

# OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 16 January 2002

The Council met at half-past Two o'clock

## MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., 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.

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

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.

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 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 ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK

**MEMBERS ABSENT:**

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

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE CHOY SO-YUK

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.  
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.  
THE FINANCIAL SECRETARY

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

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

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

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

MR LEE SHING-SEE, J.P.  
SECRETARY FOR WORKS

MRS CARRIE YAU TSANG KA-LAI, J.P.  
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

MS ELAINE CHUNG LAI-KWOK, J.P.  
SECRETARY FOR HOUSING

**CLERKS IN ATTENDANCE:**

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

**TABLING OF PAPERS**

## Other Papers

- No. 50 — Report of changes to the approved Estimates of Expenditure approved during the second quarter of 2001-02 (Public Finance Ordinance : Section 8)
- No. 51 — Hong Kong Council for Academic Accreditation Annual Report 2000-2001

**ORAL ANSWERS TO QUESTIONS**

**PRESIDENT** (in Cantonese): Questions. Question time does not normally exceed one and a half hours, with each question being allocated about 15 minutes.

First question.

**Granting Disability Allowances to the Chronically Ill**

1. **MR LAW CHI-KWONG** (in Cantonese): *Madam President, at present, persons who have been determined by the relevant authorities as "severely disabled" (including those who are bedridden due to illness) are eligible for Normal Disability Allowance; and those severely disabled persons who have been certified as being "in need of constant attendance from others in their daily lives" are entitled to Higher Disability Allowance. However, those who are chronically ill but not bedridden are not eligible for disability allowances, even if they have lost their earning capacity. According to the findings of a survey conducted by the Administration, among the 882 700 persons with chronic illness in the territory, about 12% are not able to work or attend school and require others to take care of their daily lives. In this connection, will the Government inform this Council:*

- (a) *of the justifications for including "being bedridden" as a requisite for the chronically ill to be qualified for disability allowances;*

- (b) *whether the granting of disability allowances to the chronically ill who have lost their earning capacity is in line with the objective of setting up the disability allowance scheme; and*
- (c) *whether it will consider granting disability allowances to the chronically ill who have been certified by the relevant authorities as having lost their earning capacity but are not being bedridden; if it will not, of the reasons for that?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, by way of background, the objective of disability allowance, one of the two allowances (the other allowance is Old Age Allowance) under the Social Security Allowance Scheme, is to provide some measure of financial assistance on a non-contributory and non-means-tested basis for disabled persons to meet their special needs arising from disability. The purpose of disability allowance is to assist those who are least able to help themselves.

A person is considered to be "severely disabled" within the meaning of this Scheme if he is certified by the Director of Health or the Chief Executive of the Hospital Authority (or under exceptional circumstances by a registered doctor of a private hospital) as being in a position equivalent to a person with a 100% loss of earning capacity according to the First Schedule of the Employees' Compensation Ordinance (Cap. 282). To receive Higher Disability Allowance, a severely disabled person must be in need of constant attendance from others in his daily life but is not receiving such care in a government or subvented institution or a medical institution under the Hospital Authority.

- (a) As regards question (a), "being bedridden" is not an essential condition for the chronically ill to qualify for disability allowance. Any person, including a chronically ill person, can be eligible for disability allowance if he is medically certified to be falling into one of the following categories:
  - (i) disabling physical condition or blind;
  - (ii) disabling mental condition; or
  - (iii) profoundly deaf

"Disabling physical condition or blind" means that the person is in a position broadly equivalent to a person with a 100% loss of earning capacity according to the First Schedule of the Employees' Compensation Ordinance (Cap. 282):

- (i) loss of functions of two limbs;
- (ii) loss of functions of both hands or all fingers and both thumbs;
- (iii) loss of functions of both feet;
- (iv) total loss of sight;
- (v) total paralysis (quadriplegia);
- (vi) Paraplegia;
- (vii) illness, injury or deformity resulting in being bedridden; and
- (viii) any other conditions resulting in total disablement.

"Disabling mental condition" means that the person is suffering from a mental condition which is broadly equivalent to a person with a 100% loss of earning capacity.

