a knowledge-based economy amid the trend of globalization and rises to the opportunities and challenges to be brought by China's accession to the World Trade Organization, Hong Kong would develop into a first-class cosmopolitan city.

Madam Deputy, I so submit.

DR YEUNG SUM (in Cantonese): Madam Deputy, the Honourable Ambrose LAU has just made very optimistic comments on the prospects of Hong Kong, but I am not sure how long he can remain optimistic. Actually, Mr Martin LEE and we in the Democratic Party do not mean that we should not emphasize economic development, only that we should not merely emphasize economic development because economic development is basically closely related to political development. A lot of strikes, petitions and demonstrations by the people are actually closely related to the people's livelihood and financial situation as well as opportunities in the community. They are even directly related to whether people have the right to take part in policy formulation. Thus, political and economic developments are inseparable.

Many colleagues of this Council seem to suggest that we only need to promote economic development and political development can wait. If they think so, Hong Kong would not have a chance to become an outstanding cosmopolitan city. This view is actually very similar to the view of the Financial Secretary. He mentions "Manhattan" very often, but he has given us an impression that he seems to have focused only on the economic aspect. Basically, he has overlooked the political, cultural and livelihood aspects. Yet, my remarks will focus on the cultural and political aspects.

Madam Deputy, when we think about cosmopolitan cities, London, Paris or New York will often come to our mind. As we can see, these cosmopolitan cities have a varied and graceful culture and pluralistic values and they will not limit themselves to one idea, culture or value. As such pluralistic communities have different cultural flavours, creativity and new ideas; they have numerous creative ideas and can take care of different social strata and races. In respect of values, race and lifestyle, a pluralistic society can basically provide room for existence and mutual respect.

Hong Kong has enormous deficiencies in this respect. For instance, there is actually race discrimination in Hong Kong. Though the Government has always declined to look squarely at the problem and it has only said that education would solve the problem, we can see that education alone can hardly solve the race discrimination problem. Besides, even the Government including the Chief Executive does not wish to address the problem squarely or admit that the problem does exist in Hong Kong. The disparity between the rich and the poor is aggravating and Hong Kong's Gini coefficient has become increasingly higher. Compared to the four dragons in Asia, the situation in Hong Kong is the most serious. It seems that the middle and lower classes in Hong Kong are being cared for less and less while the well to do remain very wealthy and they can even directly influence government policies. To the general public, however, it seems the wealth gap problem is worsening.

There is also an imbalance in the market. As I have said time and again, and again taking kindergarten education as an example, since the Government puts emphasis on free economy, some kindergartens charge over \$10,000, while \$3,000 to \$4,000 is the normal charge. Yet, most families will send their children to kindergartens because Chinese attach importance to education. In general, families emphasize pre-primary education. However, the Government

only emphasizes free economy and pursues free market adjustments. Given an imbalance in the market, the quality of kindergarten education differs greatly. Children from rich families can enter better kindergartens, primary and secondary schools and then universities. Apart from their own efforts, they seem to enjoy better opportunities in life and society than people from other strata. We cannot overlook this fact. Fortunately, Hong Kong people are generally very diligent and people from different strata will try their best to fight for opportunities. As social opportunities are not fairly distributed, though a person is willing to make efforts, he will encounter enormous difficulties. We often say that we have a free market, that a free economy and a free market are very important and that they facilitate competition, provide choices and induce efficiency. But as everything has to be done through the market, I believe the opportunities of social development of many people would be largely restricted.

It has been four years since the reunification, we have seen that freedom and the rule of law in Hong Kong have been greatly affected. The police suppression of the rights of people in processions and demonstrations and the interpretation of the Basic Law have indeed affected the rule of law tremendously. Therefore, I do not understand why Mr Ambrose LAU and I seem to be standing on both ends of a spectrum. While he is very optimistic, I am not optimistic at all. I have reservations about freedom, the rule of law, the protection of ethnic minorities, the disparity between the rich and the poor, and the imbalance of the free market.

Let us turn back to a cosmopolitan city and take a look at Paris, London and New York. Besides pluralism, these societies are politically very active (as we discussed a lot about the election of the government by universal suffrage yesterday, I do not wish to waste too much time here) and their governments are elected by the people, therefore, their governments are basically responsible and accountable to the people and the people can change the governments by means of their ballots.

Moreover, Madam Deputy, their civic societies are also very important. While the people can elect the governments, the governments will release to the lower levels a lot of information and powers so that the people can fully participate in the activities in their living environment and communities. They can also participate in the formulation of community and government policies. Although Secretary LAM has recently mentioned the changes in the District

Councils, we can see that few powers have actually been devolved to the lower level. Without an elected government, we have to make efforts to turn Hong Kong into a civic society and the Government has to devolve more powers to the lower levels.

Madam Deputy, I only wish to say that if Hong Kong is to develop into a cosmopolitan city, we must spare no efforts to build a pluralistic society and the public has to build a civic society. The major element is a devolution of powers by the Government so as to enhance full participation by all the community level. A political reform would involve significant adjustments to allow the people to elect the government by means of their ballots. In that case, the ethnic minorities would be protected, the livelihood of the general public would be safeguarded to a certain extent and there would be a chance for the disparity between the rich and the poor to be ameliorated gradually. I would not say that the disparity between the rich and the poor would certainly disappear in a capitalistic society, but I hope that the situation would improve gradually.

I support Mr Martin LEE's motion.

THE PRESIDENT resumed the Chair.

MISS CHOY SO-YUK (in Cantonese): Madam President, the Government of the Hong Kong Special Administrative Region (SAR) has proposed to develop Hong Kong into a world-class cosmopolitan city, to preserve the competitiveness of Hong Kong in the new economy in the new century and to improve the living standards of the people. This direction and vision of development is highly desirable and correct, and is greatly supported by the community. However, Mr Martin LEE's motion has actually given the public a message that the SAR Government only emphasizes economic development to the neglect of such cornerstones of social development as democracy, human rights and the rule of law. I certainly do not agree with it. After the reunification in 1997, Hong Kong has experienced the financial turmoil and the economic downturn and such problems as unemployment and poverty have continued to haunt the grassroots. For the middle class, the livelihood burden has also become heavier as a result of the problem of negative assets. But we should definitely not lump the economic downturn, the plight of the people and the political problem together. In fact,

Hong Kong has been fairly successful in implementing "one country, two systems", maintaining a "high degree of autonomy", and protecting human rights and the rule of law. Before the reunification in 1997, some foreign media and people who lacked confidence in China and Hong Kong advocated such negative messages as "Hong Kong is dead" or "democracy is dead". However, four years into the reunification, it has been demonstrated clearly that these groundless speculations or speculations with ulterior motives were utterly wrong.

Madam President, some who lacked confidence in "one country, two systems" both before and after the reunification thought that the Central People's Government would intervene in everything and make indiscreet remarks on Hong Kong, and democracy and the rule of law would also see retrogression. They thought that all these would "inevitably" occur. But today, all these things that some people thought would "inevitably" occur have not occurred after all. We cannot find any example to indicate the intervention by the Central People's Government in the affairs of the SAR. The democratization of Hong Kong has been progressing step by step in accordance with the Basic Law and judicial independence has not been injured. Although "one country, two systems" has been successfully implemented and we should be confident in the Central People's Government and the SAR Government, we cannot draw a conclusion that "one country, two systems" would "inevitably" be implemented successfully. We must realize that a system after all must be worked out and observed by people, thus, the smooth transition of Hong Kong and the successful implementation of a "high degree of autonomy" are extremely crucial factors. The SAR Government led by Mr TUNG Chee-hwa has contributed a lot to inducing trust of the Central People's Government in Hong Kong and Hong Kong people should be thankful for this. Hence, we must understand that the successful implementation of "one country, two systems" is indispensable to the development of Hong Kong into a cosmopolitan city.

"One country, two systems" is a brand new model of political system and there is no precedent for reference. We are still trying to find out how we can properly implement "one country, two systems", so any problems or errors found in the course of implementation are actually expected. After all, the socialist system and the capitalist system are fundamentally different and it is definitely not easy to strike a balance within one country. Besides, it requires the concerted efforts of the Central People's Government, the SAR Government

and the general public to overcome the problems that emerge during the process. The rule of law system and the respect for human rights, being conditions for the development of Hong Kong into a world-class cosmopolitan city, have actually been fully protected under the Basic Law. In my view, the SAR Government has spared no efforts in implementing the provisions of the Basic Law. After the reunification in 1997, the Government keenly conducted certain policy reforms in the long-term interest of Hong Kong. In respect of the problems or unsatisfactory areas arising in the process, we should put forward well-meaning and constructive opinions instead of recklessly criticizing, attacking or exaggerating the mistakes of the Government, which would impair the credibility of the Government. A harmonious community and a stable political environment are essential to the development of Hong Kong into a world-class cosmopolitan city.

Insofar as democracy and the rule of law in Hong Kong are concerned, Madam President, since the reunification, quite a few international reports have pointed out that foreign investors have highly appraised and are very confident in the judicial system and the rule of law in Hong Kong. For example, a political and economic risk consultancy published a survey report in May 2001, grading the Asian regions in terms of "the fairness of the legal system, the quality of the police force and the quality of administration of justice". The outcome was that only four Asian cities were graded as "passed" in terms of sound legal system. Compared to the result of a similar survey conducted last year, the ranking of Hong Kong was promoted from the third to the second. The quality of our Police Force was also evaluated as the best in Asia, showing that the protection of human rights and the rule of law in Hong Kong were generally recognized.

Mr Stanley ROTH, the former Assistant Secretary of State of the United States which was very concerned about Hong Kong said in public that Hong Kong had preserved the principle of being autonomous, open and observant of the rule of law since the reunification to such an extent that outsiders could hardly imagine. The United States also sang praises on Hong Kong for the continued maintenance of a quality and independent judicial service and retention of excellent legal experts in the High Court and the Court of Final Appeal well-versed in the common law system. Foreign investors still highly appraise and hold strong confidence in the legal system of Hong Kong.

Madam President, the DAB holds that the causal relationship between economic and political developments has always been a subject of economic or political studies. But there are a lot of divergent theories and arguments and there is so far no authoritative theory applicable to the development of various parts of the world. Therefore, the DAB cannot agree with the simplified suggestion of the motion that universal suffrage is essential to economic development. The social and economic development of Hong Kong should be based on the actual situation of Hong Kong and the provisions of the Basic Law. At the same time, we also have to affirm the achievements of the SAR Government in the protection of human rights and the rule of law.

PRESIDENT (in Cantonese): Miss CHOY, your time is up.

MISS CHOY SO-YUK (in Cantonese): With these remarks, Madam President, I oppose the motion.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, Mr Howard YOUNG mentioned earlier that the motion moved by Mr Martin LEE today is actually a repetition of old points. Mr YOUNG thinks so, probably because he has been listening a lot to Members' relevant views over the past few days. Madam President, Mr Martin LEE has not raised all these arguments and points only these past couple of days; he has been putting them forward for years already. Both sides are already very familiar with all these views and arguments; I would not be surprised if Members can recite them — I mean, if they wish to do so. But is it really unnecessary for Mr Martin LEE to raise these arguments yet again? Is his action really so pointless as claimed? My answer is of course in the negative, because I think that if we have any ideal, any aim, we must persevere, constantly bring it up for discussion in society and expound the viewpoints we consider to be correct, or else our opponents may well question us whether we are too timid to admit that we have abandoned our principle and stance. That is why I very much support the holding of discussions on the topic once again.

The motion topic today is not about democracy, freedom, the rule of law and human rights; rather, it is about how we should develop Hong Kong into a first-class cosmopolitan city. What is the reason for raising such a topic?

Many people would say that a cosmopolitan city means a prosperous and glamorous city, with advanced information technology and a convenient transportation network. Some Members also referred to these features earlier, saying that our city has already made considerable achievements. But I do not think that there is any point in discussing all these features, because they should be the natural results of social progress, the directions of development that every city, society or region must follow. A city must be well-developed in these area before it can be considered up to standard, the reason being that the relevant features are the basic facilities of a society, the benchmarks by which it must be judged. I think when we talk about cosmopolitan cities, we must not talk only about these simple things; we must also discuss some other things which are far more important, such as the rule of law, human rights, social justice, and so on. I do not think that there is any point in discussing all these physical features. This is especially true in the case of a society where the much-talked-about stability and prosperity is exclusive to just a handful of people; in such a case, it is of very little significance, no matter how prosperous and stable that society is. By society, I mean society as a whole; what I have in mind is each and every member of our society, not just a handful of people.

In the past two days, during our debate on the Chief Executive Election Bill, I already pointed out that some people are now enjoying various political privileges, and that universality was the most important thing. Why do I dislike coterie elections? Because these elections would mean that only a handful of people are entitled to some particular privileges. Why did I object so strongly to the selection of the Chief Executive by a coterie election yesterday? Because this would mean that the Chief Executive would not have to be accountable to the people, to every member of the community. This would mean that the Chief Executive only had to hold himself accountable to a small circle of 800 people. This is the reason for my strong opposition.

For these reasons, I think when we discuss the issue of turning Hong Kong into a cosmopolitan city today, we must not talk only about all these salient and physical features; rather, we should also look at the problems faced by society as a whole. Besides, as we talk about the prosperity of a cosmopolitan city, we should also look at the difficulties encountered by every member of our community. I mentioned social justice a moment ago, and this is of course the most important of all. As pointed out by many colleagues, the problem of wealth gap is actually becoming increasingly serious in Hong Kong. This shows that social justice is not being upheld adequately. How then are we going to solve the problem? I think a system of democracy and the rule of law must be put in place, or else, we will never be able to solve the problem.

A couple of days ago, Madam President, when I was handing out leaflets on the streets, I came across a woman. She came up to me, and said that she wanted help from me. I then asked her what help she would need. She replied that her working hours were irregular. I then asked her what she meant by this. Well, as she told me, she did not have a fixed schedule of working hours because her employer would set down a level of business turnover, and before this prescribed level is reached, she would not be allowed to go off duty. Thus, on one occasion, she started work at 10 am one day, and could not go home until 3 am, 4 am the following day, because the prescribed level of business turnover had not been reached.

A society may be very advanced in terms of information technology; it may have an excellent transportation network; and, it may have a veneer of affluent living. But what is the point of having these things alone? If behind all this, someone has to live such a miserable life, what is the point? Even if ours is really called a cosmopolitan city, I would only regard that as a shame.

Therefore, I think what is most important is that everyone in society should attain a certain living standard. However, without a democratic system, without the rule of law, this goal will never be achieved, because a political regime which does not derive its powers through a democratic process will easily become partial and protective towards those with vested interests. A democratic system, in contrast, can change all that, because all the policy objectives laid down by the Government will then be guided by the well-being of the masses.

I think the most important aim of the motion topic today should be to make sure that the dignity of every resident, not just a certain handful of people, can be affirmed. Without the points raised by Mr Martin LEE in the second half of his motion, I do not think that it is possible to achieve the aim mentioned above. Besides supporting the motion, I also think that we should keep on discussing its contents. Like what I have been doing with my request for amending the Basic Law, I would keep on making the same request next year and even in the future, albeit I have made it last week. The reason is that if I do not do this, our society will not become one with social justice. A society devoid of social justice will never become a first-class cosmopolitan city. That is why I shall persevere with my struggle, and I also hope that pro-democracy Members present here today will do the same.

Madam President, I so submit.

MR ERIC LI (in Cantonese): Madam President, Mr Martin LEE has done a most meaningful thing in moving a motion like this at the last meeting of this Legislative Session, because the motion is about Hong Kong as a cosmopolitan city, or to be more precise, the broad principles relating to it as a cosmopolitan city. The fundamental values underlying the motion are consistent with the aspirations of the people of Hong Kong. Although there is not any worldwide standard definition of a cosmopolitan city, I still think that in every developed city, some standards will be applied to assess whether the development of a place is advanced and whether it meets the standards of a cosmopolitan city. I also believe that many cities with the required conditions will wish to progress along this line. Hong Kong is a rapidly changing society, and as pointed out by Dr YEUNG Sum, we should move forward, always guard against any retrogression. That is why Hong Kong should take note of the motion today.

The motion moved by Mr LEE is also very clever in its wording, and because of this, when we, the several independent Members belonging to the Breakfast Group, discussed the motion, we found that our views were rather different. Many of the broad principles espoused in the motion can be accepted without any great problem, so I do not intend to repeat them here. There is one point that I think must be brought up for discussion here and that is: "a political system based on universal suffrage — which no cosmopolitan city can do without" as mentioned in the motion. Insofar as the latter is concerned, it is very difficult for us to set down any objective indicators and standards for the purpose of defining a first-class cosmopolitan city, or a second-class one for that matter. Many Members do agree that Hong Kong has been urging itself forward constantly, and as a matter of fact, Hong Kong can be considered to have achieved all the targets laid down in Mr LEE's motion. Mr LEE mentions a political system based on universal suffrage in his motion, but the motion makes no further mention of when such a political system should be implemented. In this regard, I must say that the existing political system of Hong Kong already contains elements of universal suffrage, and such elements are very obvious and have been playing a very active part in local politics. From this perspective, I consider that Hong Kong has in fact realized all the fundamental concepts underlying Mr LEE's motion. As for what a first-class or second-class cosmopolitan city is, we can of course have different views. As pointed out by many colleagues of this Council, under the Basic Law, Hong Kong shall develop in the direction of having a political system based entirely on universal suffrage, and in various policy address debates, I have repeatedly urged the Government to conduct studies and make planning as early as possible. This is totally in line

with my past comments. I do not therefore find it difficult to support Mr Martin LEE's motion.

Internationally, we are in frequent contact with the representatives of other countries in Hong Kong. As far as my understanding goes, these representatives are basically satisfied with the existing conditions in Hong Kong. Hong Kong has been maintaining a good relationship of co-operation and exchanges with other countries in the world, politically, economically and culturally. Hong Kong is an energetic city and also an active participant in international events. We often refer to Britain and the United States, and it is thus worth mentioning that these two countries in fact do understand and appreciate the existing conditions in Hong Kong, especially the historical background of our political development. They are also very concerned about our development. All this has enabled Hong Kong to gain recognition as a cosmopolitan city.

I also wish to say a few words on human rights and the rule of law. I am sure that all countries in the world, even countries most advanced in these areas, even cities like New York and London, can still be criticized severely in one way or another. I attended an international conference hosted by the Equal Opportunities Commission in the nearby Furama Hotel yesterday, and I had the chance to meet many authoritative personalities in the international human rights field. During our conversations, these people all expressed concern about the racial conflicts in Britain and the racial riots that broke out there recently. And, I also learnt that the human rights record of the United States had come under the severe criticisms from some third-world or developing countries. Thus, we can see that the relevant values are indeed essential to first-class cosmopolitan cities, but this does not mean that once any country or city has advanced to a certain stage, it can then ignore others' criticisms and indulge in calling itself a first-class cosmopolitan city. As members of the international community, we must always strive to remind one another. I said just now that Hong Kong enjoys a good relationship with the rest of the world, and I of course do not wish to spoil this. But as we know, the political systems of many Asian countries are modelled after those of Britain and the United States. Is this a sure guarantee of good record in their human rights and the rule of law situation? Is this a sure guarantee of their compliance with the standards of a cosmopolitan city? Not necessarily. As a Hong Kong resident, I am proud of our existing record, and I do not think that the conditions in Hong Kong compare any less favourably with those of any other places.

I think if Hong Kong is to become a cosmopolitan city, it must first strengthen itself and foster self-respect. We must be able to appreciate our own merits before we can command the respect of others. I hope we will not forget our self-respect, especially when so many authoritative personalities are around today. I also will not resort to any conspiracy theory and second-guess the motive of the colleague who moved the motion today. I very much support the proposals of the motion as they are worded. I am prepared to support it and think that the fundamental concepts underlying it should be affirmed. It is a meaningful act to pass this motion as a reminder to the people of Hong Kong. Therefore, the independent Members will support the motion today, though we do not have any uniform voting decision.

Thank you, Madam President.

MISS CYD HO (in Cantonese): Madam President, the motion today should be able to elicit a very gentle response from Honourable Members, but it is most unfortunate that Honourable Members have got on each other's nerves, causing a battle of words to ensue.

Many cities in the world other than Hong Kong aspire to become cosmopolitan cities. The Chief Executive has repeatedly made this wish clear in his past policy addresses. For example, the land set aside in the West Kowloon Reclamation for cultural activities is meant to transform Hong Kong into a city of cultural and entertainment events in Asia. Even the electronic display board in the Central Library shows that the Central Library aims at making itself part of the driving force behind our endeavours to become a cosmopolitan city. The question remains, however, whether a cosmopolitan city can be built simply by infrastructure construction. What about the software of a cultured society? The motion moved by Mr Martin LEE affirms the importance of the humanities, that is, the cultural elements. Democracy, the rule of law, freedom and equality are all cornerstones of a cosmopolitan city. The efforts made by the Government are not permanent, for some buildings are constructed with public money and a mere façade is put up. There can be sustainable development and greater prosperity only when the human and cultural elements are injected into society and participation is induced from the public. There is a need for the Government to develop an open society where people of different talents can make it their home. The way to achieve this is to provide the framework and institutions whereby everyone can enjoy equal opportunities and room for development.

The construction of hardware alone will not make our city cosmopolitan. It can only provide a venue, a mere facade, but not the substance. There may be outward resemblance in form, but no inner resemblance in essence. Then how can there be a resemblance in both form and essence? Apart from the elements of a legal system and a political system as set out in Mr Martin LEE's motion, there is also an element of cultural plurality which I wish to add to make this discussion hopefully more fruitful. The element of cultural plurality should be protected by law and it also had to do with the quality of our population. If the people of Hong Kong are resistant to foreign cultures, then it will be very difficult to enrich our cultural outlook. But if on the contrary, we can accommodate and integrate with other cultures, that will transform the outlook of our society. Manhattan is an example which many people will like to use. The place is said to be one teeming with opportunities. There is a social ladder for people of different colours and races. As for its cultural life, the place is not only fitted with the Lincoln Center, Broadway, and so on. And on the few dozens of streets on this small island of Manhattan, there are Little Korea, Little Italy and Chinatown, and so on. The meaning behind all this is that no matter who you are, irrespective of your background, you may find a place of your own, make yourself comfortable and work for a better life. This is a place where varied talents are attracted to it. Manhattan has been moving in this direction for a long time, and we need to work hard to catch up.

Some Honourable colleagues of this Council say that this is flattering things foreign and an admiration for things British and American. So I would like to talk about another city, that is, Changan in the days of the Tang Dynasty. The cultural plurality and open society we are talking about today might have already been a reality in the Tang society, even to a greater extent than Hong Kong today. In religion, apart from the tripartite dominance of Confucianism, Taoism and Buddhism, there were also Nestorianism, Islam and Manichaeism and many others the religious tenets of which I can hardly recall clearly. It was quite a difficult thing for a society at that time to accommodate so many religions, given the meagre knowledge the Chinese people had of the outside world. But these myriad religions were all able to gain a foothold in society and room for development. This is a stark contrast to the intolerance we show to a subculture like Falun Gong. This tripartite dominance of Confucianism, Taoism and Buddhism in the Tang Dynasty paved the way for the prevalence of the Confucian school of idealist philosophy in the Ming and Song Dynasties. Scholars began theorizing on the relationship between heaven and man and that ultimately led to the emergence of atheism and a critique of the feudal rule by the privileged class which was quite an advancement in thinking at that time.

I would like to talk about races in the Tang society. There were quite a number of foreigners who held various positions in the Tang court. They included not only Persians, Caucasians from Europe, but also blacks. The blacks were treated not as well as other foreigners. Most of them were sailors, merchants or pirates. They were called Kunlun slaves. Having said that, however, any person in the Tang society could become an official regardless of his race just by virtue of his ability. It is a very unique phenomenon in Chinese history that in Tang Dynasty there were so many non-Chinese who became government officials. The government also spared no money in educating the people. Any person who passed the entrance examination to the various schools under the imperial ministry of education or the medical schools operated by the court physicians were offered free tuition and board regardless of their race. Apart from the expenses on purchasing textbooks, all other living expenses were taken care of by the government. Such an importance attached to education and the racial equality really make us green with envy. It is because even our local students have to pay very expensive tuition fees for their studies in the universities. I wish to make a particular point that only when we have an open mind and pursue equality that we can attract more talents and offer training to them.

I would also like talk about music and dance. The Tang Dynasty was enormously influenced by western dance and music. Dances such as the feather costumes dance, the twirls and jumps dance, and so on were all imported. The drum music in the Tang Dynasty was also very famous and its strong beats resembled the music in the rave parties today. But now in a bid to control soft drugs, we are also trying to control the rave parties. This is really a retrograde step to take.

Madam President, tolerance is a great virtue, if we are confident about ourselves, we will be willing to integrate and accept; and it is only when we are tolerant that we can step up our efforts in the development towards pluralism and give more momentum and innovation to society. I urge the Government to put in more efforts in enacting anti-discrimination legislation on race, age and sexual orientation, as well as to legislate for their protection. It should also reconsider the legislative proposals on the protection of the freedom of the press, the control of its infringement, the prevention of impediments to the free flow of information, the classification of pornographic and indecent publications and the regulation of

gambling. All these should make the protection of freedom come before everything else. I also urge the Government not to take the lead in discrimination, but to endeavour to make our society more open.

PRESIDENT (in Cantonese): Miss HO, your time is up.

PROF NG CHING-FAI (in Cantonese): Madam President, what makes a cosmopolitan city? Though the dictionary may not be of any help here, I do think that a cosmopolitan city should be a pluralistic, open and highly international city with an excellent environment in which activities of all kinds — economic, educational, cultural and artistic — can all flourish.

As far as all these qualities are concerned, Hong Kong is already a world financial and shipping hub, and it is also a prime tourist destination. In terms of trade and freight transportation, it is again a leader in the world. Besides, it is open to tourists, investors and talents from all parts of the world, which explains why it has become the meeting point of the two major cultures of the world. All these are some of the main qualities making it possible for Hong Kong to become a cosmopolitan city. More importantly, Hong Kong possesses an additional edge, a unique edge, that can help it become a cosmopolitan city — its close economic ties with its Motherland. But with all these, we must still exert more efforts in environmental protection, education, culture and the arts before we can achieve this very goal. Insofar as environmental protection is concerned, our city is not green enough, its skies are not clear enough and its water is not clean enough. Luckily, though, over the past two years, due very much to the consensus among the public, the Legislative Council and the Government that there is a need to improve our natural environment, things are turning better. But since we have been "so heavily in debt" all through these years, we must still exert a lot more efforts before we can achieve the desired goal.

The situation is also improving in terms of culture and the arts. The newly-formed Culture Commission and the Leisure and Cultural Services Department and the Arts Development Council, which took over the conduct of cultural activities after the dismantling of the two Municipal Councils, have all worked well to achieve a reasonable deployment and utilization of resources. But in order to meet the requirements of a cosmopolitan city, we still have a long way to go. We will need to make maximum use of the edge enjoyed by us as a

meeting point of oriental and occidental cultures, and we will also need to make great efforts in developing and nurturing local cultural and artistic talents. We may also need to assist in the development of the local film industry.

On education front, we are also heavily "in debt" due to the lack of sufficient resources from the Government. It was only after the reunification that we started to increase the relevant resources quite drastically to 40% of the Gross Domestic Product. The current education reform has reached the stage of actual implementation, and this definitely requires more financial commitment for basic education. But additional associate degree programmes will inevitably mean a substantial financial commitment, and let us not forget that the Government must never cut its spending on tertiary education if it wants Hong Kong to ever attain the high standards of education commensurate with cosmopolitan city. Without high-standard universities, it will be impossible to train up high-quality local talents, let alone turning Hong Kong into a cosmopolitan city. I hope the Government can fully realize this point, prepare itself accordingly, and provide the suitable resources.

My last point is that as I mentioned earlier on, New York and London actually owe their cosmopolitan status to the power of their respective countries. That is why if China fails to become powerful, Hong Kong will never become a cosmopolitan city no matter how hard it tries. We have noted recently that many multinational corporations have set up their headquarters in Hong Kong. This shows the increasing economic prospects and strength of China. From this perspective, we can say that Hong Kong does enjoy a relative edge.

Madam President, there is not necessarily any causal relationship between how a city's government is elected and whether it can become a cosmopolitan city. Many Members have discussed this point, and I shall not deal with it again. However, I still wish to say a few words on Mr Martin LEE's "tree of democracy", the fruit of which, he says, can be shared by the people of Hong Kong.

Madam President, we need not study history to know that the governments of the largest colonial powers of the time, namely, Britain, France, the Netherlands, Belgium and even Germany, were all elected by universal suffrage. These powers all expanded overseas, and they derived their power and might by exploiting their colonial subjects. But they never cared to share the fruit with their colonial subjects. If the "tree of democracy" is really that wonderful, that

is, if these colonial powers had been willing to share the fruit with their colonial subjects, the anti-imperialism campaign that swept across the world after the Second World War would never have emerged. That is why we think that Mr LEE's argument is open to question.

Let us look again at Hong Kong, where the tree of British democracy has been in existence for more than a hundred years. Before the outbreak of the Opium War, a debate was held in the British Parliament on whether or not Britain should declare war on China. But in the end, most Members of Parliament supported the declaration of war on China.

Let us not talk about such a distant past. As recently as the 1950s, Hong Kong was still under oppressive colonial rule. Was that because there was no democracy in Britain at that time? Britain was then already very democratic. But it never indicated any intention of sharing the fruit of democracy with Hong Kong.

Frankly, Madam President, this Council was just a mere advisory body before 1997, and it is only now that this Council is holding substantive powers. Besides, when it comes to the genuine emergence of democracy in Hong Kong, the triggering off of the democratization process, one must be fair, and one must note that it was only after it was known that China would resume its sovereignty over Hong Kong, after the publication of the Sino-British Joint Declaration, that the British eventually hastened to put in place a system of democracy for Hong Kong. That being the case Well, some Honourable colleagues may think that the pace of democratization in Hong Kong is very slow, and perhaps, this may really be the case from their perspective. But they must not forget that this very process is very much the result of China's resumption of its exercise of sovereignty over Hong Kong. It is never given to these Members as a fruit of the tree of democracy. I hope Honourable colleagues can bear this point in mind.

Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, Mr Martin LEE has called upon Honourable colleagues to speak more in this debate today, and he said he would be just as happy even if Members simply speak for just a minute or two. I shall speak, and my speech will not be as short as one or two minutes.

Madam President, the premise of Mr LEE's motion today is turning Hong Kong into a cosmopolitan city, or to be precise, a first-class cosmopolitan city. I am going to talk about New York and London only. Who should assess whether a certain city should be called a cosmopolitan city? I think this is quite unlike other social issues; this assessment should not be made by the people of the relevant countries or cities, because their attention is bound to be attracted by their own concerns.

The quality of life in New York and London may not necessarily be the best. I think the best quality of life should in fact be found in the Scandinavian countries, that is, Norway, Sweden and Finland. Those who have been to Oslo and Helsinki in Sweden may notice that the people there lead a most comfortable life. Members representing the labour sector are not in the Chamber now; if they are here, I will certainly tell them that in these countries, people only have to work four days a week. The tax rates in these countries are very high; those who work have to support those who do not; and quality medical services and education are provided free. That being the case, why are Oslo and Helsinki not regarded as cosmopolitan cities? I suppose the biggest reason is — it is a pity that Mr LEUNG Yiu-chung has left the Chamber — that the relevant assessment of a cosmopolitan city is actually made by a coterie of people only. By this, I mean financial magazines and the like. These magazines do not gauge the views of the general public and tourists, but just those of investors and big corporations.

To many, a cosmopolitan city must first be a financial centre, which is why New York and London are regarded naturally as such, because the New York Stock Exchange and London Stock Exchange are located in them respectively. Next will come the law and order situation of a city, to be followed by cleanliness and sanitation. I am not aware whether or not universal suffrage is one of the assessment criteria applied. But even if it is, it will not be anywhere near the top of the list, let alone being something "which no cosmopolitan city can do without". New York and London are cosmopolitan cities, and there is indeed universal suffrage in these cities. If Mr Martin LEE says expressly in his motion that he wishes to have universal suffrage, I will support him. But he has instead used the expression "which no cosmopolitan city can do without", and this in effect is the same as saying that universal suffrage must be a necessary prerequisite for New York and London to become cosmopolitan cities. This is where my doubt lies. Universal suffrage is implemented in many countries currently, but if we look at them — let us not talk

about whether any of their cities can become cosmopolitan cities — their economies alone are already in a complete mess. Why are Manila and Jakarta not regarded as cosmopolitan cities? It is because their economic conditions, physical environment and law and order situation are all very bad, so bad that they can never become a cosmopolitan city. Naturally enough, when people seek to determine whether a foreign city should be classified as a cosmopolitan city, they are not aware of many factors, such as local labour policies and the presence or otherwise of collective bargaining and the wealth gap. I suppose when people assess a foreign city, they may not necessarily be able to take account of many of the local concerns. Only salient features will be used by outsiders to determine whether a city can be called a cosmopolitan city.

In essence, Mr LEE's motion is saying that Hong Kong must fulfil five to six conditions before it can become a cosmopolitan city, but that it has so far managed to fulfil some of these conditions only, namely, a knowledge-based economy, the training of high-quality talents and the natural environment. Mr LEE also points out that several conditions are indispensable to Hong Kong. I agree that Hong Kong lags behind others in terms of universal suffrage, but I cannot agree that we lack a tradition of respecting human rights and the rule of law. Nor do I think our social system has in any way failed to uphold social justice and the dignity of the individual. Universal suffrage is no doubt not yet found in Hong Kong, but there is certainly a tradition that respects human rights and the rule of law, and there is also a social system that upholds social justice and the dignity of the individual. Back to the issue of universal suffrage, the Liberal Party certainly agrees with Mr LEE that Hong Kong is bound to introduce this sooner or later. But I simply do not agree that universal suffrage is indispensable to Hong Kong if it wishes to become a cosmopolitan city.

Mr LEE Cheuk-yan talked quite a lot earlier on about the labour dispute connected with the Cathay Pacific Airways Limited (CPA). I am of the view that the labour and management sides themselves should be left to resolve the labour disputes between them. On these matters, I sometimes find the management side being unreasonable, but at other times, I may find the labour side being unreasonable. But in regard to the pay rise demand from CPA pilots this time, I must point out that on average, a CPA pilot's annual remuneration is already as high as \$1 million to \$2 million, not to mention the fact that some pilots are earning as much as \$3 million a year. I do not intend to raise the point, as Mr LEE Cheuk-yan did a moment ago, that most of these pilots are expatriates, lest this may give rise to accusations of racial discrimination. But

since the pilots' salaries are already so high, it is frankly very unreasonable of them to demand a 30% pay rise, especially when the management has offered a 9% increase despite the current economic conditions. And, I must also remind Members that CPA pilots are paid in the local currency. This in effect means that they are paid in the greenback. Since the greenback is a very strong currency now, their salaries would certainly give them a very strong purchasing power back home in Australia.

Madam President, the headline news over the past couple of days has been the plummeting prices of HSBC shares, caused mainly by the serious problems with the economies of South America; Argentina has become unable to repay its huge external debts, and this has led to a drop of its currency and in turn that of the Brazilian currency. This shows that currency stability and the status as a financial centre are factors determining whether a place can become a cosmopolitan city. And, precisely because of this reason, no one single South American country or city can be assessed as a cosmopolitan city.

Madam President, to sum up, I will not directly challenge Mr Martin LEE's viewpoint that a city cannot become a cosmopolitan city in the absence of universal suffrage, but I will instead argue that universal suffrage is not actually a "must" for a city to become a cosmopolitan city.

MR NG LEUNG-SING (in Cantonese): Madam President, talking about a cosmopolitan city, Hong Kong has already developed into a globally recognized cosmopolitan metropolis. In view of future development, Hong Kong needs a clear positioning. As such, making constant reference to and comparing with such cosmopolitan cities as New York and London can aptly be considered a visionary approach of foresight.

The achievements and success of Hong Kong today can be attributed to a number of factors. Hong Kong people are hardworking, assiduous and flexible, and we enjoy social stability and good law and order. With China as our hinterland and convenient sea, air and land transport, we enjoy convenient transportation and supply of goods in abundance, Hong Kong enjoys an incomparable geographical edge. In addition, the highly efficient and clean Civil Service as well as a sound rule of law system are indispensable factors for the success of Hong Kong.

After the reunification, Hong Kong has experienced the Asian financial turmoil, an economic restructuring and the downturn in the objective economic environment which have inevitably given rise to certain discontents in society, however, it has also demonstrated that Hong Kong people are not restricted in the free expression of their opinions. Recently, people often sarcastically say that Hong Kong has already become a "city of demonstrations". From a specific angle, it indicates that different opinions can find channels of expression and this is a good feature of a cosmopolitan city generally. The Government of the Hong Kong Special Administrative Region (SAR) has maintained good law enforcement disciplines and restraint in handling social conflicts. We can also watch on television the recent reports on the measures adopted by the governments of certain traditional Western democratic countries or regions to handle demonstrators. In comparison, the measures taken by the SAR Government are more mature and commendable.

Under the principles of "one country, two systems" and "Hong Kong people ruling Hong Kong", the Basic Law has provided the legal basis and foundation for the direction and pace of development of democratic government. Provided that we abide by the law and take a gradual and orderly approach, I am confident that citizens of the Hong Kong cosmopolitan city can eventually achieve the goal of universal suffrage.

Madam President, I so submit.

DR RAYMOND HO (in Cantonese): Madam President, whether a city is a cosmopolitan city depends on the definition. I think Hong Kong is already a cosmopolitan city. As for who should assess whether a place can be regarded as an ideal cosmopolitan city, I would say that it is very difficult to identify any suitable person for the job, because all places are marked by their unique circumstances, background, culture and history. What matters most is that we must look at whether the demands of people in different respects are properly catered for, how the outside world looks at the development of the place concerned, and whether the various facets of the place in question meet internationally recognized standards. It is of course not at all easy for any place to achieve equal progress in all fields, social, economic, political and cultural. But then, is it really true that Hong Kong has failed to perform satisfactorily in many respects? I do not think so.

I once lived in the United Kingdom for 10 years and three days, and most of that time, for more than nine years, I lived in London. There is no doubt that

London is city of very rich cultural heritage, but at the same time, it is also marked by various problems such as racial conflicts, wealth gap and lots of others that result in political instability. Many of these problems are the legacy of history and appear to be religious conflicts. But the struggles for independence in many places there have also led to a myriad of other internal problems. Why did I still choose to come back after living in the United Kingdom for so many years? It was because I found that Hong Kong could also be very attractive as a place of residence. That was why in 1996 I gave up my British passport. It was actually unnecessary for me to do so at that time, because even if I wished to serve on the Legislative Council, I could have achieved my aim by running in the election of the engineering functional sector. However, since I had decided not to live in the United Kingdom any more, I simply gave up my British passport. Why did I hold a British passport in the very first place then? That was because in the 1960s, when I studied and worked in the United Kingdom, they issued a British passport to me upon renewal of my Hong Kong British passport. In the 1970s, I found Hong Kong not such a good place in many respects. But now, I am back, because I can notice one merit in it, one which is absent in many internationally recognized cosmopolitan cities and places — our readiness to accommodate the peaceful co-existence of Eastern and Western cultures.

Honestly, many other countries also allow the entry of foreigners for the purpose of living, business or sightseeing. But it is only superficial. Very often, these countries would, without themselves knowing it, reveal their reluctance to accept foreigners. I know this only too well. I have been to the city of New York many times, and my friends there and I all feel that New York is plagued with various problems, and that New York is just not perfect as a city. But then, of course, since the Chief Executive has called upon us in his policy address to learn from New York and London, we can only do so. No doubt, there are many merits with these two cities, and we should learn from them. But for their shortcomings, we need not necessarily pick them up. Conversely, we also have many merits from which they should learn.

I started to discuss our political system as early as 1985. In 1986, I wrote an article on the election of Legislative Council Members and the Chief Executive. My article was discussed at the first meeting of the Basic Law Drafting Committee held in Xiamen, and it was published in the local press for three days in a row. At the meetings of the Basic Law Consultative Committee (BLCC) held from 1985 to 1990, I took part in many debates on the political system of Hong Kong. At that time, I represented a total of 89 BLCC members,

who came mostly from the professional and industrial and commercial sectors. Many a time, on various different occasions, I debated our political system with representatives of the pro-democracy camp, such as Dr YEUNG Sum here, and those of the middle-of-the-road camp, such as Mr Jasper TSANG. I did not speak during the debate on the Chief Executive Election Bill yesterday because I thought I had already spoken enough on this years before.

I think that in many ways, the Basic Law has already given us a direction for the future development of our political system. For instance, the Basic Law has laid down a schedule for us to follow in the first 10 years following the reunification, stating clearly that we may put forward different views and review the methods for electing the Legislative Council and the Chief Executive. I am sure that when that time comes, there will certainly be a "blossoming of a hundred flowers", with everyone trying to put forward his or her opinions before a final decision is made. This arrangement is both enlightened and clear. But then, one can still ask, "Is it true that in many respects, Hong Kong is not yet open enough?" Indeed, it is not. Although most of the meetings of the Legislative Council are now open to the public, those of some important advisory bodies, such as the Advisory Council on the Environment and the Transport Advisory Committee, are still conducted in a closed-door manner. I think more transparency should be introduced to these important advisory bodies. As for social issues, I think we have done better than many other countries. For instance, we have done a very good job in handling Vietnamese boat people. Demonstrations and protests in our community often attract huge numbers of participants. I have personally participated in three such demonstrations, and I found them very meaningful. Every Wednesday, many demonstrators will gather outside the Legislative Council Building, and, if no demonstrator turns up, I will be surprised, and will wonder whether no Legislative Council meeting is to be held. I for one accept demonstrations without any reservations.

Insofar as Hong Kong's development is concerned, most of what Mr Martin LEE advocates in his motion has already been achieved in Hong Kong, only that the level of such achievement has not yet met his expectation. I have known Mr LEE for 40 years already, and I know that he is a person of ideals and aspirations. I am just like him. I can only say that we have not been trying to ignore political development and human rights; rather, we have simply been striving for perfection. Thank you, Madam President.

MISS MARGARET NG (in Cantonese): Madam President, "The natural landscape not being in popular favour, let us paint more pictures of peony instead." Many colleagues have referred to the rule of law today, so, as a Member representing the legal profession, I must inevitably say a few words on it. There is a less talked-about question in this connection: What is the spirit of the rule of law? This actually involves a point which very few people have mentioned, namely, the existence or otherwise of arguments and the importance attached to facts as the basis of arguments.