"Profoundly deaf" means that the person suffers from a perceptive or mixed deafness with a hearing loss of 85 decibels or more in the better ear for pure tone frequencies of 500, 1 000 and 2 000 cycle per second, or 75 to 85 decibels with other physical handicaps such as lack of speech and distortion of hearing.

Any chronically ill person who is not bedridden may qualify for disability allowance, if he is physically or mentally disabled or profoundly deaf.

(b) and (c)

With regard to questions (b) and (c), as pointed out above, chronically ill persons can be eligible for disability allowance if they

are medically certified as being in a position broadly equivalent to a person with a 100% loss of their earning capacity.

**MR LAW CHI-KWONG** (in Cantonese): *Madam President, I think the Secretary is not replying to the point, especially the last sentence of part (a) of the main reply, that is, "any chronically ill person who is not bedridden ..... if he is physically or mentally disabled or profoundly deaf", which seems to be a misquotation. The Secretary should have mentioned any disable person, not the chronically ill, in his reply, because the chronically ill is only one of the categories of the disabled. I asked the case of the chronically ill, but the Secretary quoted the definition of the disabled. Since the Secretary is a doctor by profession, can he cite some examples to illustrate that although some people suffering from chronic illness are not bedridden, the illness they suffer may still cause physical and mental disability, or profound deafness? May the Secretary tell us which kind of chronic illness will cause these three categories of disability?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): *Madam President, the Honourable LAW Chi-kwong expects me to give a lecture on medical knowledge on a specific subject. In fact, a number of chronic illnesses will cause visual impairment, diabetes is one of them. It may inflict eye disease on the patient and make a person lose his sight. As a result, patients of this category are eligible for disability allowance. As to other chronic illnesses, they may also cause ailment to patients. Therefore doctors have to evaluate whether a patient qualifies for disability allowance mainly according to our definition. When a person has lost his earning capacity mainly because of the disability of his physical functions, he is eligible for disability allowance.*

**MR WONG SING-CHI** (in Cantonese): *Madam President, first of all, I have to declare my interest. My wife is a patient suffering from chronic renal failure and needs constant medical care.*

*May I ask the Secretary, why a person is eligible for disability allowance only after he has lost his total earning capacity, while a totally blind patient is eligible for disability allowance despite he works a senior job and handsomely paid? May I ask whether the Secretary understands that a chronically ill also needs constant attendance from his family members in his daily life, and even if*

*he gets a job, his situation is still very different from that of a normal person? In view of this, why does the Government not consider to provide them with some kind of allowances?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, Mr LAW Chi-kwong has also mentioned this issue at an earlier time. I think we should look at this issue from two perspectives, one of them is the disability allowance. Disability allowance is related to the working capacity of a certain person, and we adopt the Employees' Compensation Ordinance as the criteria for evaluation. In spite of this, we do not use that Ordinance as the only standard, I have cited it only as an example. In fact, disability allowance is related to the patient's capacity in his daily life, not the cause of his illness. The disability may be caused by chronic illness, congenital impairment, trauma or any other accident, which gives rise to difficulties in the patient's daily life. As a result, the definition of disability has nothing to do with the cause of the illness. The cause of illness is chronic disease in some cases, but the focus of disability allowance is not on the cause of the illness, and the most decisive factor is the function of the body. Each patient will be evaluated with the same criteria.

**MR ALBERT HO** (in Cantonese): *Madam President, in the last part of the main reply, the Secretary mentioned that chronically ill persons could only be eligible for disability allowance provided that they are medically certified as being in a position broadly equivalent to a person with a 100% loss of their earning capacity. In fact, I believe the Secretary knows well that a lot of seriously ill persons, such as emphysema patients, suffer from short of breath even if they walk for a few steps, thus it is virtually impossible for them to find a job. Employers will reject their job applications only by taking a look at their condition, but it is difficult for doctors to certify on the strength of this that they have lost 100% of their earning capacity, because doctors may think that they are still able to work or still have the capability to work. However, as far as the condition of the patient is concerned, it is impossible for them to find a job. If the person is not eligible for disability allowance under such circumstances, is the criterion not overly strict? In other words, a person is eligible for disability allowance only if he has lost 100% of his earning capacity. Is not the requirement too harsh?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, I forget to explain earlier that despite we have to follow the criteria in evaluation, if the disabled person is still employed, the disability allowance will still be granted. We conduct the evaluation according to the Employees' Compensation Ordinance on the one hand, in order to see if the disabled person has lost his earning capacity, but on the other, with the help of new technology, a lot of disabled persons are still able to work despite having lost certain physical functions. For instance, with the assistance of other instrument, blind people are still able to work. As a result, we estimate that among current disability allowance recipients, over 10% have employment opportunities. Certainly, their earning capacity will be lower, but we will not stop granting them the allowance because the patients have income.

Regarding those patients who cannot work at all, certainly they are entitled to two categories of allowances, one of them being the disability allowance. Furthermore, if the patient has genuine capacity problem, he can also apply for Comprehensive Social Security Assistance (CSSA). Among the existing CSSA recipients, about 13 000 of them are receiving a higher allowance than the general public because of their disability.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, I would like to talk about the case of those chronically ill who may not necessarily have lost 100% of their earning capacity. Although the Secretary said that they are eligible for CSSA, I hope we can leave CSSA aside and just talk about disability allowance. Will the Secretary consider some discretionary or flexible measures which may allow doctors to certify the chronically ill patients to be eligible for disability allowance despite they are not 100% disabled? May I ask the Secretary if the relevant policy can be slightly relaxed?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, the requirements for granting of disability allowance are actually rather relaxed. At present, no means test will be conducted in respect of the applicants, as we hope to really help some people to adjust to everyday problems caused by the disability. I believe we will not consider relaxing the other requirements at the present stage.

**MR MICHAEL MAK** (in Cantonese): *Madam President, first of all, I have to declare my interest. I am engaged in the work of taking care of the chronically ill in my everyday duties in the hospital. However, my supplementary is about the definition of "100%". A lot of my co-workers have told me that in the course of rehabilitation, the chronically ill will often have the opportunity to go out and do some simple and temporary jobs, which may prevent them from obtaining the disability certificate from doctors, the result being they will not be able to get the disability allowance. May I ask the Government how a balance would be struck between them? For example, will patients be disqualified from receiving disability allowance because of working a part-time job for a few days?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): *Madam President, I have explained earlier that whether or not the patient had a job was not our concern, as the most important thing was whether the doctor considered the person had lost his earning capacity according to the Employees' Compensation Ordinance. If a person is incapacitated, he will be eligible for disability allowance. We will not stop granting the disability allowance just because a patient has a job. As long as medical evaluation proves that the patient meets the requirements, we will grant him the disability allowance.*

**PRESIDENT** (in Cantonese): *This Council has spent more than 15 minutes on this question. I will allow one last supplementary question.*

**MR LAW CHI-KWONG** (in Cantonese): *Madam President, several Honourable Members have raised a straightforward question, that is, the definition for "a 100% loss of earning capacity" mentioned by the Secretary in part (a) of his main reply, which is made according to the criterion set out under the Employees' Compensation Ordinance. However, it only refers to compensations for injuries at work, which is totally different from the issue of disability allowance under discussion. The Honourable WONG Sing-chi has just mentioned that losing the vision of both eyes does not mean a 100% loss of earning capacity. The system was drawn up in 1973, when a definition based on a different purpose was adopted from the Employees' Compensation Ordinance. In fact, scientific and medical technology has evolved drastically, and the job-seeking condition has also changed. Will the Government consider changing this apparently unfair situation? For example, now some people who*

*are virtually unable to find a job cannot get the disability allowance, whereas on the contrary, although some people are totally blind, they are able to take up senior posts and are handsomely paid. Will the Government review the unfair aspect of the entire system?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, I absolutely agree with the proposal of Mr LAW Chi-kwong. Actually, after going over those criteria, I also feel that there is a need for a review. However, our criteria are actually very relaxed. Despite a number of criteria are drawn up according to the Employees' Compensation Ordinance, their purposes are quite different. These criteria will facilitate our determining whether we should grant the disability allowance, but I believe when doctors conduct the evaluation, they will refer to these criteria only and determine whether they will issue the certificate according to the actual working capacity of the patient and whether the patient is eligible for disability allowance. However, I also agree that we should review these criteria.