Madam President, cases involving the right of abode in Hong Kong have recently been heard before the Court of Final Appeal. The defence counsel in these cases was a very famous and experienced London silk who has written a very interesting book entitled *The Game of Justice*. In this book, he explains why he is so fascinated by the work as a lawyer, and let me quote him direct, the reason is that "the side with the better argument wins". Well, this is not so much to say that you will lose because your argument is poor while that of the other side is good, or because you do not have any sound argument while the other side does. What he means is that while you may have a very good argument, but if your opponent can advance a still better argument, you will still lose. Or, even if you do not have a very good argument, you may still win because the argument of your opponent is even worse. This represents an emphasis on the strength of argument. What matters most in the debate in any law cases should be arguments and justifications. That is why a lawyer, or anyone in the legal profession for that matter, while laying stress on evidence, will also put equal emphasis on arguments and justifications and sound procedures. Why is there a need for fair procedures? They are meant to ensure that different people will have a chance to advance their arguments and justifications for debate. Before we criticize and challenge others, we must first listen to their arguments. Only after this should we respond.

Madam President, the citizens of many democratic countries, especially those of the United States, often wonder why the Courts should be given such extensive and huge powers despite the fact that they are not elected institutions. The reason is also related to "argument". A judge is not supposed to pass a verdict like Judge Bao¹ after listening to the arguments of both sides, simply saying who is right and who is wrong. The Court must have justifications of its

¹ Judge Bao was a legendary government official during the Southern Song Dynasty of China, noted for the highest standard of moral integrity and a dedication to protecting the just cause.

own to explain why it accepts the argument of one side and rejects that of the other. And, it must give all its justifications in its judgement. Why is there a need to do this? Besides the need to convince the defeated side and the general public, a more important reason is that the Court may also be wrong. The judgement of the Court may be based on very sound justifications, but if the appellant can advance a better argument than that of the Court, he will win the appeal. Therefore, a clear account of arguments will signify not only a respect for others, but also the recognition of a possibility that the arguments may well be wrong. A culture based on such rationality is essential to the rule of law. If our system of lawcourts and judges is not backed up by a mechanism of presenting arguments, and if the outcome of a case is not determined by the cogency of one's arguments but by the strength of his "backer", then the rule of law in our society is bound to be corroded. Therefore, whether we are looking at court cases in which both sides are ordinary people or those in which one side is the Government, the respect for arguments and legal jurisprudence should always be an important part of our culture. Madam President, I am very delighted today to see the Secretary listening so patiently to our speeches. Though judicial matters are not the responsibilities of the Secretary, this kind of culture, I mean, the culture of rationality, is still very important to the upholding of the rule of law.

Madam President, in our discussions about cosmopolitan cities, Members all inevitably touch upon the cultural aspect; Miss Cyd HO has even made such a detailed study of the culture of the Tang Dynasty, and her views are supported by quite a number of Members. But we need not look so far back into the Tang Dynasty; even during the far more recent days of the war of resistance, Hong Kong also flourished culturally. Why? It was because of the arrival of many literary writers from the Mainland; these writers took temporary refuge in Hong Kong, and here, in this temporary refuge of theirs, they produced many outstanding literary works. XIAO Hong, a famous woman writer, was one of these writers. A book entitled *Hong Kong Melancholy* written by Prof LO Wai-luen of the Department of Chinese Language and Literature of The Chinese University of Hong Kong deals exactly with these writers. What made these writers come to Hong Kong? Was it because Hong Kong was particularly attractive, culturally speaking? It was actually because Hong Kong was at that time able to offer the freedom so necessary for their endeavours of creative writing. Before there can be any economic prosperity, there must be an assemblage of talents; before there can be an assemblage of talents, there must be freedom. Unfortunately, Madam President, the freedom prevailing at that time

was the result of a morbid situation — freedom was available in Hong Kong simply because the colonial administration at that time was too preoccupied with other matters to exert tight control over Hong Kong. The freedom at that time was therefore the result of others' preoccupation. Then, why was there melancholy? Why did literary writers loathe Hong Kong so much? That was because they were discriminated against in this place, and they did not have any dignity.

Therefore, if we are to rid this free society of ours of its inadequacies, we must pay heed to the dignity of the individual. How can we do this? While we must respect people's human rights, we must also recognize the equal importance of participation, because participation can make people feel that they have self-determination, are respected in the decision-making process and can exert their influence, instead of having all the decisions made by others. Madam President, such is the cornerstone of democracy. Although there are different types of democratic systems, their underlying spirit is identical. We aspire to democracy not so much because it is a British or American ideology, not so much because we have a blind faith in things foreign, but rather because it is the cornerstone of cultural progress and economic prosperity in any civilization.

Madam President, the meeting today is the last in this Legislative Session, and I feel very fortunate to be able to voice my feelings here. I hope that the Secretary can relay our viewpoints to the Government, because the Government must first encourage such aspirations to democracy before there can be any prospects for Hong Kong. Thank you, Madam President.

MR ABRAHAM SHEK: Madam President, the Honourable Martin LEE has moved a motion on the cosmopolitan city. To me, this city that he dreamed of is an ultimate place of Utopia or the Shangrila of the world where all men are equal and all men are happy. I am sure that every one of us would like to live in this place. I am sure that one day, by universal suffrage, a good kind man like the Honourable Martin LEE could find and build a place for us and for our future generation. But life is not a bed of roses, life is not just full of idealism. Life sometimes has to be practical, and it is in this practical aspect that I would like to discuss and talk about.

To me, Hong Kong is already a world class cosmopolitan city, whether we are comparable to New York or London is not important, and it is not something which I would like to talk about. I have lived in London, and I have lived in

New York. I do not find these two places any more interesting than Hong Kong. To me, Hong Kong is my home. Hong Kong is a place where I like to live. London and New York have many aspects that cannot even be comparable to Hong Kong, and we should be proud of Hong Kong for what we have attained over the years.

Hong Kong is a place where East meets West. It is a place where English, Chinese, French, Tagalog and any other languages can be spoken. It is a place where discrimination is little to be found — I cannot say that there is none, but little to be found. It is the melting pot of world cultures and religions. It is a place of international understanding. Are these not the qualifications that make Hong Kong a cosmopolitan city? I daresay they must be. We are different. We are different from London and New York. We are a city where the new concept of "one country, two systems" must work for our 7 million people. We have to make it practical to work for the benefit of our 7 million people and we hope that this concept of "one country, two systems" in the economic and political aspects will somehow work out a practical reality.

Mr Martin LEE touches on four main areas which a cosmopolitan city should have. They are universal suffrage, human rights, rule of law and social justice. I do not think that any Member would disagree with him on these matters. If there are differences among us, they would probably be the means to achieve these ends. The ancient philosopher SOCRATES once said, "In a society where injustice and unfairness prevails, the most appropriate place for just men to be at is in prison." Just look around here, we have men and women who are champions of the underprivileged, warriors in the fight against injustice and unfairness, as well as freedom fighters for human rights. They are all speaking loudly about their ideals on socio-political aspect, speaking against the Government, criticizing the Chief Executive. To apply SOCRATES' words in Hong Kong context, these men are still free, our society is not unjust, our society is not unfair. We might not be a Utopia of democracy but definitely, Hong Kong is a place where there is freedom of belief, freedom of religion, freedom of the press, freedom of speech and we also have the right to vote. Yes, we might not have universal suffrage in the context of Mr Martin LEE, but definitely, we have a right to vote. We might not have universal suffrage, but through political evolution, universal suffrage would come one day and this is guaranteed in the Basic Law. The present political system serves Hong Kong well. It is, as I said, a practical reality of "one country, two systems". We have 24 directly elected seats out of 60 seats in this Council, which though might not be an ideal

figure as far as universal suffrage is concerned. However, some others are returned through voting, I repeat, through voting from the functional constituencies. In this manner, under the present political system and in the political reality, all sectors are represented in this Council, be they in the professional, business, labour or welfare sectors.

We do not profess or pretend that we are truly democratic. But in the Basic Law, as I said earlier, it has a guarantee that universal suffrage would come, and this present system is accepted by the people of Hong Kong and the international arena when the Basic Law was promulgated. Also, there is a provision in the Basic Law that in 2007, the present political system will be reviewed. Thus, let us be patient and let us work together to make Hong Kong a city among cities, a city upon the hill which sets a good example to other cities. Let us work together to make Hong Kong a prosperous place where people can share the fruits of success. Let us work together to make Hong Kong an economic and financial centre of the world where not only the East meets the West, but the old assimilates with the new. Let us make Hong Kong a cultural centre of not only China, but of Asia and Europe. It is true that the promotion of understanding and toleration of different cultures could make us a superior city in not only economic, political and social developments, but also in cultural and moral developments. Hong Kong should not aim to copy blindly those foreign concepts in politics, culture and economics. We should accept and take on the best and to work out the best for Hong Kong, so that we can make Hong Kong a city among cities.

Thank you, Madam President.

MR TAM YIU-CHUNG (in Cantonese): Madam President, the Human Development Report 2001 due to be released by the United Nations shows that Hong Kong has risen by two positions on the list of places most suitable for human habitation around the world. Although the Asian cosmopolitan city of Hong Kong has been battered by the financial turmoil over the past few years, its economy is by now gradually recovering, thanks to the joint efforts of the Government and the people. The success of Hong Kong in seeking continuous progress, maintaining its competitiveness and upholding freedom and equality has won worldwide recognition, evident in the ratings given to it by international institutions like the Heritage Foundation of the United States and the International Institute for Management Development, Lausanne, Switzerland.

That said, there is still no denying that the rapid restructuring of our economy and the drastic drop in asset values have made it difficult for people to relieve the pressure they face in life, thus leading to widespread grievances in the community. The SAR Government must pay due attention to this and step up efforts to ease people's plight. The SAR Government has indeed made a lot of efforts and commitment over the past few years to build up a knowledge-based economy, to train up talents and conserve the natural environment, and as noticed from his motion, Mr Martin LEE seems to think that the Government has already done enough in all these respects. If that is what he really means, I am afraid I must take exception to his view, for I really think that there are still many areas which require further improvement and enhancement.

The economy of Hong Kong is now moving in the direction of high-tech and high value-added development, and this will make the burden of earning a living increasingly heavy for the grassroots. Although people do not have to worry about rising costs of living as a result of the deflation over the past two years, they are all trembling with anxieties amidst the waves of redundancy and wage cuts. At the same time, the increasing difference between traditional occupations and the emerging ones in the new economy in terms of pay structure has aggravated the polarization of income. Though disparity in wealth is a common problem found in many different countries and places in the course of economic development, the need for far-sighted policies to minimize the resultant negative impacts should not be overlooked. The Government must draw up appropriate policies to assist the working population to upgrade their skills and enhance their competitiveness. Such policies should cover training for low-skilled workers, a qualifications ladder and improvements to the mode of subvention, so as to create a learning environment which is free and open. Besides, in respect of its policy on employment, the Government must take active steps to create employment opportunities, assist in the development of personal and social services and green industries; it must also assist the unemployed in starting their own businesses and remove various obstacles, so as to boost the local employment market.

The economic difficulties over the past few years have inflicted lots of worries and anxieties on the people, and some people with ulterior motives have attributed all these problems to the SAR Government, arguing that a political system modelled after those of Britain and the United States will be able to solve all problems. But these people have forgotten the Basic Law, the very constitutional document that lays down the cornerstones of our prosperity and

stability. The political development in Hong Kong is already provided for in the Basic Law, and this constitutional document was finalized only after the Basic Law Drafting Committee and the Basic Law Consultative Committee had widely consulted the people of Hong Kong and taken their views on board what is often called a "twice up, twice down" process. One of the underlying principles of the Basic Law is that the political system of the SAR must take account of the interests of its various social strata; besides, while maintaining the time-tested elements of the previous political system, it must also develop a democratic system suitable for Hong Kong in a gradual and orderly manner. This principle can fully reflect the wishes of the Hong Kong people, but some people have somehow forgotten the actual experiences of our neighbouring places. Let us take a look at our neighbouring countries like the Philippines, Indonesia and South Korea. In all these countries, the kind of democratic system often talked about and commended by people is found. But instead of extricating themselves from their economic quagmire, these countries are politically unstable and marked by serious social division. The people there suffer not only from economic hardship but also even a lack of protection for their personal safety. These are the things we all hate to see.

As for the method for electing the Chief Executive, thorough discussions have actually been held over the past two weeks. I must reiterate that under the Basic Law, a schedule of political development reflecting the wish of the people is already set down. According to this schedule, a gradual and orderly approach leading ultimately to universal suffrage is to be adopted for the election of the Chief Executive. No one should seek to violate the Basic Law and upset our social stability.

In regard to human rights protection in Hong Kong, it is based on a system marked by the rule of law, an independent Judiciary, a Bill of Rights under which violations of human rights can be brought before the Court and also a sound legal aid system which ensures that people can always bring their cases before the Court. Article 39 of the Basic Law also affirms the constitutional status of the International Covenant on Civil and Political Rights as well as the International Covenant on Economic, Social and Cultural Rights, thus consolidating the basis of human rights protection. What is more, there are also plenty of complaints channels in Hong Kong, including the Legislative Council, the Office of The Ombudsman, the Equal Opportunities Commission, the Office of the Privacy Commissioner for Personal Data, and so on, which all check and monitor government institutions, thereby serving as additional safeguards of

human rights. The operation of the SAR Government is also and will continue to be subject to the full-scale monitoring of the fearless and dedicated media and many local and international non-governmental organizations. Given all this, our tradition of respecting human rights will certainly continue to flourish.

With the accession of China to the World Trade Organization, Hong Kong will certainly have more opportunities and face more challenges than ever before. I am convinced that as ever, Hong Kong will be able to progress with the times. The Pearl of the Orient will continue to glitter.

I so submit.

MRS SELINA CHOW (in Cantonese): Madam President, when we say that we want Hong Kong to develop into a cosmopolitan city, I think that is a rosy future which everybody in Hong Kong would like very much to see. However, very often I find that when we look at Hong Kong, our focus is on the setting of objectives for the future development of Hong Kong. But if we look at the present situation of Hong Kong, we will find that there is still some difference between how we view ourselves and how the international community sees us. We may not be aware of the fact that the international community may have a more favourable perception of Hong Kong than we have for ourselves.

For seven years in a row, Hong Kong is rated as the freest economy in the world according to the economic freedom index of The Heritage Foundation and the *Wall Street Journal*. The Cato Institute and the Fraser Institute announced that Hong Kong ranked number one in the world in economic freedom for the year 2001, with Singapore and Seattle coming second and third respectively. In 2000, based on a survey by Anderson Business Location Services, the *Fortune* magazine rated Hong Kong as the best place to do business, followed by Sydney, Singapore, Auckland and Tokyo. The factors considered included a global cost of living survey and an interview of more than 1 700 senior executives all over the world on the places where they like to do business. In terms of the total amount of foreign investments, Hong Kong is the fourth largest banking and financial centre in the world. In terms of trading volume with other places, Hong Kong ranks 10th as a world banking centre and the third in Asia. Hong Kong is one of the places with the greatest number of representative offices of international banks. In the year 2001, we have 138 foreign banks and 79 of them belong to the top 100 banks in the world.

I would like to talk also about the situation in the tourist industry. In the 8th Annual World Travel Award in 2001, Hong Kong was rated by travel agencies worldwide as one of the most important tourist destinations in the Asia-Pacific Region. In 2000, Hong Kong was named in the 5th World's Best Award as Asia's best city for travel and leisure by the travel magazines of the United States. I have highlighted these examples only to show the many awards we have and that we are the best in some of the major multi-national industries.

We all know that Hong Kong is implementing a promotion campaign called "City of life: Hong Kong is it!" The slogan does not represent some sort of praises that we sing on ourselves. It is the result of a survey we have conducted overseas on how foreigners would see Hong Kong. We find that people overseas think that Hong Kong is a very dynamic city and they would be filled with vigour and vitality when they come here. They think that Hong Kong people are very smart, capable and efficient. All this shows that they have a very favourable impression of Hong Kong.

Doubtless events have shown that many of the worries people harboured before 1997 have never materialized. In a talk held before 1997, Mr Martin LEE and Mr Jasper TSANG were both there, I was there too. Mr TSANG said on the occasion that if Mr Martin LEE was to be put into jail, he would go to jail with him. At that time, I also had the urge to say the same thing to Mr LEE, but I thought then it was not necessary, for I thought no one would be imprisoned for the things mentioned at that time, and the fact was no one was to go to jail for that. That was a good thing.

I agree with what Mr LEE Cheuk-yan has said earlier. However, when I was listening to his speech, I was very surprised why he is not a member of our Liberal Party, for he said that it is a consensus in Hong Kong to protect freedom. That is in total agreement with the position of the Liberal Party. We are of the view that freedom is the most precious and vital asset we have and we cherish and respect human rights. So there is no need for us to say all of a sudden that human rights should be respected. That is simply not the case. But please do not forget, the human rights situation in any place of the world is the result of gradual development and there is no list as such which requires every place in the world to follow suit.

President JIANG Zemin once said, the most fundamental human right as applied to China is to have rice for everyone. People in Hong Kong are very fortunate, they do not know how it is like in the mountains and impoverished

areas in China. People living in such places will need to have rice first before they can survive and go on living.

We have to respect human rights and the rule of law. The reason why we are still confident that Hong Kong will continue to surge ahead is mostly because we still have these institutions. However, does it mean that Hong Kong will only become a cosmopolitan city if and only if there is universal suffrage? The answer is certainly no. Ours is already a cosmopolitan city. For more than a century, we have not had this system, but we have transformed into a cosmopolitan city. It remains of course that we want Hong Kong to make further progress in the days ahead. We also hope that our political and spiritual leaders can send a positive note to the community so that we can all rally to the realization of our common goal.

MR ALBERT HO (in Cantonese): Madam President, when we talk about how to set a common goal, that is, to develop Hong Kong into a first-class cosmopolitan city, we need to be clear about our concept of what a first-class cosmopolitan city should be. After listening to the speeches made by Honourable Members, I find that the concept of a cosmopolitan city may be different among Honourable Members. For example, Mrs Selina CHOW thinks that Hong Kong is already a cosmopolitan city, but other Members think that we still have to work towards this goal for there are some things lacking. The debate we have now may serve to clarify our understanding of this concept.

I think there are two levels in this debate. First is an affirmation of some values, which is very important, for a cosmopolitan city should not just focus on economic development or the building of hardware infrastructure. This is clear enough. That is also one of the important points of the motion moved by Mr Martin LEE today. In our view, economic development alone is simply not sufficient, for it should not be taken as an end. The economic development of any society is undertaken with the ultimate aim of building a people-oriented society where people can live happily and in a dignified manner, and where human rights are protected. This is an affirmation of values and I hope our debate can serve to make this clear.

The second point is a question of understanding. How are human rights, the rule of law, democracy and social justice related to economic progress? We think that they are closely related. From a long-term perspective, the former

are an indispensable condition for the latter. I hope, however, that Honourable Members will not confuse the logic here. An indispensable condition does not equal to a sufficing condition. Mr James TIEN said earlier that there is democracy in some places but they do not have a well-developed economy. The fallacy in logic here is due to the fact that we do not think that this is a sufficing condition. It is only a necessary condition seen from a long-term perspective. The problem for Hong Kong is that we do not have universal suffrage. Issues like human rights, freedom and the rule of law are not simply a question of whether they exist in our society or not, but whether they can meet the requirements of Hong Kong as a cosmopolitan city and whether they can meet the standards required of Hong Kong as commonly acknowledged by the international community. As we are a signatory to the International Covenant on Human Rights, we should ensure that we meet the standards required. These two issues are therefore the thrust of the debate today.

In our opinion, the Government is determined to develop our economy and that is beyond doubt. The Chief Executive has put forward many views on that and I do not intend to repeat them here. Our worry, our doubt is whether he has the same determination in defending human rights and the rule of law. In terms of his values, would he accord a high priority to adhering to and constantly respecting human rights and the rule of law? A lot of controversies have happened here and these have injured our judicial independence and the rule of law. These include incidents like the interpretation of the Basic Law by the National People's Congress (NPC), the dropping of charges against Ms AW Sian, and so on. On the issue of human rights, we see that the Government is tightening the enforcement of the Public Order Ordinance and Falun Gong is branded as an evil cult without any legal basis. All these incidents have caused damage to the reputation of Hong Kong as a modern and civilized city which should be endowed with the enjoyment of human rights and the rule of law.

Some people may argue that the events mentioned by me are exceptions and they will not happen so often. For if it is not dictated by necessity, we will not resort to requesting the NPC to make an interpretation of the Basic Law. However, I would like to tell Honourable Members when a society which used to enjoy freedom and the rule of law is seeing these very same qualities being threatened and withering away. It is when the Government begins to create exceptions after exceptions and when the people begin to tolerate these exceptions that human rights, the rule of law and freedom will gradually disappear. That is why we say that these issues are sounding an alarm for Hong

Kong. For a community under the rule of law cannot permit this kind of unreasonable and illegal creation of exceptional cases.

Mr Jasper TSANG has said boldly that if Mr Martin LEE has to be jailed for something, he would go to jail with him. I admire him for the boldness of this remark, but can he say more boldly that if Falun Gong is suppressed without any justifiable grounds, he would come forth and defend it? A free and tolerant society does not merely protect those people who have come out of their world and are known to the public or have gained a certain extent of support from the public. It should protect those who are regarded as outcasts, those minorities who are not welcome. Anyone who is permitted and tolerated by our laws should be given the same protection.