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

### **Club-houses Operating in Residential Buildings**

2. **MR JAMES TIEN** (in Cantonese): *Madam President, at present, many private club-houses may operate in residential buildings by virtue of certificates of compliance issued by the relevant authorities under the Clubs (Safety of Premises) Ordinance; some are further issued liquor licences and restaurant licences. The admission requirements of some club-houses are quite lax and members of the public may enjoy their services immediately after going through some simple admission procedures. As a result, these club-houses have become de facto public restaurants and cause nuisance to the daily life of the residents in the residential buildings in which they are located. In this connection, will the Government inform this Council:*

- (a) *of the reasons for allowing club-houses to operate in residential buildings, and issuing to them liquor licences as well as restaurant licences;*

- (b) *what other licences may be issued to these club-houses; whether the relevant authorities are less stringent in vetting and approving the applications for liquor licences and restaurant licences submitted by the club-houses possessing certificates of compliance; and*
- (c) *how various departments monitor whether the club-houses concerned are operating in accordance with the licence requirements?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, my reply is as follows:

- (a) The Clubs (Safety of Premises) Ordinance regulates the building and fire safety of the places where clubs are located (club-houses) in order to protect the safety of users of club-houses and the public. Clubs covered by the above Ordinance must apply for certificates of compliance in respect of their club-houses. These certificates of compliance are issued by the Office of the Licensing Authority of the Home Affairs Department (HAD) in accordance with the Ordinance. The Ordinance does not empower the HAD to stipulate that the clubs must be located in non-residential buildings. In fact, when the Ordinance was enacted in the early 1990s, many clubs, such as clansmen associations, were located in residential buildings.

As for liquor licences, according to the Dutiable Commodities (Liquor) Regulations, the sale of liquor at any premises for consumption on those premises will only be allowed if the premises are issued with licences by the Liquor Licensing Board (LLB). The purpose of regulating premises for the sale of liquor is to ensure that the structure of and the fire safety and hygienic conditions in the premises are suitable for selling or supplying liquor. As for the issue of liquor licences to individual clubs, under the LLB's current policy, any club submitting the application must obtain the certificate of compliance first. Besides, the LLB will also consider:

- (i) whether the applicant is a fit and proper person to hold the licence;
- (ii) whether the club-house is suitable for selling liquor; and
- (iii) whether public interest has been fully taken into account.

As for food business licences, the Public Health and Municipal Services Ordinance and the Food Business Regulation stipulate that any person who operates food business must apply to the Food and Environmental Hygiene Department (FEHD) for a food business licence. However, according to Regulation 4 of the Food Business Regulation, the private clubs providing catering services only for members and accompanied guests, which have been issued with certificates of compliance, are exempted from applying for food business licences from the FEHD.

I would like to emphasize that certificates of compliance are to regulate the building and fire safety of club-houses in accordance with the Clubs (Safety of Premises) Ordinance. The Ordinance does not regulate the activities or modes of operation of the clubs, or the uses or classifications of the premises. It is set out clearly in the certificate of compliance that "the issue of this certificate does not in any way exempt or indemnify the certificate holder from the consequences of non-compliance with any other regulations or laws". In enforcing the Clubs (Safety of Premises) Ordinance, the HAD must vet applications in accordance with the law.

Regarding nuisances caused by private club members, residents should seek assistance from the police for appropriate investigation and follow-up action.

- (b) Apart from liquor licences, private clubs may also be issued with billiard establishment licences and massage establishment licences by the Leisure and Cultural Services Department (LCSD) and the Police Force respectively.

In vetting applications for liquor licences, the LLB will not be more lenient towards the clubs issued with certificates of compliance.

As mentioned above, the LLB's current policy requires that the clubs must first obtain certificates of compliance as proof of compliance with the structural and fire safety requirements. The LLB will then consider the three conditions mentioned above in deciding whether liquor licences are to be issued.

Regarding the food business licences, as I have mentioned above, the clubs issued with certificates of compliance do not have to apply for food business licences.

- (c) Staff of the Office of the Licensing Authority of the HAD conduct inspection of all club-houses issued with certificates of compliance at least twice a year to ensure their sound maintenance of the building and fire safety installations before renewal of their certificates. If there are deficiencies in the building and fire safety installations, warning letters will be issued urging the operators to rectify the deficiencies or else their certificates will be revoked or renewals will not be granted. On receipt of complaints about club-houses, staff of the Office of the Licensing Authority will also conduct site inspections and follow up the case.

As for clubs that provide catering services, the FEHD usually conduct inspection once a month to ensure compliance of food safety and hygienic conditions. If the hygienic conditions are found to be unsatisfactory, the FEHD will give warning to the club managers or take enforcement action in accordance with the Public Health and Municipal Services Ordinance.

Besides, the police carry out from time to time licence checks on premises selling liquor to ensure that the licence holders comply with the licensing conditions. In considering renewal of licences, the LLB will take into account reports of nuisance or illegal practice relating to the premises made by the public to the police or other departments.

**MR JAMES TIEN** (in Cantonese): *Madam President, the reply of the Government by and large argues that as long as the structure of and the fire*

*safety and hygienic conditions in the premises are satisfactory, certificates of compliance would be issued to club-houses. However, I feel that these are not the problems faced by many residential buildings at the present time. I consider it a more serious problem when a certain floor of a residential building suddenly becomes a restaurant where people get in and out of the building frequently, and even the password of the lock of the entrance is made public and virtually anyone may get in and out of the building. The Secretary mentioned in part (a) of his main reply that the Ordinance was enacted in the early 1990s, which did not require the clubs must be located in non-residential buildings, and he cited clansmen associations as an example. However, the situation of those days is quite different from the situation nowadays. May I ask the Government whether it has plans to amend the legislation, in order to prevent clubs in residential buildings from becoming de facto restaurants?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, to the best of my knowledge, the purpose of the enactment of the Clubs (Safety of Premises) Ordinance at that time was to protect the safety of residents living in the same building where the club-houses are located as well as members of the public who use the club-houses, in particular, fire safety. As a result, the purpose of the certificate of compliance issued under the Ordinance is quite restricted, and its basic purpose is to protect public safety. As to other problems, such as whether nuisances would be caused, or whether the buildings or the premises are properly used, I believe they should to be dealt with according to other ordinances. If there is any unauthorized structure within the club premises, the Government may institute prosecution or take legal actions against them in accordance with other ordinances.

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

**MR JAMES TIEN** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I was not asking about other departments, I was asking whether the HAD would study the Ordinance and make amendments.*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I have just explained the background of the enactment of the Ordinance because I wanted to point out that unless we wish to reassess the background of the entire Ordinance, we should consider the objective has been achieved insofar as the legislative intent and background of making the legislation at that time are concerned, that is, the Ordinance is able to protect public safety in terms of building safety and fire safety. However, if Honourable Members consider it necessary to review issues concerning nuisances or other improper use of the premises, we would be glad to jointly re-examine these issues with other relevant departments.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the main reply clearly shows that as long as safety requirements are met, club-houses will be issued with the certificates of compliance, and they will even be exempted from the application of food business licences. May I ask the Secretary if it means that even some club-houses are publishing advertisements or handing out flyers in a high profile and turn themselves into restaurants in disguised form, no legislation may stop such activities?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, if some club-houses change from purely providing services to their members to practically allowing members of the public to use the service of the clubs, anybody who have such knowledge may lodge a complaint with us, and we will conduct follow-up investigation. Under the existing legislation, if they are found to provide catering service to non-members, they have already violated the law, and the FEHD may institute prosecution against them according to the Food Business Regulation and the Public Health and Municipal Services Ordinance.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, the Secretary mentioned in part (b) of his main reply that clubs issued with certificates of compliance do not have to apply for food business licences. If they are allowed to provide catering services without food business licences, then which department is responsible for the supervision of the hygiene and food safety of these clubs?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, just as I have explained in my main reply earlier, although they are not required to apply for food business licences, the FEHD will conduct regular inspection on these premises, usually at intervals of once a month. However, if there is any complaint from the public, the FEHD will take actions in response to the relevant complaint. The purpose of FEHD inspections is to ensure that when these clubs provide catering services for members and accompanied guests, they must also meet hygiene and food-safety standards.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the reply given by the Secretary just now seems to tell us that if these clubs provide services to the public instead of their club members, they may be sanctioned by the law. May I ask whether the immediate admission procedure adopted by some regulated club-houses at present is virtually a loophole, or they are legally prohibited from adopting such immediate admission procedure to admit members?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, with regard to the issue of under what circumstances would clubs be considered violating relevant requirements or legislation, I believe we can only give a detailed answer after consulting the Department of Justice for their legal opinions on a case-by-case basis. However, if any club should solicit business from members of the public in the street and instantaneously admit them as club members, and provided that we have received a relevant complaint and found that it is true, then under the existing legislation, we may consider that club an illegal restaurant and institute prosecutions.