It is true that in many countries, democracy takes a long time to grow and mature, but given our social conditions, do we need as much as 100 or 200 years? The Sino-British Joint Declaration gives the people of Hong Kong a pledge for democracy and that is something not given. A pledge made by two countries is certainly of great importance, but it is more important for a society to grow into maturity and be responsive to the expectations of the people. In fact, during the 1970s, many of the demonstrations and other social activities were part of the democratic movement. Social justice is an even more vital issue. If there is no caring for the poor and the disadvantaged, there will not be any equality of opportunities, and a free society is then beset with flaws. When people do not enjoy any opportunities of competition, a society will never hope to become a first-class cosmopolitan city. Therefore, I hope Honourable Members will support the motion moved by Mr Martin LEE.

MR CHAN KAM-LAM (in Cantonese): Madam President, after listening to the speech made by Mr Albert HO, I feel like to say a few words as well. It seems he is suggesting that we do not have any human rights or democracy and that human rights are vanishing gradually. All those are intimidating remarks which will scare the general public. As we now wish to develop Hong Kong into a cosmopolitan city, we need to improve human rights and democracy, but I cannot agree with the arguments advanced by Mr Albert HO.

We understand that in the past few years our economy has been devastated by the financial turmoil and progress in a number of areas has not been satisfactory. The people of Hong Kong are in a very sensitive mental state and

a lot of things can lead to grievances. In such circumstances, we can say that both the economists in Hong Kong and overseas would agree that in the face of a major adjustment like this in the economy, there would not be any panacea which can solve all the problems. This is even more so when the daunting task at hand is to build Hong Kong into a cosmopolitan city. Many countries and cities all over the world are using all sorts of means to strive to become cosmopolitan cities, financial hubs and transport centres. But will they be successful? On the other hand, there are many countries which, despite their long history of democracy, still have problems in human rights, racial discrimination, and so on. If we are to use the standard suggested by Mr Martin LEE or another Honourable Member, then many countries will not qualify as cosmopolitan cities. Take the United States as an example. The problems of racial discrimination and the disparity between the rich and the poor in Harlem are very serious by any standard in the world. The unemployment rate in the United States is not low at all; it is close to our 4.6%. So I think that over-emphasizing the lack of democracy, human rights and the rule of law in Hong Kong despite our economic growth is wrong and misleading.

I have listened to the debates on the many bills today and especially on the efforts made by Honourable Members of the democratic camp to rally behind the motion moved by Mr Martin LEE, in particular the absurd arguments in the speech made by Mr LEUNG Yiu-chung, and I think these are nothing but ludicrous. Mr LEUNG puts the economy of Hong Kong side by side with democratic elections, the return of Members of the Legislative Council and the Chief Executive by the "one person, one vote", and even to the extent of linking spitting and littering the streets with the lack of democratic elections. That has really shocked me as I have never realized such a great influence which democratic elections can have on economic development.

In addition, the one-sided attacks on the present state of Hong Kong, such as accusing the Government of favouring the rich and that certain policies make the poor poorer, and so on will not make our society any better. Will these improve or tarnish the international image of Hong Kong? As a matter of fact, we need to ponder over the fact that now more than half of the population of Hong Kong live in public housing estates and there are tens of thousands of families receiving public assistance; all these are real honest-to-goodness facts which we cannot deny. Over these many years when our economy was having

a rough time, the Government adopted some measures to provide training to the people and helped them tide over their difficulties. All these are real facts. The complaint that working hours are linked to the sales turnover of the companies may well be just an extremely rare example. I do not think this is a common phenomenon in Hong Kong.

Certainly, I must commend Miss Cyd HO for talking about the open and tolerant society in the Tang Dynasty. But please do not forget, we should never go back to the feudal past. We know very well that we have to develop a democratic and open society, but we should never lavish our praises on the feudal society of the Tang Dynasty. Having said that, however, I agree very much to the view that if and only if our society can be open and tolerant, then there can be progress, for even as a feudal society, the Tang Dynasty made great strides in progress.

So when we discuss the development of democracy in a rational manner, we may have different views, but they are never absolutely true. What we are discussing is a question of pace and on this point, the Basic Law has clearly provided that we shall have a thorough review of that by 2007. As to the question of how democracy is to make its progress, I think this is well taken care of by a specific timeframe and plan. Honourable Members may therefore like to focus their discussions on the pace of democratization. Thank you, Madam President.

MISS CYD HO (in Cantonese): Madam President, I would like to make a clarification.

PRESIDENT (in Cantonese): Fine.

MISS CYD HO (in Cantonese): I have said earlier that I use the example of Changan in the Tang Dynasty purely from the perspective of cultural plurality. As for other issues in relation to a democratic system, I would certainly not hesitate to unleash my criticisms if I want to. So would Mr CHAN Kam-lam please stop twisting my arguments to suit his purpose.

MR ALBERT CHAN (in Cantonese): Madam President, every time when the Honourable CHAN Kam-lam speaks, he will get on my nerves. I majored in philosophy and political science in university and every time when I analyse Mr CHAN's speeches from the angle of political science and philosophy, I would find many fallacies and contradictions in his arguments which are paradoxical. As a student in philosophy and political science, if I do not respond to his speech, then I am really letting down those professors who have taught me before.

Madam President, I would like to say a few points briefly, and I hope Honourable Members will also think about them. First of all, what are the basic qualities we require of Hong Kong if we want it to become a so-called cosmopolitan city? Members may put it clearly if what they want is a big city with nothing but economic prosperity and achievements and devoid of democracy, human rights, freedom and a tolerance of dissenting views. Some people may think that at this present stage, things like democracy and human rights are not important and everything must follow their course of orderly progress and they should be implemented by stages. As a matter of fact, we have heard such views for decades. The development of democracy involves the quality of our society and it is necessarily related to the needs of the public and their lifestyle. We cannot just ask for a prosperous society that totally rejects the quality of life and other essential elements. The quality of life embraces a lot of aspects, including the freedom of religion, speech, expression and choice of different styles of living. Hong Kong is still lacking in many of these freedoms. I think even those Honourable Members who oppose the views of Mr Martin LEE will not deny that Hong Kong still has to face a lot of problems and it is unable to meet the basic requirements of a cosmopolitan city in the eyes of some Honourable Members.

To put it simply, let us look at the question of religious freedom first. I am surprised to learn that even in present-day Hong Kong there are so many people who oppose the application made by Hong Kong Muslims to build a mosque. The application has suffered delays. On the issue of Falun Gong, the Chief Executive has said that it is an evil cult and I fail to see many Honourable Members put forward their views and criticisms. That is an important point related to the freedom of religion. If we do not show concern for acts which reject other religious beliefs and do something about them, the freedom of religion in Hong Kong will gradually vanish. When some people rally or stage processions, and if the police deal with such political acts by imposing some unreasonable control, then the freedom of political beliefs will also disappear and be taken away gradually.

Mr CHAN Kam-lam was right when he said earlier that cosmopolitan cities should have the tolerance to accept differences in opinion. But that is not a gift given by the Chief Executive or some officials to the people, but such tolerance of differences should be an essential quality of any cosmopolitan city and it has to be assured by institutions and law. If it is some kind of personal gift given by some officials, that is not something which one expects to find in a cosmopolitan city.

Many people like to mention the feudal system and the colonial era, that is precisely the reason why we do not want to revert to any system associated with the colonial era. Under the British colonial rule, Hong Kong did not have any democracy and there was a constant exploitation of human rights and democracy. At that time, I was an ardent supporter for the reversion of sovereignty and reunification, then there appeared some people who suddenly professed to be patriots and who made a drastic change of their political stance. These people created some other problems. All colonial systems are devoid of democracy and we cannot say what we are doing is right because the things which happened in the past were wrong, nor can we allow past mistakes to continue. The existing Public Order Ordinance is a piece of unreasonable legislation. It was unreasonable in the colonial times and now it is still unreasonable. That is why we demand an amendment of the Ordinance. We used to have no direct elections in the past, did we not? It was only in 1981 that we had district board elections, and that was a beginning. But things were not satisfactory. That was why the democratic camp fought for direct elections, in 1988. Many Honourable Members who are returned by elections did not take part in the activities fighting for direct elections in 1988. As a matter of fact, many of the social activities are directed against certain social problems, and flaws in government policies and laws. To put it briefly, the disturbances and riots in 1967 happened because of the opposition to violent repression and the British rule, and that was a public outcry against the unreasonableness and disregard of public interest under an authoritarian government.

So with regard to this issue of a cosmopolitan city, if certain qualities are singled out as so-called qualities of a cosmopolitan city and allowed to override others, that is certainly not the kind of cosmopolitan city I have in mind. I do not want my children to live in such a place without any human rights and the rule of law. I hope that through the arguments presented in this debate, as Mr Martin LEE said at the beginning, that Honourable Members are given a chance to say what they want to say and to probe into the root of the problem. When I

was a student, I read the *Selected Works of Mao Tse Tung* and the greatest inspiration I got from it was that truth will become more apparent when it is debated and that truth can be verified through contradictions. I think the various arguments presented in this debate are not entirely groundless and there is a grain of truth in some of them, even though there may be some others which are quite absurd. I only wish that Members can think more about what kind of a cosmopolitan city they want their children to live in, for it is a vital issue to ponder. Thank you, Madam President.

MR CHAN KAM -LAM (in Cantonese): Madam President, I am very sorry, but I would like to make a clarification, for when the Honourable Albert CHAN responded to my speech, he was quoting my words to the effect that I was stressing a preference of economic growth to human rights and the freedom of religion and thinking

PRESIDENT (in Cantonese): Mr Albert CHAN, please sit down first.

MR CHAN KAM-LAM (in Cantonese): Madam President, I would like to say a few words. I did not say that we did not want human rights, the rule of law or a democratic society. I was only saying that given the present pace and under the Basic Law, we had these things already. What we differ in opinion may just be on the question of pace. Thank you, Madam President.

PRESIDENT (in Cantonese): Mr Albert CHAN, do you wish to make a clarification?

MR ALBERT CHAN (in Cantonese): Madam President, I have not accused him of these. I was only saying that there were a lot of fallacies and contradictions in his arguments. The only thing I quoted from him was his view on the tolerance of differences in opinion. I agree with what he said on this tolerance of differences in opinion, but I have also pointed out that this cannot be a grace from the Chief Executive or any other officials. It should be assured through institutional and legal protection so that every member of the public may enjoy this right.

MR LAW CHI-KWONG (in Cantonese): Madam President, I would like to respond to two issues mentioned in the motion moved by Mr Martin LEE, that is, on cultivating a healthy natural environment and a social system that upholds social justice and the dignity of the individual. When Mr CHAN Kam-lam was speaking earlier, I was amazed that the words of Mr Albert HO could have such an impact on Mr CHAN Kam-lam, that he became a bit scared. The events mentioned by Mr HO are only meant to sound a kind of alarm, but not a death knell. If it is the latter, then it would mean that human rights are dead in Hong Kong and there is nothing left. That is really terrifying. Mr HO was only saying that an alarm was sounded and we had to put in more efforts to protect our human rights. If this kind of things happen again and again, our problems will become increasingly serious.

Another point I wish to respond is that the criticisms we make in this Council or outside it on government policies may sometimes be described as comments smearing the reputation of Hong Kong. What good are the comments made by Mr CHAN Kam-lam to Hong Kong? When we are saying these things, we must be careful, for they may turn into criticisms against those who criticize the Government and that implies that they are causing trouble. The impact will be more negative. The Honourable Abraham SHEK mentioned earlier that he could not agree entirely with Mr Martin LEE's description of Hong Kong, for he thought that Hong Kong was pretty fine. It was because many people could keep on criticizing the territory or hold demonstrations. That shows that Hong Kong is a good place to live. Honourable Members may have many different views on that, but please do not always accuse those who criticize the Government of stirring up trouble. Actually, these people hold demonstrations and rallies after making a formal application and they are holding these activities in peace. So when different voices are heard and opinions expressed, that would conversely be beneficial to the reputation of Hong Kong.

I would like to turn to the part on cultivating a healthy natural environment. It is necessary that we should have a good living environment if we want to turn Hong Kong into a cosmopolitan city. We should also bear the responsibility of cultivating a healthy natural environment and fulfill our international obligations in this connection. This Council has discussed the issue of air quality many times over the past couple of years, so I do not wish to repeat the details here. We all know that the overall air quality in Hong Kong has worsened in recent years. Visibility has declined. Those people who used to pay very little attention to environmental issues, including those in the business sector, are

beginning to talk about these issues in recent years. Through the proposals made both in and outside the Council in the past two years, plus the relevant efforts made by the Government, we have in fact launched quite a number of mitigation measures. But this is only a beginning. We have to keep on exerting more efforts. It is only natural that when population grows and as the economy prospers, the environment will worsen. Even if we are making good progress in environmental conservation, actually our efforts are not that effective after all, but if we stop making progress, our environment will continue to worsen. That is because of population and economic growth. So with regard to environmental efforts, we will fall behind if we do not make any progress. Only when we are making progress all the time and putting in the best of our efforts that the objective of cultivating a healthy natural environment can be fulfilled.

Despite its small size, Hong Kong does possess a lot of breathtaking natural scenery. Yesterday, when I had a meal with other Honourable Members, one of them mentioned the scenery in the Lake District of Britain. I remembered visiting the Lake District 20 years ago. My first impression was that it was not as beautiful as the Tolo Harbour in Hong Kong. That was what I felt 20 years ago. Now if we go to Tolo Harbour today, we would certainly have to stretch our imagination and take away the buildings which flank the harbour before we can savour the beauty of times past.

I do not know if Honourable Members have ever trekked from Yim Tin Wan in Sai Kung to Tai Long Sai Wan. I am sure we will all be impressed by the surging waves pounding on the rocks at the bottom of the cliff. How breathtaking! Have Members ever been to the reservoir in Lau Shui Heung? I am sure they would agree that it is a beautiful place, but one should not flock there with the crowd of holiday-makers to enjoy the beauty of the place. My first impression of the place is that if I could paint some snow on the top of the hills there, it would be as beautiful as Lake Louise in Canada. The problem is, in a subtropical place like Hong Kong, we can never have snow-capped mountains. In fact, we have a lot of beautiful places, for example, if we go to the afforestation areas near the Tai Lam Chung Reservoir, we can imagine ourselves having entered a subtropical forest. Hong Kong is a small place, but still it is endowed with beautiful scenery. These are very precious assets. If we do not put in the best of our efforts to preserve the natural scenery, our next generation can only see such scenery from documentary films. It is a pity that they will never feel the beauty of it.

Therefore, when we talk about turning Hong Kong into a cosmopolitan city, we should not just think of skyscrapers or those office buildings in which we work. We should think also of those places which are pleasant, relaxing and endowed with natural beauty. These are not places which we have to travel by aeroplanes or coaches to get there. Any cosmopolitan city should be able to integrate various economic, cultural and environmental elements into a harmonious entity.

Now I would like to talk about the question of upholding social justice. The question of social justice is abstract and we may talk hours on it. I would like to point out briefly that there are two major elements in social justice. One is equality of opportunities and the other is sufficient protection. On the point of equal opportunities, now in Hong Kong the disabled still do not enjoy equal opportunities and rights to take part freely in the activities of the community. They encounter problems in transportation and many places are inaccessible to them. For women, as they have family obligations, they are unable to take part in all the activities in the community. So there are still many people in our society who do not enjoy equal opportunities at present.

As for the issue of sufficient protection, the availability of equal opportunities does not imply a chance to make a living. Even if there is an environment of equality, there are still some people who need to be provided with adequate resources before they can meet the basic needs of life. And that depends on the overall social security system that we have.

Madam President, as time is running short, I have to conclude my speech. With these remarks, I support the motion.

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

(No Member responded)

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I am very grateful to the many Honourable Members who have actively made their speeches just now. First of all, I should like to point out that as Mr Abraham

SHEK and Mrs Selina CHOW said, Hong Kong is already a world-class cosmopolitan city in Asia by many different standards. Certainly, as also pointed out by Mr LEE Cheuk-yan, Mr TAM Yiu-chung and Mr Albert HO, economic performance should not be the only indicator for a cosmopolitan city. We do agree with their view. Indeed, we do not need a debate if we just look at the economic figures in real terms. As at present, our per capita income stands at a level close to that of the British and not lagging far behind the Americans. Back in Asia, we are only second to Japan. Nevertheless, even judging by other indicators, including human rights and other social indicators, our achievements are still highly remarkable.

Let me explain this point with a few examples. We are one of few places in the world where human rights are codified in law. We have signed a total of 14 human rights conventions several of which even the United States has refused to become a signatory. With regard to social indicators, about 51% of our population are living in government-subsidized housing, while expenditure on education has increased tremendously by almost 50% over the past three years to help achieve the reform objectives. Now, let us take a look at other figures. Of the students studying in the eight tertiary institutions in Hong Kong, about 42% are living in public rental housing. This is proof positive that there are plenty of opportunities of upward movements in society. At present, our welfare system is providing assistance to 230 000 needy people in our safety net; besides, almost 550 000 elderly persons are receiving a certain form of thanks from society through the Old Age Allowance and other allowances. So, from whatever angle, Hong Kong is indeed a world-class cosmopolitan city.

Nevertheless, as Mr James TIEN said earlier, many things can happen in an ever-changing world. Mr TIEN mentioned that the share price of HSBC, which tops the share prices of all listed companies in Hong Kong, was significantly affected after economies in South America had taken a turn for the worse. So, this is one example. Miss Cyd HO has mentioned the flourishing age of the powerful Tang Dynasty in her speech. I love history and have always revered the flourishing age of the powerful Tang Dynasty. I revere the Tang Dynasty not because of its strong power but, like Miss Cyd HO, because of its liberal and open-minded culture. But then, during the zenith of the Tang Dynasty, the seeds of the uprising led by AN Lu-shan and SHI Si-ming were also sowed. Because of this massive uprising, Changan, the world's biggest cosmopolitan city then, was reduced to ruins and debris in just a very short period of time, and millions of Tang subjects were plunged into misery and

suffering. As regards the causes for this uprising, we may discuss that further later on.

Madam President, I wish to make a point, and that is, the success and decline of a city is the result of many highly complicated factors, which can never be affected by the power or wish of any individual or government alone. Bearing in mind that the success or otherwise of a city is attributable to many external and internal factors, the Government of the Hong Kong Special Administrative Region (SAR) should never slacken off but remain highly alert all the time. Earlier, both Mr SIN Chung-kai and Miss Cyd HO mentioned that it would be easier to set up the hardware than cultivating the software. We also share their view. Hence, there is indeed a need for us to carefully review and reflect on the implementation of our policies at each and every stage, and to endeavour to do a good job of our software and hardware projects.

Madam President, now I should like to respond to the views raised by Members in respect of several areas. The first area is political system. Many Honourable Members, including Mr Eric LI, Prof NG Ching-fai, Mr James TIEN, and so on, have pointed out that political system itself may not necessarily offer protection for human rights, the rule of law, or economic growth. I believe this is an indisputable objective reality. Nevertheless, politics and economics are of course closely related, and that is why political system is so important to the development of a city. Mr Martin LEE has made it clear on the outset that democracy, human rights, the rule of law and freedom are elements essential to a civilized society. In principle, these elements are universally accepted standards are by no means disputable. But does Hong Kong have any material controversy in these respects? I do not see any controversy under most circumstances. The only controversy is over the pace of development. Earlier on Mr CHAN Kam-lam has spoken very clearly on that. However, as a government official, I certainly have to repeat those points in detail for the record.

The Basic Law has laid down the blueprint for the future democratic development of the SAR. It has also stipulated the principle that the democratic development of the SAR should proceed in a gradual and orderly manner. With regard to the Legislative Council election, a mechanism has been provided for in black and white under Annex II to the Basic Law to enable the SAR to decide on its own the method for forming the Legislative Council after 2007. Regardless of the method to be adopted, the ultimate aim is election by universal suffrage.

The development of political structure is a very important matter affecting the entire society profoundly. For this reason, we must examine carefully the impact of political reform on society and handle the matter step by step. The two important milestones in the development of Hong Kong's political structure in the run-up to 2007 are the Chief Executive Election and the Legislative Council Election to be held in 2002 and 2004 respectively. We will draw on the experience of these two elections to determine the direction in which we will develop in future. In reviewing the arrangements for the development of our political structure after 2007, we will conduct extensive consultations to facilitate sufficient and comprehensive participation by members of the public throughout the entire review process.

The Basic Law has also laid down clearly the method for selecting the Chief Executive. Article 45 of the Basic Law stipulates that the method for selecting the Chief Executive shall be specified in the light of the actual situation in the SAR and in accordance with the principle of gradual and orderly progress. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures. Annex I to the Basic Law also prescribes the specific method for selecting the Chief Executive.

The second Chief Executive Election will be held in late March 2002. The legal basis for the election is provided for by the Chief Executive Election Bill passed by the Council yesterday. The first and foremost task before us now is to start drafting the relevant subsidiary legislation and to put into operation the specific arrangements for the Chief Executive Election.

In future, we must review the methods for selecting the Legislative Council and the Chief Executive in the light of the actual situation in the SAR and in accordance with the principle of gradual and orderly progress as well as the requirements prescribed in the relevant Annexes.

The second subject is related to human rights and the rule of law. As many Members have expressed their views on this subject, I should like to briefly give a summarized account of our views before responding to the major points raised by Members. We consider that Hong Kong maintains a good record in terms of human rights. Indeed, we are not the only ones who hold such view. Perhaps Members may think that the views of the media in the West on us are more on the negative side. In reality, however, the British newspaper

The Observers conducted a rather comprehensive survey in 1999 and gave us a rating higher than that of the United States, Britain and Australia. I believe the relevant records can be looked up very easily.