**MR JAMES TIEN** (in Cantonese): *Madam President, the replies given by the Secretary always mention that there should be a complainant. Part (c) of the main reply mentioned that the HAD would conduct inspections twice a year and the FEHD would conduct inspections once a month. May I ask whether, during such inspections, those club operators will be asked if they only provide catering services to their club members, or they will make public the password of the lock of the entrance of the building, and those non-club members may pay \$10 more as the admission fee when they settle the bill? Will they bring up these questions during the inspections?*

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, colleagues from these two departments will conduct inspections on items to be inspected according to stipulations of relevant ordinances. For example, colleagues of the HAD will verify whether the building and fire safety installations in compliance with the stipulation are still in place and properly maintained, since the purpose of issuing the certificate of compliance is to ensure public safety. If catering services are provided by these clubs, colleagues of the FEHD will inspect their catering facilities and food hygiene. As to the issue of soliciting business from members of the public, to the best of our knowledge, a number of unscrupulous operators will adopt such a practice, but it is a difficult problem to deal with. Even if our colleagues question those clubs operators whether they adopt the practice, they will definitely deny it. Just as I have explained earlier, if the public think they are being disturbed or there are hygienic problems, and provided that they complain to us, then our colleagues will take proper measures and conduct investigations.

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

### **Allocation of Secondary One Discretionary Places by Schools**

3. **MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, under the existing Secondary School Places Allocation (SSPA) system, written tests are not allowed in the allocation of Secondary One discretionary places. However, it has been reported that The Association of English Medium Secondary Schools encourages its member schools to consider the applicants' scores in open examinations such as the Cambridge Young Learners' English Tests. In this regard, will the Government inform this Council:*

- (a) *whether it has assessed if such a practice of secondary schools violates the spirit of the no-written-test requirement and the objective of the education reform; if there is violation, whether it will take administrative measures to forbid this practice; and*
- (b) *how the Education Department (ED) monitors subsidized secondary schools to ensure that they will not set written tests for the allocation of Secondary One discretionary places?*

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

- (a) The two rationales for reforming the SSPA system recommended by the Education Commission are:
1. High-stake public examination for the purpose of allocating Secondary One places is not necessary during the nine years of free and universal basic education. Empirical evidence has proven that selection-oriented public assessments, even if they are not intended to require prior preparation, would inevitably hamper students' learning experience and make primary education examination-driven. This would in turn hinder the all-round development of students; and
  2. Paper-and-pencil type of examinations cannot reflect the all-round abilities of students. Therefore, the Government encourages primary schools to adopt more diversified assessment mechanisms. To promote diversity in education, the Government also encourages secondary schools, in selecting students for the discretionary places (DP), to consider different aspects of applicants' performance in order to identify those who are best suited for the schools' characteristics and education philosophy.

Given the above rationale, in reforming the SSPA system, apart from abolishing the Academic Aptitude Test, the Government has also increased the percentage of DP from 10% to 20%, and required secondary schools to formulate admission procedures, criteria and weightings which are fair, just, open and educationally sound. These procedures, criteria and weightings must have the prior endorsement of the School Management Committees. For the purpose of selecting students, secondary schools may arrange interviews. However, written tests are not allowed, in order to forestall high-stake examination which would result in students being drilled for Secondary One admission and which would in turn hamper their learning experience. The use of any assessments which are similar in nature to written tests for selecting students for Secondary One admission may give rise to similar adverse effects, and is thus also against the spirit of the education reform.

The ED has provided schools with a set of "Points to Note for Schools in Handling Applications for Discretionary Places" for reference in late 2000. The document stressed that in assessing applicants, secondary schools should not require students to sit for any public examinations. Instead, they should as far as possible require students to provide readily available information which can reflect students' performance at schools and their abilities in different aspects.

In case a school is found to have violated the above principles in the admission process, the ED will provide appropriate advice or directive to the school. The ED has been given to understand that information on applicants' English proficiency required by member-schools of The Association of English Medium Secondary Schools includes internal assessments and school-work. Results of international English tests are not obligatory information that applicants must submit. If students take international English tests voluntarily and the schools have not specifically pointed out that the results of the international English tests as a prerequisite for admission, then it is impossible for the ED to take any prohibition actions.

- (b) With effect from this year, for greater transparency, secondary schools are required to publicize their admission criteria and weightings, and to post such information in a conspicuous position in the school. This would enable parents to have access to such information during the DP application period (that is, from 3 December 2001 to 9 March 2002). Through the liaison between the Regional Education Offices and schools, the ED will closely monitor how schools administer their DP admission, and provide advice and assistance where necessary. Moreover, the ED would visit schools on a selective basis to understand how they actually administer the allocation of DP.

**MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, the Secretary said earlier that the principle of education reform is that there should not be any high-stake examination and that students should not be drilled for the same. Some school principals have queried that interviews may also be regarded as a*

*form of high-stake examination and students would be drilled for interviews. How would the Secretary respond to this?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, under the spirit of the education reform "enjoy learning, communicate effectively, has a sense of commitment and be creative", communicate effectively means students should be good at communication. I think interviews are really necessary for they can prevent a school from assessing whether a student is best suited for the school simply on the basis of his or her internal scores on paper. As regards drilling students for interviews, we certainly hope that parents would not drill the students for this purpose. However, interviews will not be prohibited since they are really essential. We only hope that students would present their true selves at the interviews for the objective of the education reform could only be thus achieved.

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, immediately after the Government abolished the Academic Aptitude Test, The Association of English Medium Secondary Schools suggested that Primary Six students should take the Cambridge Young Learners' English Tests. Thereafter, the Po Leung Kuk School also suggested that their students should take an Australian subject-based test. This is what we call "when a policy is devised at the top, there are always ways of getting around with it from below". Though the Government has abolished a public examination, certain schools have asked their students to sit for many different tests, thus the students are even worse off. However, in the main reply, the Secretary pointed out that schools, which have violated the education principles, would only be given appropriate advice or directive and such practices would not be prohibited. Could this be regarded as a show of weakness? This is tantamount to conniving at schools forcing their students to sit for many other similar tests. Once such tests are listed as a criterion for admission to a school, students would be forced to take the tests even if they are unwilling, in order to gain admission to that school. Then, how is this different from an obligatory examination?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, the Honourable CHEUNG Man-kwong said earlier that some schools asked their students to sit for the Australian or Cambridge tests. In fact,

these tests have existed for a long time, not after the abolition of the Academic Aptitude Test. However, students have taken such tests of their own volition and the schools would also wish to know how the quality and standard of their students compare to international standards. Furthermore, these are not high-stake examinations for they have absolutely nothing to do with the allocation of places and have been very popular among parents over the years. I referred to the proposal of The Association of English Medium Secondary Schools earlier on. In fact, such examinations are not obligatory and the schools have neither affirmatively nor clearly stated that such tests are one of the criteria for admission. The schools did not say that the applications of the students would not be considered if they could not provide the relevant results; this point is very important. Of course, under the discretionary places allocation system, every student would like to present his best to the schools. If some primary schools have already made arrangements for their students to sit for such tests, it is not wrong for the parents of these students to submit the results of the relevant tests for the reference of the schools as a means to increase their chances of being admitted or to reflect on the level of their English proficiency. We understand why schools, which use English as the medium of instruction, would require students to submit certain documents to prove their English proficiency. When the policy on mother tongue teaching was implemented, we set out three basic requirements, one of which was students must have attained a basic level of English proficiency if English were to be effectively used as a medium of instruction, to ensure students learn to the best effect. At present, schools only ask students to submit documents to prove their English proficiency and results of international English tests are not obligatory information that students must submit. Other documents of proof could also be submitted to the schools for reference.