The human rights enjoyable by the people of Hong Kong are built on the basis of the rule of law, which is also the underpinning of the judicial system in force in Hong Kong over the past 150 years. I know some people are concerned that the rule of law may be injured. But as I have explained on many local and international occasions, such concern is unfounded. In Hong Kong and in other places alike, the rule of law remains an essential factor in maintaining justice. To both individuals and society as a whole, the rule of law is the ultimate assurance and protection for human rights. Under most circumstances, our common law system operates in exactly the same way as it did before the reunification. Under certain circumstances, the core concept of this system offers us even a greater degree of protection than it did before. Basic principles like judicial independence, the right to invoke the precedents of other common law jurisdictions, respect for human rights, and so on, are protected by the Basic Law. I am sure the common law system will remain in force in future, and the Basic Law will continue to provide a sound foundation for the continuous operation of the existing legal system, respect of human rights and adherence to the rule of law in Hong Kong.

Our legal system is founded on the rule of law. Our laws provide for not only the rights enjoyable by the people of Hong Kong but also the protection for such rights. On the constitutional front, these rights are already prescribed in the Basic Law, particularly under Chapter III (Articles 24 to 42).

Further still, the Hong Kong Bill of Rights Ordinance, which has a binding effect on the Government and public bodies, has incorporated the provisions of the International Covenant on Civil and Political Rights that are applicable to Hong Kong into the local laws. Apart from that, many specific rights prescribed in the various international covenants are provided for under other laws and regulations, such as the Sex Discrimination Ordinance, Crimes (Torture) Ordinance and Personal Data (Privacy) Ordinance.

In addition to legislative means, we have also set up a number of agencies responsible for protection of human rights. These include the Equal Opportunities Commission, Office of the Privacy Commissioner for Personal Data, Office of The Ombudsman, Independent Police Complaints Council, and so on.

Any persons in the SAR who consider that their human rights have been infringed upon may institute legal proceedings through the Court. For those who have financial difficulties, legal aid will be provided. I believe Members are aware that the Legal Aid Department has already relaxed the criteria for granting legal aid to applicants involving in human rights cases. Certainly, the performance of the Government is always closely monitored by a free and watchful press and many non-government organizations. At the same time, since Hong Kong has to regularly submit reports in accordance with the provisions prescribed in the six international human rights covenants, the relevant commissions under the United Nations Organization are also keeping a close watch on the human rights situation in Hong Kong.

Human rights protection is a very important task, so we must proceed step by step so as to achieve proper development on all fronts. Nevertheless, there will never be room for complacency. We will continue to endeavour to do an even better job.

During the debate just now, individual Members have mentioned some cases in their speeches. Dr YEUNG Sum, for example, mentioned that racial discrimination is still a problem in Hong Kong. We admit that Hong Kong is not free of this problem, but the real situation is far from serious by international standards. An objective fact remains that while Hong Kong has a expatriate population of almost 500 000, cases of violence involving racial discrimination are almost unheard of in this densely populated city. This is indeed a remarkable record compared to the major cities of many other advanced countries in the world. Another issue mentioned by Dr YEUNG Sum was demonstration.

Mr Albert HO has referred to some exceptional cases. He said that crisis would arise if the rule of law should be affected by any exceptional cases. Apart from that, Mr HO also mentioned the case of Falun Gong. Regarding the right to hold demonstrations, actually I believe if Members can look at the facts in an objective manner, they will see that any persons who have frequently participated in demonstrations just do not think demonstration activities have been subject to any unnecessary restriction after the reunification. Compared to the situation before 1997, in most cases the requirements imposed on demonstrations held after the reunification are more lenient. What is more, our restrictions are even more lenient than many cities in Britain and the United States. Having said that, I do agree with Members that we should never slacken off in this respect. Both the Government and Members should never slacken off.

I should also like to respond to the speech made by Miss Margaret NG, as she has given us a very moving presentation in speaking on the rule of law and the pace of democratization. Miss NG has also spoken on the importance of evidence, argument, and procedures in relation to the rule of law. To err is human, and to err in the Court is no exception. That is why we should establish a culture of rationality to enable each one of us to have the capability to reflect on our own deeds, to admit our wrongs when warranted, and to further improve on our performance. In my view, the idea put forward by Miss NG is by no means disputable as a principle. Even if we perceive her idea as a kind of spirit, I do personally agree that there is a need for Hong Kong to establish a more rational culture, rather than arbitrarily criticizing and condemning each other in the absence of good reasons.

The third point I wish to speak on is related to justice and dignity. As Mr LAW Chi-kwong pointed earlier, this is an issue that can hardly be explained clearly. But as a society, is Hong Kong only concerned about economic activities without paying any regard to justice? Certainly not. Just now I began my speech using a number of social indicators in my examples to make it clear that Hong Kong is not such a society. Actually, I can quote a lot more indicators as examples, but since I believe Members should be very familiar with such examples, I do not wish to waste their time on them. Nevertheless, I wish to add one point. As members of the public, the price we have to pay for the social indicators mentioned by me earlier, which is the tax we pay, may most probably be the lowest among the highly developed countries and regions. While our working population is over 3 million strong, only about one third of this population has to pay tax. As regards those who have to pay tax at the standard rate of 15%, they amount to only 0.3% of the working population. Earlier on, the Honourable Bernard CHAN also pointed out that we should examine this issue carefully. In any case, the SAR Government fully subscribes to the principle that a society should uphold social justice and respect the dignity of individuals. As regards the method to achieve this objective, it is necessary that we look at the overall picture. We must ensure that the people of the SAR shall continue to have freedom of thinking, freedom of expression and personal freedom. We must ensure that sufficient freedom of information and freedom of press, and that the people shall be allowed to choose their own ways of life under the major premise that the interests of the public will not be affected. All these freedoms must be safeguarded by a high quality judicial system which attaches great importance to the legal system. As at present, we have a strong and powerful Judiciary, sound spirit of the rule of law, and a government with

the determination to uphold these freedoms. So, our indicators in this respect are quite good. But then again, I also share Mr LAW's view that there may be certain areas where we still have room for improvement or where we should further enhance our work. For instance, we have to put in more efforts to enhance the opportunities for the disabled, ethnic minorities and new arrivals to integrate into society and to engage in fair competition.

Madam President, now I should like to speak on the increasingly serious social conflicts in Hong Kong, a phenomenon which I believe Members have also become aware of. Earlier on, both Mr LEUNG Yiu-chung and Mr LEE Cheuk-yan have cited some examples in this connection. But then, are those cases brought about by retrogression in human rights and the rule of law, or are they the by-products of economic recession? I believe the latter factor is far more important. As Mr TAM Yiu-chung pointed out in his speech earlier, because our economic competitiveness is subject to tall challenges in the international market, many conflicts have arisen between the different sectors of society. Examples of such issues include the income level of lower-skilled workers, polarization between the rich and the poor, hours of work, and so on. All these explain why the SAR Government has to vigorously promote a series of policies over the past few years. These policies include manpower training, training for the under-skilled workers, admission of talents from outside Hong Kong when necessary, development and application of high technology, and so on, all of which are meant to enhance the competitiveness of Hong Kong and to ensure the continuous development of our economy. Why is it so important to ensure the continuous development of our economy? This is because without any economic development we can hardly have the resources required to promote the work to improve human rights, the rule of law, social justice and the dignity of the individual, which can be rather resources-intensive. Thus, to this economy-based society of Hong Kong, maintaining economic growth is not only the most important but also the top priority target after all.

Madam President, we are still optimistic about our capability to maintain our status as a cosmopolitan city in the future in view of our advantageous position. On the economic front, we are backed by our Motherland and facing the world. Looking back on the past two decades, throughout the '80s and even '90s China was invariably listed among the countries with the highest annual average growth rates. Moreover, we have every reason to believe that our national economy will continue to grow at a remarkably high speed in the coming 10 years following the country's accession to the World Trade Organization.

Hong Kong is therefore at a very advantageous position. As our country keeps opening up further and the national economy continues to develop, the economy of Hong Kong will certainly be benefited continuously. On the political front, our Basic Law has prescribed the orderly progression towards a more open election system allowing greater public participation. For this reason, we will certainly be making further advancement on the political front in the days to come. More importantly, since our people have a strong sense of freedom and the strong wish to safeguard the rule of law, the sound system of the rule of law will certainly be maintained. Further still, the people are also strongly aware of the need to monitor the performance of the Government to prevent abuse. In view of the fact that the 7 million-strong people of Hong Kong are highly self-defending and aware of the need to monitor the Government, we have every reason to believe that it is indeed unnecessary to worry too much about any retrogression in human rights and in the rule of law.

Just now many Members have referred to the rating that international institutions have accorded to Hong Kong. Although I have already cited the rating accorded by *The Observers*, I should like to cite yet one more appraisal which is rather comprehensive, covering not just the economic aspect alone. This is an appraisal made recently by the European Commission. If I remember it correctly, it was made last year. The original remark in English reads like this: "European Commission concludes Hong Kong remains one of the freest societies in Asia. Hong Kong people are running Hong Kong and doing so effectively." This is the conclusion made by the European Commission, not any individual country. From this recent appraisal, we can have an idea of how others view us.

Madam President, Hong Kong is one of the highly developed cities in the world, and this is attributable fully to the hard work and good efforts made by the people of Hong Kong. Whether in our capacities as the people of Hong Kong or Chinese people, we should really be proud of our achievement and the fruits of the good efforts we have been making over the years. In fact, our past achievements should be attributed fully to our self-reliance and continuous hard work. We do not have any foreign debts, nor have we received any assistance from overseas. On the whole, it is our own hands and efforts that have developed Hong Kong into a world-class cosmopolitan city. To maintain this status, we cannot rely on the efforts of the Government alone. Rather, every member of society should join hands to contribute to this end. The people of

Hong Kong are diligent, full of creative ideas and highly adaptive. These are exactly our competitive edge. Ours is a free society which upholds the rule of law, abides by the law and respects the rights and freedoms of others. We have freedom of information, freedom of thinking, and a clean Government which strives to uphold justice and order. We are not singing our own praises, for all these are the reasons given by 3 000 overseas companies in Hong Kong when asked why they have chosen to set up offices here, and they are recorded in black and white. Hence, we should continue to make good use of our competitive edge and strive hard, on this basis, to maintain Hong Kong as a thriving economy and a society that is fair, just, harmonious and stable. Just as Mr Eric LI said, we must improve ourselves and conduct ourselves with dignity. Here, I should like to add one more point: we must also reflect on and review our own work, with a view to ensuring that Hong Kong can rise to the world's challenges in future and enable the people of Hong Kong to continue to enjoy the fruits of their own efforts. Thank you, Madam President.

PRESIDENT (in Cantonese): Mr Martin LEE, you may now reply and you have up to six minutes 42 seconds.

MR MARTIN LEE (in Cantonese): Madam President, there are two Honourable Members among us who share the same family name of HO, and they are Miss Cyd HO and Mr Albert HO. These two Members are both very concerned about the issue of human rights and both of them mentioned the city of Changan in the Tang Dynasty. Changan is undoubtedly a cosmopolitan city, but it later vanished into the ashes. Why? It was because of the uprising engineered by AN Lu-shan and SHI Si-ming, and also because there was no democracy then. Otherwise, the prosperity of Changan would have sustained even to this day.

I would like to respond to the remarks made by Mr Jasper TSANG. Mr TSANG was very kind in saying that if I had to be put into jail for fighting for the freedom of expression, he would go to jail with me. However, I would like to tell Mr TSANG, even if both of us are in jail, that would do us no good. The things that I would like to tell him in jail could have been exhausted within three days, so why can the two of us not fight for democracy hand in hand and for the protection of the freedom of all the people of Hong Kong, so that no one will be

put in jail for what he has said? This is really the kind of things I would like to do with him together.

In fact, many Honourable Members have not listened carefully to my explanation of the motion. I said very clearly that I was saying that the Chief Executive had put too much emphasis on certain issues like economic issues. I did not say that he had done a good job. I was only saying that he had put too much emphasis on certain issues to the negligence of others. That was what I meant.

Many Members asked why there was such a compelling need for democracy and how democracy was related to a cosmopolitan city. Some other Members quoted the examples of Indonesia and the Philippines. But I should like to remind Members that they have overlooked the fact that there is a diversity of opinions in every country. Some people may want to have certain things first while others may think that some others should be done. But what can they do given the limited amount of money available? The question now is: Who should set the priorities? Why is it that in the case of Hong Kong, the Chief Executive alone can decide everything? Is he elected by the people through universal suffrage? These are the key questions. So the most important thing about democracy is that whether priorities are set together by the people of a country, or in our case, by the people of Hong Kong.

Frankly speaking, I have always thought that there is something wrong with the name of the party Democratic Alliance for Betterment of Hong Kong. It may be that there is nothing wrong with the name of the party after all, only that the party members are not working in the direction of democracy and the betterment of Hong Kong. The same goes with the Liberal Party. Apart from casting votes at liberty, they do not quite uphold the liberty of the people of Hong Kong. Mrs Selina CHOW of the Liberal Party mentioned that some Chinese leader said that the most important thing was to have a bowl of rice. Actually I do not want to hear such remarks like having a bowl of rice to eat is tantamount to having human rights. But that is only an animal right. Cats and dogs need to eat, but is it true that after they have eaten.....

PRESIDENT (in Cantonese): Mrs Selina CHOW, do you have a point of order or would you like to speak?

MRS SELINA CHOW (in Cantonese): Madam President, Mr LEE has distorted the meaning of my remarks.

PRESIDENT (in Cantonese): Mrs Selina CHOW, you may make a clarification later. Mr Martin LEE, you may go on.

MR MARTIN LEE (in Cantonese): Madam President, I will definitely not distort other people's remarks. For she said clearly that President JIANG Zemin had said that the most important thing of all was to have a bowl of rice to eat. He said that it was the barest minimum kind of human right. But so what? One may be put in jail. And will anyone be happy when he has a bowl of rice to eat in jail? I am sure Mrs Selina CHOW has heard of the maxim, "Give me liberty, or give me death". Madam President, the timer in the Chamber has not shown anything yet. *(Laughter)*

PRESIDENT (in Cantonese): The timer may be trying to help you. Having said that, we are keeping time though.

MR MARTIN LEE (in Cantonese): Madam President, today is the day Prof NG Ching-fai will sing his swan song, that is, the last time when he speaks as a Member of the Legislative Council. So I would like to take this opportunity to clarify a point with him. It is on the issue of Hong Kong as a colony. The reason why Britain colonized a place was to exploit the place. So when a place is colonized, the suzerain state will not give all the interests to the people of the colony. I am just saying a fact, that is, we have freedom and the rule of law, but we do not have any democracy. That is something I want to explain. If a suzerain state does not have democracy, it is certain that its colonies will have no democracy either. But I do not mean that if a suzerain state has democracy, its colonies will certainly have democracy. Not at all. So I hope Honourable Members can realize this point clear. However, what I would like to say is, Hong Kong is no longer a colony, we have reunited with our Motherland and become part of China. Then why can our country not give us more democracy than we used to have as a colony? That is the point. As we have reunited with our Motherland and we are happy now that we are Chinese for we are no longer under colonial rule. Then why can our country not give us more democracy

which the British were reluctant to give? This is an important thing for which we are fighting.

Mr Ambrose LAU seldom praises me, today he praises me for my poise and I would like to thank him for that. However, I am unable to agree with what he says later, and those remarks seemed to have been taken out from the editorials of some newspapers like *Wen Wei Po* or *Ta Kung Pao*.

I appreciate the remarks made by Miss Margaret NG on the rule of law. And so does the Secretary. Miss NG has really spoken our mind. However, there is a remark in the speech made by the Secretary which I also appreciate very much. He said that we should keep a high degree of alertness and never slacken off. I agree completely to that. Many people in Hong Kong are happy with the meagre amount of freedom they enjoy. They think that it will be fine even when the freedom they have is not as much as others would enjoy. There is nothing wrong with the rule of law even if the Ms AW Sian affair or the interpretation of the Basic Law incident are not handled too nicely and well.

But people from the democratic camp like us would query. Why would such incidents showing no adherence to the rule of law happen and why is the meagre amount of freedom we got is gone? We are very concerned about these things, more so than slashing a piece of flesh from our bodies. Therefore, we hope that we can take the same stand, and that is, not to let ourselves slacken off and not to say that Hong Kong is not that bad after all. Many people would think that Hong Kong is quite good already. But that does not mean that we should be complacent. For once when we feel complacent and happy, that will be day one when we start at lose our freedom. I trust we all understand this point.

PRESIDENT (in Cantonese): There is about half a minute left.

MR MARTIN LEE (in Cantonese): Madam President, I would like to say a few words more. The kind of democracy we have in Hong Kong nowadays is not commensurate with the advancement of the community. We should not have that little democracy, at least we should have the same kind of democracy which the people of Taiwan are enjoying. Given the absence of democracy, will the people of Taiwan be willing to reunite with China? So we must keep on

fighting for democracy. I would like to thank the many Honourable Members who have spoken on the motion. I really have not expected it. And it is precisely because of that that I am feeling very hungry now. *(Laughter)*

Thank you, Madam President.

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

PRESIDENT (in Cantonese): Mr Martin LEE 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:

Dr Raymond HO, Mr Eric LI, Miss Margaret NG, Mr CHEUNG Mam-kwong, Mr Bernard CHAN, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying and Mr Michael MAK voted for the motion.

Mr Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Mr LEUNG Fu-wah, Mr IP Kwok-him and Mr LAU Ping-cheung voted against the motion.

Dr LUI Ming-wah abstained.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr LAU Chin-shek, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN, Mr WONG Sing-chi and Ms Audrey EU voted for the motion.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr TAM Yiu-chung, Mr David CHU, Mr NG Leung-sing, 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, 27 were present, nine were in favour of the motion, 17 against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 12 were in favour of the motion and nine against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

PRESIDENT (in Cantonese): Second motion: Expediting the development of the logistics industry.

EXPEDITING THE DEVELOPMENT OF THE LOGISTICS INDUSTRY

MR KENNETH TING (in Cantonese): Madam President, it has been four years since we were swept by the Asian financial turmoil. The economy of Hong Kong is still in the doldrums. In the last few years, the industrial and business sectors as well as the general public were like ants on a hot pan, longing for the early recovery of the economy. However, things have not turned out as we wish, the economy of Hong Kong has yet shown any sign of recovery after all. At present, there is an urgent need for Hong Kong to seek a direction of development so as to allow the economy to return to the upward trend. To expedite the development of logistics industry will enable Hong Kong to transform into a "supply chain management centre" of the Pearl River Delta Region, and this direction of development is timely and appropriate.

In recent years, people from various business sectors and political parties have coincidentally suggested that we should develop Hong Kong into a "supply chain management centre". In order to know how we can benefit from this role, I would like to use an example cited by Mr Victor FUNG. He said, "A piece of goods at an ex-factory price of \$1 can be sold at about \$4 in the United States, and this is almost a rule. But if the ex-factory price is lowered from \$1 to 80 cents or 90 cents, it will not be easy to make a profit of 10 cents by means of controlling the production costs. It is, however, not difficult to make a profit of 50 cents out of the logistics flow from \$1 to \$4." What Hong Kong has to do is to expedite the development of the logistics industry and try every means possible to make a profit from logistics processes which include procurement, logistics distribution, inventory management, document processing, and so on.

The northwards relocation of Hong Kong industries has started since 1978. Following this, Hong Kong has developed into a service-based economy. Now, the entire Pearl River Delta Region has already prospered. More than 40% of goods produced in China are exported through this region. With the imminent accession to the World Trade Organization (WTO), China will become a "production kingdom" worldwide. As a result, Hong Kong can ride on this development trend and transform into a "supply chain management centre".

The Pearl River Delta Region has an advantage in production whereas Hong Kong is an international financial and business centre with excellent infrastructure, advanced communication and e-commerce facilities, always keeping tab on the latest global developments. By seizing the opportunity to

connect Hong Kong with the Pearl River Delta Region through large-scale infrastructure projects, the economic recovery in Hong Kong can so be initiated with the support of economic policies that are conducive to developing the logistics industry.

Madam President, I would like to talk about the needs in infrastructure development. If Hong Kong wants to seize the opportunity fully to develop into a logistics centre in South China, we must consider the problems in connection with linking up with traffic flowing from the west bank of Pearl River Delta Region. The "Beijing-Zhuhai Expressway" from Beijing to Zhuhai will be completed next year. In future, it will only take 12 hours to travel from Wuhan to Hong Kong. However, there has been no direct road network in Hong Kong connecting roads in the western part of Pearl River Delta Region so far. We still have many difficulties in bringing in the logistics via the "Beijing-Zhuhai Expressway".

To remedy the inadequacies in this respect, there is a need for the Government to extend the road networks in Hong Kong eastward. Starting from the North Lantau Highway at Chek Lap Kok Airport via Tai O and linked to a bridge which provides direct access to the Pearl River Delta. This Guangdong-Hong Kong-Macao bridge is about 1 400 m long and similar to the Tsing Ma Bridge. The access then branches out into two directions in a Y shape: one access is linked with Zhuhai while the other is linked with Macao, so that we have direct access from Lantau Island to the western transportation network of the Pearl River Delta Region. The research report of the "One Country Two Systems Research Institute" has also pointed out that the bridge is of utmost importance to the future development of Hong Kong, especially when China will attach much importance to developing Western China in future. As the major city in the Pearl River Delta Region, Hong Kong cannot rely on the access road in Shenzhen alone.

On the other hand, with the rapid growth in the freight volume in South China, the SAR Government has projected that the freight demand at Hong Kong container port will grow by 5% annually in the next 15 years. In the face of this development trend, the only 18 berths available at the container terminals of Hong Kong is insufficient to cope with the growing demands.

To resolve the above problems, the Government should study the recommendations made by Mr Gordon WU. He has proposed to develop a new container terminal either next to the new airport or in the south-western part of

Tuen Mun, and build a viaduct-cum-tunnel access road to connect Chek Lap Kok and Tuen Mun. Also, he has recommended to build a Tuen Mun Port Expressway linking up with Lau Fau Shan along West Tuen Mun, thus providing a direct access to Shekou through a viaduct connecting with west Dongjiaotou. This large-scale highway can enable Hong Kong to transport the finished products from the Pearl River Delta Region to the new airport and the proposed container terminal in the shortest possible time. Also, it lays a good foundation for connecting with the Pearl River Delta Region for the logistics development in Hong Kong.

When the road network for linking up with the Pearl River Delta Region becomes available, the Hong Kong Government should also implement economic policies which are conducive to logistics development.

Madam President, over the last three years, I have pointed out untiringly that the exorbitant Terminal Handling Charges (THC) have impeded the development of logistics industry in Hong Kong. In addition, there were frequent vehicular processions staged by truck drivers in protest against indiscriminate charging by mid-stream operators in recent years and "goods-impounding" incidents have taken place lately at container terminals. These incidents reflected that current port policies have failed to keep pace with the times, thus giving rise to numerous problems.

In order to initiate the economic development of Hong Kong through developing the logistics industry, the Government ought to get rid of the bureaucracy of "being an on-looker with folded arms" and take forward policies which are conducive to logistics development in an active manner.

To begin with, the Government should try every possible means to solve the problem relating to port charges, in particular, the problem of exorbitant THC. The Federation of Hong Kong Industries has proposed to the Economic Services Bureau that the existing policy on monitoring fuel prices be copied. Legislation should be enacted when necessary to monitor shipping companies agreeing among themselves to collect THC indiscriminately from consignors in Hong Kong, and contain the charges at a level which is reasonable and acceptable to consignors in Hong Kong.

In respect of the incentives given to encourage competition among container terminals, the Government can set aside part of the colossal \$400

billion fiscal reserves for investment on infrastructure conducive to developing the logistics industry. Investment should first be made either in constructing berths at west Lautau or southwest Tuen Mun. Following this, the Government can copy the mode in which incentives were given by the Government in the '60s for developing industrial land. Consortia interested in undertaking to build and operate berths could be allowed to make repayments by instalments for a term of 10 to 20 years, with a view to opening up competition, improving efficiency and lowering charges.

Madam President, the SAR Government should fully utilize our edge in trading. The port and airport services in Hong Kong have reached considerably high standards. Our ports and airport provide reliable and efficient freight forwarding services for China and overseas factory operators. Our Customs is corruption-free and highly efficient. Insofar as banking is concerned, we can provide quick and convenient financing and credit facilities. Besides, Hong Kong is an international arbitration centre and our legal system can also provide assured and reasonable protection for consignors and shipping companies. These advantages have enabled the local freight forwarding industry to sustain growth on a long-term basis. The SAR Government should adhere to the past traditions and open a way for the future so as to maintain the competitive edge of Hong Kong.

Madam President, it is a general trend around the world to expedite the progress of logistics through supply chain management. For example, the delivery date for factory operators in the past would take three months. But now, it is forced to shorten to five to six weeks so that the two parties, the buyer and the seller, can both keep abreast of the latest trends, reduce overstocking and make savings in costs. Hong Kong must make good use of the close links with mainland manufacturers and ride on this development trend.

The Committee on China Research & Development of the Business Management Department of The Chinese University of Hong Kong has conducted a survey among more than 30 000 enterprises in the Pearl River Delta Region. It was found that more than 70% of the enterprises were established by Hong Kong people or with substantial Hong Kong capital. This interdependent relation is absent in other Asian countries. To connect with the development in the Pearl River Delta Region by means of providing large-scale infrastructures and incentives for the development of logistics, Hong Kong can serve as an intermediary in facilitating production and transshipment of finished products,

thus transporting the finished products from the Mainland to the hands of overseas buyers in the shortest possible time.

Madam President, looking at the worldwide development, the United States economy is now in a phase of adjustment; the European economy is poor; and the Japanese economy is very fragile. Only the economy in China will continue to thrive in the foreseeable future. If Hong Kong intends to explore the mainland market with a population of 1.3 billion people, it needs to act as a development link between China and other countries in Europe and the United States. Therefore, it is essential for the SAR Government to implement policies on expediting the development of the logistics industry. The Liberal Party and the Federation of Hong Kong Industries urge the Government to develop in this direction, so that the local economy can be initiated to recover as soon as possible through expediting the development of the logistics industry.

Madam President, I hope the motion can foster a consensus because it has been moved for the well-being of the Hong Kong economy as a whole. Here, I would like to thank the President again for allowing me to speak on the last motion today. I so submit. Thank you, Madam President.

Mr Kenneth TING moved the following motion: (Translation)

"This Council urges the Government to expedite the development of the logistics industry so as to initiate the economic recovery in Hong Kong."

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

MR HUI CHEUNG-CHING (in Cantonese): Madam President, given the fact that Hong Kong has the world's busiest freight transport port and a modernized international airport and that it is favourably located in the world's largest export zone, the Pearl River Delta Region, it can naturally benefit from the drastically expanded freight traffic following China's accession to the WTO. Therefore, the logistics industry in Hong Kong has enormous potentials of development. Yet, it is undeniable that China's accession to the WTO will also pose great challenge to Hong Kong's logistics industry. First, following the closer

understanding between the logistics industry in the Mainland and overseas corporations, more and more goods will be directly shipped from the Mainland instead of via Hong Kong. Second, not too many Hong Kong businessmen choose to export their goods from the Mainland at present mainly because of its infrequent shipping schedule and backward berthing facilities. Coupled with the fact that cost is lower on the Mainland than in Hong Kong, the Mainland will be able to lure more Hong Kong businessmen to redirect their goods to the Mainland for export if improvement can be done to its berthing services. Third, subsequent to the recruitment of professionals from Hong Kong companies by mainland freight transport companies in recent years, operation on the Mainland will become more specialized and adapt quicker to international statutes.

The first and foremost task for the SAR Government in promoting the logistics industry is to examine how the competition between Hong Kong and the Mainland can be turned into co-operation. In fact, goods from the northern part of the Mainland can now be exported via container ports at Tianjin, Dalin and Qingdao whereas cities located along the middle reach of the Changjiang River like Wuhan can import or export goods through the lower-reach city, Shanghai. Finally, coastal regions in southeast China like Fujian can make use of the vigorously-developing Xiamen Port to trade with Taiwan. It is therefore not easy for Hong Kong to scramble for the import and export markets located north of the Changjiang River and the southeast coastal region. Nevertheless, Hong Kong is still enjoying an enormous advantage in South China owing to its airport and terminal facilities. Hong Kong's hinterland for import and export trade will double if it can further establish infrastructure links with regions of high development potential such as Northwest and Southwest China. The SAR Government should indeed attach great importance to the economic benefits of cross-boundary infrastructure and expedite the implementation of the relevant projects to enable such infrastructure to be connected speedily with our airport and container ports. In the meantime, we should strengthen the use of river transport in conjunction with air and marine cargo facilities in Hong Kong to strive for the import and export freight transport of South China and West China. The Government should also actively examine what significant assistance will be rendered to the logistics industry in Hong Kong following the liberalization of fifth freedom traffic rights and the round-the-clock operation of cross-boundary land crossing for freight transport.

On the other hand, Hong Kong's import and export formalities can generally be described as very convenient. For example, for most goods, application forms can be filled in on the day of import or export, and it is not necessary to lodge applications a few days in advance. Moreover, customs declaration can be filed within 14 days upon the arrival or departure of the goods. Nevertheless, improvement is still essential since the operation of the logistics industry in Hong Kong has all along been hindered by certain legislation, policies and *modus operandi*. For instance, it was reported by some shipping companies that before shipping certain goods that might be subject to control, the relevant goods were often required to be sent to different government departments and this was indeed time-consuming. In addition, although a computer inspection system has been put in place to allow shipping companies to check whether certain goods fall under the control categories within a short period of time, the speed of the system in updating its information is relatively low and thus it has failed to meet the need of the industry closely. The Administration should indeed conduct a comprehensive review of the relevant services in order to raise the efficiency of goods inspection. On the other hand, in view of the huge volume of goods going in and out of Hong Kong daily, shipping companies have often been forced to delay shipment of goods of a more unique nature because the Customs has failed to complete the examination of the relevant documents in time. The Government should indeed consider the proposals made by certain shipping companies that the Customs should make a specific performance pledge in respect of impounding and inspection to take full consideration of the need of shipping companies to arrange shipping schedules in its efforts to combat smuggling activities.

To further enhance the competitive edge of Hong Kong's container ports, the Government must formulate a series of measures to maintain Hong Kong's position as an international shipping hub. These measures should embrace the provision of adequate support facilities such as roads, unobstructed fairways, typhoon shelters, and so on, in conjunction with the planning and development of port facilities. Since port safety and efficiency play an important role in attracting more shipping businesses to Hong Kong, I support the co-operation of the Marine Department and international marine bodies to organize training courses in Hong Kong every year.

There is a potential problem with the logistics industry in Hong Kong in that the current exorbitant terminal handling charges are close to a franchised

levy with low transparency. The Government must help solve the relevant problems by building more container ports and expanding mid-stream services to provide the industry with more choices and curb costs. Of course, the Government should encourage shippers, shipping companies and container terminal operators to engage in more dialogue in an attempt to ameliorate conflicts by constructive means, to prevent wasting efforts and resources on strikes which will undermine the international reputation of Hong Kong's logistics industry and its development.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam President, logistics is a very big topic. Logistics involves the areas of aviation, port and maritime, transportation network, warehousing and storage, land planning and infrastructure. It can extend all the way to information technology (IT) as well as other forms of support from society such as the training of talents, and so on. In short, the Government has to promote the development of the local logistics industry on the premises or principles of no direct participation or fighting for profits with the general public; and to safeguard the spirit of the rule of law as well as nourishing suitable talents under the guiding principle of encouraging a free and fair business environment. Then the various businesses in Hong Kong can also be benefitted, no matter they are directly related to logistics or not, and the economy of Hong Kong can recover.

In fact, if we can understand the routine in business operations, then we can understand the importance of logistics to business development. The current situation of the logistics industry in Hong Kong is not at all bad. The port in Hong Kong has the largest capacity worldwide and is equipped with first-class aviation facilities — despite the emergence of some small problems recently, first-class facilities are still maintained. Hong Kong is still one of the most distinguished cargo transshipment centre in the world. However, if Hong Kong intends to maintain its status as a global shipping centre, it needs vision in long-term development and must acknowledge the global trend of development in order to make various business in Hong Kong stay competitive in a globalized economy. With the shipping sector at the helm, the local logistics industry and other businesses will be led to further development.

The scopes affected by logistics are extensive, and the areas which can interact with it are numerous. Today, I would like to concentrate on the interactive relationship between logistics industry and e-commerce; and the training of talents related to logistics development.

The inter-relationship between logistics and e-commerce can be seen from Amazon.com, the largest website around the world. The headquarters of Amazon is in the United States, but we can also buy products like books, musical discs, computer softwares, and so on, conveniently on-line even though we are in Hong Kong. We press a few keys after going on-line, and then we can receive the goods purchased comfortably at home. However, how can Amazon.com find the relevant products among millions of goods and have them transported to nearly 30 million customers in 160 countries? The hero behind the screen is a colossal and precision logistics management system. The orders are handled by an automatic system and professionals. Consequently, Amazon.com has become the second to none e-commerce website worldwide.

The example of Amazon.com can illustrate clearly the importance of logistics in developing business-to-consumer (B2C) e-commerce. As for B2B, that is, the business-to-business e-commerce whose targets are enterprises, it needs the support of a sound logistics industry too. Thus, small and medium enterprises can purchase raw materials, manage inventories or even sell their products on-line at competitive prices.

Therefore, a professional and efficient logistics industry can build up people's confidence in e-commerce and subsequently, e-commerce can be developed.

As indicated in the "Survey On Information Technology Usage And Penetration In the Business Sector" conducted by the Census and Statistics Department in 2000, only 5% of the commercial organizations in Hong Kong would place advance orders or purchase products, services or information through electronic means. The major reason for the remaining organizations not to use the relevant services was that they regarded these services not helpful to their businesses or they lacked the relevant talents conversant with the operation. It can thus be seen that local enterprises still lack confidence in e-commerce, so the Government needs to make greater efforts in promoting it. For example, we can co-operate with the Mainland in constructing an information corridor stretching across Hong Kong, Shenzhen, Dongguan and

even Guangzhou for the purpose of encouraging local exporters and importers as well as mainland factory operators to use IT. Through this, we can push forward the development of the logistics industry in Hong Kong and the Mainland.

Another topic is to liberalize the air traffic rights. Fair competition has a very significant impact on the logistics industry. The Government should actively liberalize air traffic rights in order to enhance the competitive edge of the local aviation industry. For example, the fifth freedom traffic rights in Hong Kong can be granted to more airlines so that more international companies can pick up local passengers across the border whilst increasing the freight throughput at the airport and increasing the cost-effectiveness of air freight at the same time.

However, irrespective the state of IT development, the support and assistance from relevant talents are required after all for a number of jobs insofar as training of talents is concerned. To improve the development of the logistics industry, the training of relevant talents is pivotal.

There are over 10 universities majoring in railway, aviation, navigation and transportation alone in China. Besides, many universities have offered courses on business management, engineering and IT, and they have provided a huge number of talents for the logistics industry in the Mainland. In Taiwan, there are universities specializing in marine studies and communications while subjects on logistics are also taught in many universities and postgraduate schools. The Maritime and Port Authority of Singapore has also co-operated with universities and relevant professional bodies in the country to train talents of their own.

However, not until recently have there been developments in logistics in local tertiary institutions. Every year, only less than 150 students are admitted to the undergraduate and higher diploma courses offered by the Department of Shipping and Transport Logistics of the Hong Kong Polytechnic University, and this is insufficient to support the development of an excellent logistics industry in Hong Kong.

On the air services front, Hong Kong has an airport of international standards. However, local flight talents have mostly started their careers as "apprentices" and training will only be given to them by the relevant

organization after they have been employed. Pilots of the Hong Kong-based Cathay Pacific Airways are mainly expatriates and the proportion of local pilots is below 10%. At the international airport in Hong Kong, there is also a very big demand for aviation talents in various aspects such as plane-piloting, air traffic control, flight management, aircrafts repairs, and so on.

I hope the Government can consider actively the provision of subjects on aviation, and so on, in local tertiary institutions, and co-operate with famous overseas educational institutes such as the Embry-Riddle Aeronautical University in the United States, so that the training of talents in non-military aviation and logistics-related disciplines can be enhanced.

Lastly, I would like to stress again the importance of training up local IT talents. Without the support of IT talents, the development of the logistics industry will be flawed. Therefore, I hope the Government can add \$3 billion to the funding for tertiary institutions and further increase places for the training of talents in IT, aviation and logistics management.

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

MR CHAN KAM-LAM (in Cantonese): Madam President, in fact, we have discussed the development of the logistics industry in Hong Kong for quite some time, and actually logistics services have been identified by the Commission on Strategic Development as one of the areas for long-term development in Hong Kong. Moreover, the Committee on Logistics Service Development tasked with the development of the logistics industry was officially set up in May this year under the Port and Maritime Board.

It is forecast that container throughput in Hong Kong will increase from the base figure of 18.1 million TEUs in 2000 to 30 million TEUs in 2010, and further increase to 40 million TEUs in 2020. In order to cope with the projected growth in future, the Container Terminal No. 9 is now under construction and the first logistics centre in Hong Kong — the "Tradeport" — is being built at the airport. It will provide a build-over area of 300 000 to 400 000 sq ft and is expected to be commissioned in 2003.

Undoubtedly, the development of the logistics industry has already become a general trend. The authorities have also realized that the development of the logistics industry will bring substantial benefits to the economy of Hong

Kong. At the same time, many countries or cities have also realized the advantages of developing the logistics industry, so they have been attaching greater importance to it one after another. These countries or cities, including Singapore and China, have seen clearly the potential of the freight forwarding market, so they are continuously developing or improving existing freight forwarding ports, and building logistics centres which are equipped with advanced technologies. Apart from the active expansion, they also share one characteristic, that is, their governments are actively promoting the development and providing substantive assistance.

Take Singapore as an example. Singapore has always been a major competitor to Hong Kong and there is no exception in the development of the logistics industry. In order to develop the logistics industry on an all-out effort and to build Singapore into a global logistics centre, so apart from encouraging its local companies to develop the supply chain management business, the Singaporean Government has even backed the establishment of the S-Net Freight Company lately. This company specializes in the provision of global sea and air logistics services, B2B freight forwarding agent services and e-commerce.

Coming back to the development in the Mainland, Hong Kong has the geographical advantage of being the window port and with China's imminent accession to the WTO, people from various sectors are looking to Hong Kong to get many economic benefits from China. But in fact, all provinces and cities in the Mainland also intend to make use of this valuable opportunity to develop their economies. Shenzhen, which is one river apart from Hong Kong, has also decided to develop modern logistics industry as one of the pillars of its industries. Last year, famous logistics experts from the United States, Japan and Mainland as well as academics from the Chinese Academy of Engineering were invited to hold a number of international seminars and forums on modern logistics. The Shenzhen Municipal Government has aroused the attention of enterprises in the city through a number of international activities and successfully created an atmosphere for the development of the logistics industry. What is most noteworthy is that in order to provide matching support for the development of the logistics industry, the Shenzhen Municipal Government has launched numerous large-scale logistics-specific infrastructure construction projects such as ports, compact highway networks, gigantic international air base, and so on. In addition to the support in "hardware", the Shenzhen Municipal Government has also improved the quality of "software" for enterprises in recent years. At present, the three major container terminals at Shenzhen ports are all connected

to the Electronics Data Interchange (EDI) service platform centre in Shenzhen Municipality. Besides, a lot of efforts are put into the development of a third-party logistics centre by rushing to build a large-scale integrated logistics distribution service company last month. It provides a one-stop service which includes shopping, delivery of goods and domestic services. It can be seen that the concept of logistics service development in Shenzhen is quite comprehensive.

Looking back at Hong Kong, there has been an annual growth in cargo throughput at the port of Hong Kong and it has ranked first every year worldwide. The port throughput of TEUs already reached 18.1 million in last year alone. As a result, Hong Kong has become the busiest container port again worldwide. However, it is surprising that most hardware and software used in the operation system of this busy container port are on the contrary relatively backward. The container terminals in Hong Kong are obviously the most outdated because they still rely on the assistance of mid-stream operators in handling sea cargo transportation, a practice which is no longer adopted by developed countries. Doubtless these container business operators are private enterprises. It is very difficult to improve the existing operation system in the absence of external assistance from the Government, thus causing many enterprises to continue to adopt the original mode of operation.

In fact, all this reflects that the Hong Kong Government has been on one hand calling for the development of logistics industry whereas on the other, it stresses the importance of enterprises charting their own course insofar as specific developments are concerned. I am afraid the objective of making Hong Kong a logistics centre in Asia can only be realized after a longer period of time. However, our neighbouring cities may have caught up with us by then. Therefore, the Government should redouble its efforts in assisting these enterprises, and assistance must be given to them in making improvements as early as possible in both hardware and software. By so doing, the competitiveness of the freight logistics industry in Hong Kong can then be enhanced. Otherwise we will miss a good chance for development and be taken over by our neighbouring regions.

The Netherlands has been reputed as the pioneer in logistics services in Europe and it has recently emerged as the logistics centre for the transfer of trading logistics in Europe. The success of Netherlands lies not only in its central location in Europe that enables her to reap all the benefits from its geographical advantage, but also due to the fact that the Dutch Government has

provided a flexible legal and taxation environment which is willing to cater for the needs of the business sector. Besides, it has a team of highly cost-effective English-speaking workforce and a range of finely tuned logistics service skills.

To a certain extent, Hong Kong is similar to the Netherlands. Geographically, it is at the centre of Asia. China has a vast expanse of land to the north of Hong Kong. It will bring to Hong Kong business opportunities in transportation and logistics services. Therefore, Hong Kong must equip itself as soon as possible, study foreign experiences in the development of logistics, expedite the construction of a world-class logistics centre and develop the relevant software and hardware to meet the needs of logistics development.

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

MR LEUNG FU-WAH (in Cantonese): Madam President, the Commission on Strategic Development led by the Chief Executive released a profile entitled "Bringing the Vision to Life — Hong Kong's Long-Term Development Needs and Goals" last year, it was pointed out *inter alia* that in order to realize the long-term vision of Hong Kong, Hong Kong ought to strengthen its links with the Mainland, enhance its competitiveness, improve its quality of life as well as reinforce its identity and image. At the same time, the Commission came to the view that in order to achieve the above objectives, we should focus on developing the following seven major businesses and activities: finance and commercial services; attracting multinational corporations to set up their regional headquarters in Hong Kong; tourism; information services and telecommunications; innovation and technology; trading; transportation and logistics services; creative and cultural activities, and so on. It is evident that the SAR Government has realized at an early stage the development of the logistics industry has an important role to play in the economic development of Hong Kong.

Coincidentally, a piece of financial news today has provided us with more food for thought. It is reported that the third phase of works will be developed at the Yantian Port in Shenzhen and the total investment amounts to some RMB 5.56 billion yuan and the designed annual throughput is 1.6 million TEUs. According to the statistics, the throughput of TEUs at Shenzhen ports last year was close to 4 million and the forecast throughput will exceed 7 million by 2005. Although the quantity will double, it is estimated that there is still a shortfall of

more than 4 million throughput. I have mentioned this bunch of figures simply for the purpose of telling Members that we are not alone in recognizing the development potentials of the logistics industry. Our neighbouring cities have also realized this a road of gold clearly. Therefore, they have invested resources for the relevant development in a more active manner. Of course, if we just compare the figures, the 4 million TEUs handled in Shenzhen only accounts for a little more than 20% of the 18 million TEUs in Hong Kong.

The throughput of Hong Kong has ranked the highest worldwide for consecutive years and the potential for developing the logistics industry has long existed. But apparently, no specific co-ordination was put in place in the past. It applied not only to Hong Kong, but also there was a lack of connection with the peripheral Pearl River Delta Region. At present, there are altogether five international airports in the Pearl River Delta Region. Despite the fact that Hong Kong is still the "leader" in terms of passenger throughput and cargo throughput, but who can guarantee that this advantage will be maintained forever? The development of the logistics industry in Hong Kong cannot be separated from the Mainland, especially the Pearl River Delta Region, and this is an indisputable fact. Even though the farmland is fertile, it will become barren one day if all ploughing is carried on one single piece of farmland. It is gratifying to see that the Chief Executive has practised what he preaches. In the trip to Guangzhou which he has just finished, he exchanged views with the leader of the Guangdong Province on the future development of the two places. We look forward to the Guangdong-Hong Kong Liaison Group meeting to be held next month for a more specific description of the developments in this respect.

As for the development within the boundaries of the SAR, the Container Terminal No. 9 will be completed next year. The Chek Lap Kok International Airport has also been equipped with advanced freight forwarding facilities. So the hardware facilities required for developing the logistics industry in Hong Kong are all in place. But how about the software? According to the statistics of the Government, there are currently more than 200 000 employees working in the warehousing, transportation and telecommunications industries in Hong Kong. However, the unemployment rates of the respective industries have been rising. Other than the impact exerted by the economic environment, employees are being squeezed out of their respective industries also because their knowledge and skills have failed to meet the needs of these industries. The logistics industry encompasses various types of work and skills whereas e-commerce and computer operation are just the basic requirements. With the

future developments in technology, it is not difficult to imagine that employees of the logistics industry must possess more advanced and professional skills.

The Admission of Mainland Professionals Scheme was just implemented by the Government last month with a view to making up for the inadequacies in Hong Kong through the admission of financial and IT professionals. The Hong Kong Federation of Trade Unions (FTU) has expressed its views on the policy of admission of talents many times. Although the Government has not accepted our request for the formation of an assessment committee and our participation, the authorities have set up many monitoring and review measures. The FTU will continue to keep an eye on them closely.

The FTU hopes the Government can give weight to the work on upgrading the skills and training of employees of the logistics industry. In setting up training centres for logistics talents, the Government can improve the standards of local employees systematically. We definitely would not wish to see the Government demanding an admission of professionals again a few years later by reason of shortage in local logistics professionals. We believe the development of the logistics industry in Hong Kong will bring more job opportunities to local employees. Therefore, I support the motion moved by the Honourable Kenneth TING.

I so submit. Thank you, Madam President.

DR RAYMOND HO (in Cantonese): Madam President, to undergo economic restructuring has become the only way out for Hong Kong in pursuing further development. Actually, we have discussed economic restructuring for more than a decade. While searching for the new way forward, perhaps we can achieve on our current strengths to develop our potential, so that we can capitalize good progress in the development of some new and emerging industries with more confidence. The logistics industry is one of the spheres suitable for development in Hong Kong.

According to the definition given by the Council of Logistics Management, "logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers' requirements". In other words, logistics refers to the part of the

supply chain that provides back-up and support services, including the provision of value-added services tailor-made for customers in the process. With the globalization of the world economy and stimulation by competition in the market, cost reduction and the provision of quality services have become the keys to success. The logistics industry happens to play an increasingly important role in this.

Actually, Hong Kong possesses favourable conditions for the development of a modern logistics industry:

First, Hong Kong is a key transport hub for Asia and even the whole world owing to its unique geographical position. For more than a century, Hong Kong has been playing the role of a trading port for China. Hong Kong's role as the freight hub of the Asia-Pacific Region has been further enhanced following the rapid economic development of the Mainland, particularly the Pearl River Delta Region, in recent years. We have the world's busiest container port, handling more than 18 million containers last year. Our international air cargo centre is also the world's busiest cargo centre, handling approximately 225 tons of cargo last year. At present, Hong Kong is mainly engaged in re-export trade, with two thirds of the cargo coming from the Mainland. Despite the rapid port development in the Mainland, Hong Kong will maintain its position as an entrepot for South China, which is conducive to the development of our logistics industry.

Second, the fact that China will soon become a member of the WTO provides new stimuli and impetus for the region's economic development. At the same time, Hong Kong can make use of its advantages geographical position and favourable conditions provided by other infrastructure facilities to enhance its role in the global supply chain and provide value-added logistics services.

Third, Hong Kong has a number of other advantages, including excellent infrastructure facilities, transport networks, communications networks, financial regime, legal system, established international relations, the practice of free economy, and so on. Coupled with rich manpower resources, they provide a good basis for the development of the logistics industry.

According to the findings of a survey conducted by the Lingnan University last year on "how the development of the logistics centre can enhance the economic benefits of Hong Kong", the logistics industry will bring positive

benefits to the territory for the industry will create 75 000 additional job vacancies in five years, with 65% of the jobs offered being permanent posts. In addition, the industry can support many other industries and help enhance Hong Kong's competitive edge internationally. This is precisely an ideal way out for our economic restructuring.

The survey also points out that the pace of development of Hong Kong's logistics industry is slower than that of our neighbouring countries such as Singapore. Thanks to our favourable conditions, it is not yet too late for Hong Kong to develop rapidly and catch up with others. However, private sector institutions lack incentive and interests to invest in the industry since an enormous capital outlay is required during the initial period of development and the investment return is low. It is therefore imperative that the Government should render support to the industry during the preliminary period.

Madam President, considering the positive effect of the logistics industry on the development of Hong Kong, I hope the Government can be induced, through this debate today, to attach more importance to its policies in connection with this and indicate to us clearly the right direction for the industry to strengthen our confidence in the role played by the industry in the future development of Hong Kong.

With these remarks, Madam President, several core members of the Breakfast Group share my views as stated above. Thank you, Madam President.

MRS MIRIAM LAU (in Cantonese): Madam President, although "trade, transportation and logistics" has been listed as one of the seven key sectors to support Hong Kong's long-term vision by the Commission on Strategic Development led by the Chief Executive, there has been participation and promotion in varying degrees by a number of government departments and quasi-government organizations during the past year. However, it seems that the Government is still lack of a specific strategic direction with respect to enhancing the competitiveness of Hong Kong in developing into a logistics centre in the region. Neither does the Government feel the urgency of doing so since a well-established government framework for promoting the development of the logistics industry is not yet in place. Recently, a consultancy was commissioned by the Port and Maritime Board to carry out a study and the study

report is expected to complete shortly. I hope the consultancy can come up with some specific strategies and measures and the Government will commit ample resources to implementing appropriate strategies and measures to further raise the competitiveness of Hong Kong as a logistics centre.

It is undeniable that Hong Kong has first-rate transport infrastructure, first-rate telecommunications and information technological infrastructure facilities, and has established full and efficient links with the Mainland and other places of the world to enable cargo from the Mainland and other regions to be shipped from Hong Kong back to the Mainland as well as to other parts of the world. As stated by Dr the Honourable Raymond HO earlier in the debate, with such a good start and a number of advantages over other places, there is no excuse for Hong Kong not to develop its logistics industry.

Although we have the specific goal of developing the logistics industry, views on how to achieve this goal remain diverse. Some see it difficult for Hong Kong to develop into a physical logistics centre since land and labour costs in Hong Kong are comparatively higher than those in the Mainland. Therefore, they propose that we should concentrate our efforts on promoting virtual logistics services by making Hong Kong a base to monitor the entire logistics process through remote control. In doing so, cargo does not necessarily need to go through Hong Kong and value-added services in connection with logistics such as storage, processing, and so on, can be carried out on the Mainland or in other places.

Actually, this is not a novel idea. Not before long, Hong Kong's manufacturing industries operated in the cottage-industry mode by taking advantage of cheap land and labour available on the Mainland. Consequently, Hong Kong's manufacturing industries relocated northward across the boundary, and eventually workers lost their jobs and factory premises were left vacant. In my opinion, the cottage-industry mode is not applicable to Hong Kong's logistics industry. According to the experiences of other places, a successful logistics centre does not necessarily have to be a centre of low land price and low cost. What matters most is overall costs and efficiency. Real strength rather lies in the ability to provide "unique" high value-added services. Seattle of the United States and Rotterdam of the Netherlands are excellent examples.

Of course, it is necessary to improve the hardware and software in order to further enhance the competitiveness of Hong Kong as a logistics centre.

On the hardware side, the first thing we have to do is to improve the intermodal transport networks, including improving the coverage and integration of the networks, to strengthen the concept of "total logistics solution", and to set up more logistics service parks near our port and airport to provide high value-added services required by the logistics industry. Such logistics service parks have proved to be a great success in the Netherlands and Singapore. We should understand that if Hong Kong fails to provide high value-added logistics services, how can it continue to attract buyers or shippers to export their goods through Hong Kong?

On the software side, there are two key issues, namely e-trading and manpower training, we must address. It is well known that promotion of e-trading is essential to the development of logistics services. It is therefore imperative for the Government to expedite the promotion of e-commerce in Hong Kong to meet the needs of the local logistics industry for on-line infrastructure. By means of information technology (IT), providers of logistics services in the supply chain will be able to grasp and make full use of the information provided in each segment and conduct transactions by electronic means so as to raise the speed and efficiency of logistics flow. In addition, it is necessary for the Government to render more assistance and support to the small and medium logistics transport industry. This is because with the rapid advancement of e-commerce and IT, small and medium companies will find it more difficult to catch up with the information super highway.

Furthermore, the Government should consider launching a comprehensive professional programme for the training of logistics personnel. A brand new professional institute or an existing tertiary institution can act as a co-ordinating organ to establish benchmarks and put in place a centralized accreditation system for professional qualifications in logistics. In addition, resources should be invested in promotion and research to enable the industry to gain a better understanding of logistics technology and achieve enhanced application of the same.

It is reported in today's newspapers that the green light has been given to phase three of the Yantian port project. Upon completion of the project, the overall container-handling capacity will be greatly enhanced and that will pose a direct threat to Hong Kong's status as the busiest container port in the world. No matter we feel threatened or not — actually it is pointless to feel frightened since threats are inevitable in free market economy — it will be most frightening

if we are ignorant of the existence of such threats or we play down the importance of a major threat. Given that threats are inevitable, the prime task before us is to raise our competitiveness, sharpen our strengths, and expedite the development of our logistics industry. Otherwise, Hong Kong's position as the world's busiest container port will sooner or later be taken over by others.

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

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, looking around at different places of the world, we can see that the logistics industry has been flourishing under the major trend of knowledge-based economy and high technology. The Chief Executive of the SAR also stressed in his fourth policy address that Hong Kong has to enhance its co-operation with the Mainland in developing regional logistics services. This shows that Hong Kong is in the best position to develop logistics management which is an important industry.

Since the logistics industry can save time on operation, increase profits and cut down on operation costs, it is particularly befitting to the prevailing principles of operation of places throughout the world. The concept of logistics management has been prevalent for two to three decades in European countries and the United States. In Asia, Japan is the forerunner of logistics industry. In recent years, the Singaporean Government has been continuously opening up new channels to develop logistics centres and has greatly supported the development of this industry. Moreover, its customs clearance procedures can be completed within 15 minutes. However, Hong Kong has been lagging behind in this area, and has not done enough both in terms of land allocation and human resources development. With the crude infrastructure facilities that Hong Kong has now got in respect of logistics development, the most pressing task at the moment is to integrate all related facilities, set out clear objectives and strategies for development, and to explore ways for enhancing and upgrading Hong Kong's status so that it can become the prime Asian logistics hub in the world.

First of all, as regards the necessary land, though logistics industry has gradually emerged in Hong Kong, the supply of suitable buildings for use by the logistics industry in the market is still small. Though the Government has already started to construct a commerce port at the airport in order to tie in with the development of the logistics industry, it will not be completed until 2003 at

the earliest. Besides, the commerce port can only provide a floor area of 300 000 to 400 000 sq ft, so I do not think that it can meet the future demands of the market. As such, has the Government ever considered allocating more land and building more logistics centres?

Secondly, it is also imperative that our standards in information technology (IT) be upgraded. Bearing in mind that our IT standards are lagging behind compared to other places (Hong Kong is only a beginner compared to the United States, and is also very backward compared to Singapore) and that the IT system plays a very important role in the logistics industry, the Government should strengthen the development of IT and continue to make improvements and come up with new ideas, so that we can maintain our leading position in terms of technology.

In addition to allocating land and upgrading IT standards, the Hong Kong Federation of Trade Unions (FTU) thinks that the Government should also strengthen human resources development in relation to logistics technology. After all, it is most important that the quality of people should be upgraded if we wish to take the lead in competition. We can compete favourably with others only if we can keep abreast of new skills and knowledge.

At present, employees in the logistics industry generally do not have any profound understanding of logistics concepts. If such companies want to reorganize their business and transform into logistics centres, they must require their employees to learn those concepts and new operating skills, in particular, computer operating skills and the operation of e-commerce. Employees should receive some new training and be given time to make adjustments. At present, many courses have been offered on cargo shipment, but very few have been offered on logistics transport. From the fact that 13 out of every 100 working people in Hong Kong are engaged in trades relating to container handling and port and transport, the FTU thinks it is essential to invest resources into organizing the relevant courses. This is particularly necessary since there will be a greater demand for talents for future development. According to projections made on the basis of existing information, the logistics industry being vigorously promoted in Hong Kong can reap huge economic benefits by year 2003. It can also create many new jobs and attract added value and inward investments worth several tens of billions of dollars.

There is an adequate supply of workers, but the problem is how we can upgrade their skills. While some organizations have already offered the

relevant courses on their own, but in terms of financial strength or the provision of training venues, the efforts of private organizations alone is not sufficient to solve this major problem. In the long run, the Government's vigorous support and promotion is indeed necessary. The FTU thinks that the Government can support the efforts of those in the industry on setting up training centres for logistics talents and offering more courses in relation to the logistics industry. Thus, the employees can receive training, and the situation where a large number of employees are dismissed in the course of adjustment can be avoided. The Government should also offer subsidies for employees taking such courses, so as to encourage them to acquire more knowledge and relieve them of their financial burden.

Finally, China's accession to the WTO will certainly provide a new impetus for regional trade growth, and offer new opportunities for the development of the transport and logistics industries in Hong Kong. Apart from making its own preparations, Hong Kong must also enhance its ties with the Mainland, in particular the Pearl River Delta Region and Shenzhen, so that the development of the logistics industry in Hong Kong can take a great step forward.

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

MR ALBERT CHAN (in Cantonese): Madam President, it can be said that the development of the freight forwarding industry in Hong Kong and the fact that Hong Kong can become a successful entrepot is a coincidence in history. Given the special position of Hong Kong, in particular helped by the driving force created by the opening of China, it can be said that the freight forwarding industry in Hong Kong has developed by leaps and bounds. However, as the ports of China develop and mature, the status of Hong Kong as a port has gone from "one-port dominance" to the current situation of "hundred ports competition", and Hong Kong is now facing great challenges and threats. The Government is used to repeatedly emphasizing that Hong Kong is still in a leading position. For example, the financial and banking systems of Hong Kong are more sophisticated and our legal system also boasts a certain degree of credibility, therefore, the position of Hong Kong in freight transport cannot be easily superseded by other ports. However, with the institutional reforms in China and other reforms in the Chinese legal system, Hong Kong may not be able to retain its advantageous position any more. As to whether or not Hong

Kong can remain as a first-class port or whether it will be gradually overtaken and downgraded from first class to the ninth class, has to depend on whether the Government can introduce corresponding measures in terms of government policy and land planning. It is only then can we find an answer.

At present, there are two major issues in connection with the development of the logistics industry that I think the Government must address. Firstly, there is the question of monopolization. Logistics involve a number of different industries, and some Members have also mentioned earlier that it will cover industries like aviation, container terminals, transport, and so on. Let us look at the development of container terminals, where the problem of monopolization and oligarchy have existed for many years. In the past, one of the factors contributing to the flourishing freight transport industry was that both small and big businesses could both operate with vitality. By "big businesses", I mean container terminals that has its own systems and institutions and by "small businesses", I mean mid-stream operations, with some barges handling a lot of freight transport. There was a time when the barge service of small and medium enterprises (SMEs) constituted one fourth of the total volume of container traffic in Hong Kong. From this, it can be seen that SMEs play a very important role in the container transport industry of Hong Kong. However, in the past few years, quite a number of companies that used to play an active role in mid-stream operations were acquired by consortiums and monopolization has gradually emerged. The recent disputes over mid-stream operations were obviously a result of monopolization. I have exchanged my views with the relevant Bureau Secretary on this issue on different occasions, and I have made myself very clear. I have pointed out that the reputation of Hong Kong will certainly be tarnished as long as this problem is not resolved because once a certain trade is monopolized and controlled, prices could be increased arbitrarily and such increases will lead to discontents among various trades. If this leads to industrial actions and confrontations, then the reputation of Hong Kong as a free port will be tarnished and other countries will also lose their confidence in the freight transport industry of Hong Kong.

The issue of Cathay Pacific Airways Limited (CPA) is another problem. I do not wish to remind the Secretary here that the Government should maintain a neutral stance in labour disputes. Its comments should not give the public an impression that the Government is taking side with the management in suppressing the development of the labour movement in Hong Kong. This will place the labour side in a disadvantageous position in collective bargaining. If

we said that the labour dispute will affect the tourism business of Hong Kong or that it will cause inconvenience to tourists, then the service of CPA will certainly be affected if it laid off 52 staff in one go.

Madam President, I have just talked about the issue of monopolization and let me cite the example of the Container Terminal No. 9 development to illustrate another aspect of monopolization. According to the original plan, Container Terminal No. 9 would be put up for open tender, but this project was later awarded to several consortiums by private agreement. This clearly reflects an unhealthy aspect of container terminal development. Land is a public resource and it is also the main source of public funds. The fact that the Government was willing to sacrifice its revenue to allow certain consortiums to obtain operation rights without going through the open bidding process and offered it by way of private agreement is certainly unfavourable to the development of the Hong Kong freight transport industry. Nor was it conducive to developing Hong Kong into a logistics centre. In order to facilitate the sustainable development of the freight transport industry in Hong Kong, the Government should provide the opportunity and make provisions in the system for SMEs to play an active role in the development of the logistics industry. I believe that the Liberal Party and the Hong Kong Progressive Alliance will certainly support this because the past success of Hong Kong was made possible by big consortiums alone, but also by the SMEs which have played a very important role. However, SMEs have begun to fade out in the overall economic development of Hong Kong and the monopolization by big consortiums has had a certain effect on them.

The second major issue in relation to the development of the logistics industry is the importance of comprehensive planning in respect of land and other support services. Since both a comprehensive policy and planning are absent at the moment, a lot of problems have occurred in respect of land use. For example, warehouses were suddenly built in some areas to become logistics centres. We do not know how some places have been turned into storage for containers. This has seriously affected the community for it has brought about problems like traffic congestion, flooding and noise pollution. I have also lodged a number of complaints with different government departments in relation to these problems. Therefore, I hope that the Government can come up with a more comprehensive and reasonable planning in respect of monopolization and land use, so as to solve these problems and prevent them from arising. Thank you, Madam President.

MR AMBROSE LAU (in Cantonese): Madam President, with the globalization of the world economy, the mode of production and consumer behaviour have experienced fundamental changes. For example, the mode of manufacturing has tended to become more dispersed. As the time allowed for delivery after placement of orders is small and the orders are small, quick reaction is expected in relation to supply. As traditional transport and storage services can no longer meet the needs of the "new economy", the logistics industry has emerged, riding on this new trend. The development of the logistics industry is very important to maintaining the competitiveness of a place under the trend of globalization. People in the commercial and academic sectors generally agree that information technology (IT) and the logistics industry are the two industries with the greatest potentials in the new economy. Nowadays, places like Shanghai, Shenzhen, Taiwan and Singapore are bent on developing into logistics centres, so Hong Kong must not lag behind in this area. In addition to allowing Hong Kong to adapt to the needs of the new economy, the development of the logistics industry can create more employment opportunities for Hong Kong people. According to a study on the development of the logistics industry in Hong Kong conducted by the Centre for Public Policy Studies, Lingnan University, the logistics industry can offer an additional some 75 000 jobs in Hong Kong within five years and many of these jobs can be taken up by non-skilled workers. Madam President, Hong Kong does have both advantages and shortcomings in the development of the logistics industry. The Government must endeavour to bring the advantages of Hong Kong into full play and try hard to make up for its shortcomings.

Firstly, Hong Kong enjoys a geographical edge. We are in adjacent to the Pearl River Delta Region, and the huge market of China, which is under the gaze of the whole world, is our hinterland. Hong Kong is also the aviation and cargo hub of the Asia-Pacific Region. China's imminent accession to the WTO will create new opportunities for the development of the Pearl River Delta Region and the logistics industry in Hong Kong. Certainly, if we were to make good use of our advantageous geographical location, our transport infrastructure must be developed accordingly. It is true that Hong Kong has become the busiest container handling port and air transshipment centre in the world thanks to its excellent and highly efficient container port and airport. However, better efforts can be made in co-ordination with the Mainland in relation to cross-boundary infrastructure facilities. At present, as regards land transport, we have already reached a stage where we are already fully overloaded in terms of our road and railway networks, and this will certainly slow down the

development of the logistics industry in Hong Kong. Under such circumstances, the Government should speed up improvements to the transportation network of the two places on the one hand, link up river trade, air services and the airport effectively on the other, in order to reduce the burden on land transport. At the same time, the Government should also streamline its Customs clearance procedures and shorten the required time.

Secondly, to promote the development of the logistics industry, the Government should make corresponding plans in respect of land planning. In view of the exorbitant land prices and shortage of land, the number and position of warehouses are great concerns to industry operators. Though the Government has decided to develop a logistics centre at the new airport, people in the industry have suggested that logistics development should not be confined to the new airport or any single port. The authorities should provide proper matching facilities along the logistics supply chain, that is, at the airport, Tung Chung, Kwai Chung and Lok Ma Chau, to set up adequate freight terminals and warehouses in order to meet different logistics demands. Therefore, the Government should actively study the demand on land for the development of the logistics industry, and then try to make appropriate arrangements. Singapore has made a head start in the development of the logistics industry and its government has designated some land for the development of warehouses and the logistics industry. As regards Shenzhen which is determined to develop the logistics industry, it has also designated eight major areas for setting up logistics parks. One of the key elements in the development of the logistics industry is comprehensive land planning and supply.

Finally, apart from the "hardware" mentioned earlier, complementary "software" is also very important, and Hong Kong has a rather favourable advantage in this respect. Hong Kong is one of the major financial centres in the world, and we have sound legal and accounting systems, a liberal tax regime and an advanced and convenient information system. All these factors are conducive to the development of the logistics industry. However, the Government must also place more emphasis on the training of managers for the logistics industry, particularly, on education. It is necessary to enhance their Chinese and English languages skills, their knowledge in international laws and ability to apply IT skills. Though, it is true that the knowledge and experiences in logistics management is very important to its long-term development, under the future trend of trade globalization and development of the logistics industry,

IT will be widely used as a tool in communication, and English as the medium, so it is imperative that logistics experts must possess these two skills.

Madam President, I so submit.

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

DR LUI MING-WAH (in Cantonese): Madam President, the logistics industry has now become a very "in" term and seems to be something that has been newly created or newly invented. In fact, the logistics industry has already existed in Hong Kong for more than 60 years, only that its scale and service area have been expanding and growing rapidly.

The rapid development of the logistics industry is necessitated by globalization of the world economy. The fact that the logistics industry can flourish is due to the advancement of information technology and popularization of its application. The development of the logistics industry requires three fundamental conditions, namely a well-developed land, sea and air transportation system to ensure the free flow of materials; an excellent communication system and networking technology to ensure the transmission of logistics information; and finally a government policy to regulate, co-ordinate and support the development of the logistics industry.

Looking back, Hong Kong has already possessed the three fundamental conditions for the development of the logistics industry which has also developed rather rapidly. However, in order to facilitate sustainable development in the logistics industry, Hong Kong should have a service target, that is, clients for the logistics industry. As the overall operation cost in Hong Kong is very high, our logistics industry has faced competition from other export ports in Southern China. And, in the long run, our prospects are not at all optimistic.

Earlier on, Mr Kenneth TING said operation costs may be reduced with the development of the logistics industry. In fact, by analysis, the whole material supply chain is made up of manufacturers, exporters, transporters, importers, wholesalers and retailers, and each of them will have different expectations on profit margins. Therefore, if the export price from Hong Kong is \$1, the retail price in the United States may go up to as high as \$3 to \$4, and

may even be as high as \$5 to \$6 in the case of multi-level sales. Therefore, unless one organization can undertake the whole supply chain starting from manufacturing to delivery into the hands of customers, otherwise it is not possible to cut costs. This is the only way for us to have a stronger competitive edge in terms of prices, otherwise, let us not have any high hopes about prices.

In fact, the logistics industry is a big logistics cycle network made up of different links, including transportation, material allocation, material processing, material agency, warehouse management, information network, sales strategy, and so on. This network constitutes a major industry, and some universities in Western countries have already offered professional courses on logistics to nurture talents. We should make reference to those experiences. Moreover, the logistics industry is basically a service industry which is a favourite of the SAR Government. However, I hope that the Government can formulate a policy to support and encourage its development so that Hong Kong can become a logistics centre in Southern China, for this can promote the development of Hong Kong economy and create more job opportunities for the benefit of Hong Kong people. Thank you.

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

(No Member responded)

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I am very grateful to Mr Kenneth TING and the other 10 Honourable Members for expressing their views on how we can promote the development of the logistics industry in Hong Kong, and spelling out their expectations for the Government. In fact, in the debate on the last motion, we have also talked about whether Hong Kong should do some introspection. I share the views on this point with Members who have spoken. The Government agrees that the logistics industry is an important area that must be developed at full steam. Hence, we have to implement the relevant policy. What remains is how we can strengthen and respect ourselves. Now, I would like to supplement one point, that is, we ought to have self-confidence.

The opinions expressed by Honourable Members can actually be summed up into four main categories. Actually the areas covered by these four main categories are also among the respective studies conducted by the Government on

mapping out in the earliest time possible a comprehensive strategy on promoting the development of the logistics industry. However, before we talk about the four major strategies and what we are doing or what we would like to do, I must reiterate that, as has already been said by many Members, the logistics industry spans over sea, land as well as air transport, and it involves many policy areas. Moreover, it also requires collaboration in various areas between public-sector and private-sector organizations. On this point, I hope Members can give me their support when I carry out the work in this respect in future. On promoting the logistics industry, there are in fact four major areas which boil down to the physical transport infrastructure or the so-called "infrastructure logistics" as has been mentioned by many Members. Furthermore, the other three areas are: electronic applications, human resources and promotion.

First of all, on the infrastructure side. In fact, we understand that connectivity is very important in implementing our policies related these three aspects of sea land and air transport. Now, there is no need for me to repeat, neither will I go into the details again here on the importance of our tie with the economy of the Pearl River Delta Region, how we should bring the goods of the hinterland to Hong Kong, and so on. As Members are aware, the competition we are facing is indeed very tough. What we need to do is to build up a smooth linkage among the land, upstream and the Pearl River Delta Region as soon as possible, embodying this in our infrastructure construction. However, we understand that infrastructure cannot be built overnight, nor can it be done tomorrow after a decision is made today. Of course, we cannot do slacken off in implementation, nor should we slacken off. I also hope that when my colleagues representing the Government seek approval for funding on infrastructure in future at the Legislative Council, they will be supported by Members.

On the shipping side, we in fact hope that a report indicating our future needs in container terminal development will be available by the end of this year and examine further where we can construct a new container terminal apart from the completed Container Terminal No. 9. If such a need arises, what is the relevant plan and its scale? We have not overlooked this respect.

On the air transport side, I have talked a lot on matters relating to air transport recently and many Members have heard them before. In respect of liberalizing our air traffic rights in a gradual manner, we actually have already

quicken our pace over the past year. But apart from liberalizing our air traffic rights, we must also understand that we must put in place other measures such as the support facilities for the airport development, and so on. Some Members pointed out that the land grant for development of one logistics centre in connection with the airport development is insufficient. Should we consider increasing some land supply near the airport? We also need to consider other matching facilities such as land supply or logistics services, and so on at various level throughout the whole supply chain. I appreciate this point and I have also listened to views given to me from various sectors.

I very much hope that more detailed information is available to us, and we can exchange our views and engage in discussions after the Airport Authority has released its report after September. Moreover, I also understand the connectivity on land concerns not only with the construction of roads, and certainly the structures above it will also be included. If we look further, the whole issue also covers our Customs, such as what more the Department can do to shorten the time required for Customs clearance, as just has been suggested by Members. I can say here that Customs staff attach much importance to enhancing the use of electronic means at the boundaries and at the Customs to reduce the time required for provision of services. There are many items which I have talked about before, so I do not intend to repeat them here. However, there is still one point which I would like to raise. Over the last 12 months, the Customs has done a lot of work in the hope of simplifying the clearance procedures which include the avoidance of repetitive inspection of transshipment cargoes at export and import control points, and so on. Currently, we are developing and planning various computerization projects, the ultimate purpose of which is to achieve paperless Customs clearance. It is also hoped that an Automatic Vehicle Recognition System can be set up later. I hope this series of measures can help reduce the time in freight transport, thereby cutting costs further.

The Commerce and Industry Bureau is currently studying the feasibility of developing an e-trade system. The Honourable SIN Chung-kai and several Honourable Members have mentioned the strengthening of the digital electronic network and simplification of regulatory legislation. I think this is definitely indispensable to promoting the development of the logistics industry. However, since different businesses will use different networks or structures at various levels, it requires the co-operation between the Government and various business sectors in order to facilitate interconnection between different structures, as

suggested by Mrs Miriam LAU. It can never be achieved simply by government designation of a particular computer network unilaterally, because it involves the operations of many small and medium enterprises and large corporations. It is not a simple thing to connect them in a single network, but I hope we have the opportunity to achieve that.

Members have expressed a lot of opinions on the human resources side. We have also pointed out in respective studies the need to strengthen our human resources. Insofar as this respect is concerned, we have actually begun our co-operation with some tertiary institutions, hoping that they can increase courses relating to logistics services whereas some courses are organized for the working people. For example, a series of courses on "Knowing Logistics Industry and the Chief Executive Officers" has already been offered, with the hope of expanding their opportunities of updating their knowledge. In fact, we also need to think deeper. In respect of training talents for the logistics industry, it cannot be achieved simply through the provision of some courses. Just as has been said by Dr the Honourable LUI Ming-wah, some work have been doing for several decades. For example, knowledge on insurance and financing relating to the logistics industry has also been taught in existing courses. I feel that if we wish to speed up the work in this respect, we have to encourage local tertiary institutions to make good use of their existing courses in addition to offering new courses. If their courses can already dovetail with the development of the logistics industry, they can actually link up with the new ones, or upgrade the knowledge on logistics operations in the courses. By so doing, I feel that we can save more time and expedite the whole process.

Moreover, Members have also mentioned that Hong Kong in fact enjoys many advantages such as its geographical location, and so on. However, we should not forget the need to put greater efforts in publicity and promotion. In connection with this, when we attend international conferences together with the Hong Kong Trade Development Council and the Port and Maritime Board, or when we invite foreign countries to hold their international conferences here in Hong Kong, we would also like to enhance the understanding of international businesses on the objectives and premises of Hong Kong in developing logistics services, and to enable them to understand the co-operative attitude of the Government in joining hands with various sectors to promote the image of Hong Kong as a logistics centre.

There is one more point. We have already talked a lot about our link with the Pearl River Delta and its neighbouring regions. In fact, various government departments and Policy Bureaux maintain close contact with the neighbouring areas of the Pearl River Delta and their departments responsible for planning, transportation or logistics services and freight forwarding, and so on. One of the examples is that the persons-in-charge of the five airports in the Pearl River Delta Region will participate in an exchange meeting in Hong Kong later. In fact, we have been doing a lot of work. Here, we also hope to secure the support of all Members, so that we can join hands in future to achieve this objective which is urgent and of great significance to the economy of Hong Kong. At the same time, I also hope that we can release the study report as soon as possible. By then, I will be able to put forward some proposals. I feel that we actually share a common goal and we only have different opinions on the means to achieve it, on some of the relevant details, and on the provision of ancillary facilities. Thus we only need to study how we can collaborate with one another. Here, I would like to continue the discussion on this issue with Members in the later half of this year when the Legislative Council resumes.

Thank you, Madam President.

PRESIDENT (in Cantonese): Mr Kenneth TING, you can now reply and you still have two minutes 20 seconds.

MR KENNETH TING (in Cantonese): Madam President, this is the last motion debate for this Legislative Session and yet 10 Members have made valuable suggestions and spoken in support of my motion. I feel really gratified.

Here, I would like to thank the Secretary for such a vision to foster co-operation between government officials and Members, so that Hong Kong can really become a logistics centre. We have to continue to make improvements so that our logistics industry can achieve more satisfactory development. I would like to tell Honourable Members that as long as we are united, Hong Kong can certainly become an ideal cosmopolitan city. I hereby wish the President, various Bureau Secretaries and Honourable Members a happy summer holiday. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Kenneth TING be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

END OF SESSION

PRESIDENT (in Cantonese): Here, I would like to thank Members who have perserved until now. Some Members are still coming into the Chamber to show their support. I wish you all a happy summer holiday. Those Members who are not in this Chamber now may have already started their happy summer holiday. I hereby adjourn the Council.

Adjourned accordingly at twenty-seven minutes to Five o'clock.

Annex IV

FIXED PENALTY (PUBLIC CLEANLINESS OFFENCES) BILL

COMMITTEE STAGE

Amendments to be moved by the Secretary for the Environment and Food

<u>Clause</u>	<u>Amendment Proposed</u>
3	<p>(a) In subclause (2), by deleting "面交發出對象" and substituting "當面交付該人".</p> <p>(b) By adding -</p> <p style="padding-left: 40px;">"(4) The operation of this section and sections 5, 7 and 10 shall not be affected by a failure to comply with subsection (2).".</p>
4	<p>(a) In subclause (1), by deleting "state his name and address" and substituting "supply his name, address and contact telephone number (if any)".</p> <p>(b) in subclause (2), by adding ", without reasonable excuse," after "who".</p> <p>(c) In subclause (4), by deleting "A" and substituting "Without prejudice to the generality of section 51 of the Police Force Ordinance (Cap. 232), a".</p> <p>(d) In subclause (5), by adding "to whom the notice is to be given as" after "the person".</p>
New	<p>By adding -</p> <p style="padding-left: 40px;">"4A. Supply of false information</p>

ClauseAmendment Proposed

A person who, in complying with a requirement made under section 4(1), supplies any particular of his name, address or contact telephone number which he knows to be false or misleading, commits an offence and is liable on conviction to a fine at level 2 and to imprisonment for 6 months."

- 5 (a) In subclause (1) -
- (i) by deleting "翌日" where it first appears;
 - (ii) in paragraph (c) -
 - (A) by deleting "不論是該項繳款或通知" and substituting "該項繳款或通知（視屬何情況而定）";
 - (B) by deleting "翌日".
- (b) In subclause (2), by deleting "翌日".
- 6 By deleting subclause (1) and substituting -
- "(1) Where a notice under section 3(1) or 5(1) has been given or served on a person, the Authority may -
- (a) at any time before the commencement of any proceedings against that person in respect of the offence specified in the notice; and
 - (b) where an order under section 7(1) has been applied for, before such order is made,

ClauseAmendment Proposed

withdraw that notice, and may serve on that person a notice in writing informing him that the notice has been withdrawn."

7

(a) In subclause (1) -

(i) by deleting "together with";

(ii) by adding "and the sum of \$300 by way of costs" before ", within";

(iii) by deleting "翌日".

(b) By adding -

"(5) Where a person against whom an order under subsection (1) has been made fails to pay the amount of the fixed penalty, additional penalty and costs, he shall, for the purposes of section 68 of the Magistrates Ordinance (Cap. 227), be deemed to have failed to pay the sum adjudged to be paid by a conviction and shall be liable to be imprisoned under that section.

(6) Where a person against whom an order under subsection (1) has been made pays the full amount of the fixed penalty, additional penalty and costs shown in the order, he shall not be liable to be prosecuted or convicted for the scheduled offence to which the order relates."

9

(a) In subclause (1) -

(i) in paragraph (b)(i), by deleting "翌日";

ClauseAmendment Proposed

- (ii) in paragraph (b)(ii) -
- (A) by deleting "together with";
- (B) by adding "and the sum of \$300 by way of costs" before the full stop.
- (b) In subclauses (3) and (4), by deleting "翌日".
- (c) By adding -
- "(6) Where a person against whom an order under subsection (1)(b) has been made fails to pay the amount of the fixed penalty, additional penalty and costs, he shall, for the purposes of section 68 of the Magistrates Ordinance (Cap. 227), be deemed to have failed to pay the sum adjudged to be paid by a conviction and shall be liable to be imprisoned under that section.
- (7) Where a person against whom an order under subsection (1)(b) has been made pays in compliance with the order the full amount ordered to be paid by him, he shall not be liable to be prosecuted or convicted for the scheduled offence to which the order relates."
- 10 (a) By deleting "by sending it by post to his address" and substituting "in accordance with section 8 of the Magistrates Ordinance (Cap. 227)".
- (b) In paragraph (c) -
- (i) by deleting "已有法律程序";
- (ii) by adding "法律程序" after "起".

<u>Clause</u>	<u>Amendment Proposed</u>			
11	By deleting "答辯" where it twice appears and substituting "免責辯護".			
13(1)	By deleting "翌日".			
15	By deleting "wilfully obstructs or resists" and substituting "resists or wilfully obstructs".			
17	By deleting "increase" and substituting "vary".			
Schedule 1	By adding immediately after item 3 - <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">"3A. Section 13(1)(a)</td> <td style="padding-right: 20px;">Fouling of street by dog faeces</td> <td style="padding-right: 20px;">\$600".</td> </tr> </table>	"3A. Section 13(1)(a)	Fouling of street by dog faeces	\$600".
"3A. Section 13(1)(a)	Fouling of street by dog faeces	\$600".		
Schedule 2	<p>(a) By adding before the entry in relation to Director of Agriculture, Fisheries and Conservation -</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">"1, 2, 3, 3A, 4, 5, 6, 7</td> <td style="padding-right: 20px;">Commissioner of Police</td> <td style="padding-right: 20px;">Police Officer".</td> </tr> </table> <p>(b) In column 1 -</p> <p style="margin-left: 40px;">(i) in the entry opposite to "Director of Agriculture, Fisheries and Conservation", by adding "3A," before "4";</p> <p style="margin-left: 40px;">(ii) in the entry opposite to "Director of Food and Environmental Hygiene", by adding ", 3A" after "3";</p>	"1, 2, 3, 3A, 4, 5, 6, 7	Commissioner of Police	Police Officer".
"1, 2, 3, 3A, 4, 5, 6, 7	Commissioner of Police	Police Officer".		

ClauseAmendment Proposed

- (iii) in the entry opposite to "Director of Housing", by adding ", 3A" after "3";
- (iv) in the entry opposite to "Director of Leisure and Cultural Services", by adding ", 3A" after "3".

Annex V

BANK OF CHINA (HONG KONG) LIMITED (MERGER) BILL

COMMITTEE STAGE

Amendments to be moved by Dr the Honourable David LI Kwok-poClauseAmendment Proposed

8(g)

By adding -

"(v) Notwithstanding subparagraph (i), where immediately before the appointed time any security interest would not be available to Po Sang as security for the payment or discharge of any liability owing to it, or to any merging bank as security for the payment or discharge of any liability owing to it, such security interest shall not become available to Po Sang as security for such liability at and from the appointed time by virtue of this Ordinance, unless -

(A) the terms of such security interest expressly provide otherwise;

(B) Po Sang obtains the written consent of the person or persons who granted such security interest; or

(C) such security interest arises at general law.

(vi) Notwithstanding subparagraph (ii), where immediately before the appointed time, Po Sang would not, in respect of any liability owing to it, be entitled to the rights and priorities in relation to any security interest then in existence, or any merging bank would not, in respect of any liability owing to it, be entitled to the rights and priorities in relation to any security interest then in existence, Po Sang shall

ClauseAmendment Proposed

not, in respect of such liability, be entitled to such rights and priorities at and from the appointed time by virtue of this Ordinance, unless -

- (A) the terms of such security interest expressly provide otherwise;
- (B) Po Sang obtains the written consent of the person or persons who granted such security interest; or
- (C) such security interest arises at general law."

THE BANK OF EAST ASIA, LIMITED BILL

COMMITTEE STAGE

Amendments to be moved by the Honourable NG Leung-singClauseAmendment Proposed

7(g)

By adding -

"(v) Notwithstanding subparagraph (i), where immediately before the appointed day any security would not be available to United Chinese Bank as security for the payment or discharge of any liability owing to it, or to Bank of East Asia as security for the payment or discharge of any liability owing to it, such security shall not become available to Bank of East Asia as security for such liability on and from the appointed day by virtue of this Ordinance, unless

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(A) the terms of such security expressly provide otherwise;

(B) Bank of East Asia obtains the written consent of the person or persons who granted such security; or

(C) such security arises at general law.

(vi) Notwithstanding subparagraph (ii), where immediately before the appointed day, United Chinese Bank would not, in respect of any liability owing to it, be entitled to the rights and priorities in relation to any security then in existence, or Bank of East Asia would not, in respect of any liability owing to it, be entitled to the rights and priorities in relation

ClauseAmendment Proposed

to any security then in existence, Bank of East Asia shall not, in respect of such liability, be entitled to such rights and priorities on and from the appointed day by virtue of this Ordinance, unless -

- (A) the terms of such security expressly provide otherwise;
- (B) Bank of East Asia obtains the written consent of the person or persons who granted such security; or
- (C) such security arises at general law."