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

**MR CHEUNG MAN-KWONG** (in Cantonese): *Madam President, the crux of my supplementary question is, if the results of such tests is one of the criteria for admission to certain schools, then students would be forced to sit for such examinations even if they are unwilling to do so, unless they do not wish to be admitted. How is this different from an obligatory examination? Is the ED showing signs of weakness if it does not prohibit such practices? I hope that the Government can respond to this.*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese):

Madam President, we have looked up the admission criteria announced by the schools and found that none of them have ever listed the results of the Cambridge Young Learners' English Tests or any other international English language assessment tests as one of the admission criteria. Some schools have indicated that certain weight will be attached to the English proficiency of students, but none of them have clearly indicated that applicants have to take these kind of tests. I think students have taken such tests because they want to prove their own English standard, but this is not obligatory.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, on the one hand, the Government does not want students to face high-stake examinations, but on the other, schools also wish to select students with good results and qualification; is that the cause for the phenomenon of "when a policy is devised at the top, there are always ways of getting around with it from below"? The Government issued a document for the reference of schools in 2000. Is such a phenomenon caused by discrepancies in the interpretation of the document because the requirements are not clear enough?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese):

Madam President, I would answer the second part of the supplementary question first. I think that the document is very clear. It is clearly stated that in handling the allocation of Secondary One discretionary places, no written examinations should be conducted in schools and there should not be other forms of academic tests. This is to ensure that there would not be any drilling of students. However, the crux of the problem is, schools would have their own admission criteria to assess the suitability of applicants while students also have many different ways to prove their English proficiency. The Honourable CHAN Kam-lam said earlier that the authorities wish to abolish high-stake examinations, but some schools have admitted students on basis of the results of certain examinations. I think since there is this discretionary admission mechanism, the authorities should allow schools a certain degree of flexibility in admitting students according to the criteria which they considered the most suitable. In fact, schools would not just look at the academic results of students in selection. Last year, we conducted a questionnaire survey and discovered that 91% of the schools were most concerned about the students' conduct and some schools attached great weight to internal results. 78% of the schools

indicated that they would consider the performance of students in interviews; 87% of the schools indicated that they would consider their performance in extra-curricular activities; 70% of the schools said they would consider whether the students are active participants and whether they have been granted any awards in such activities. Therefore, academic result is not the only criterion for admission and we often encourage schools to make diversified assessments on the overall performance and abilities of students.

**MR ANDREW CHENG** (in Cantonese): *Madam President, the crux of the problem is whether administrative measures will be adopted to prohibit such practices. I hope the Secretary would understand that even if the results of English tests were not obligatory information that students must submit, parents and students would be under certain pressure if some schools have made such a requirement. May I ask the Secretary if it is true that the Government should also prohibit schools from asking applicants to sit for public languages tests if it does not wish to its reference document to become only a "toothless tiger"? After going through the contents of that reference document, schools would certainly not dare to list certain tests as a criterion for admission, but this would also create an opportunity, which the school can take advantage of. What administrative measures can the authorities adopt to plug this loophole?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, I understand that none of the schools have ever asked students to submit the results of such tests. Some schools only require students to prove that they have attained a basic English proficiency level. As regards this issue, we would ask the ED to monitor the admission profile of this year closely. According to our rules, no written tests should be held and our ultimate goal is that students should not be over drilled. We would certainly refer to the criteria actually adopted by schools in the admission exercise of this year and conduct a questionnaire survey later on to explore the situation of admission in primary and secondary schools. Our colleagues will also pay visits to schools. If it were found that such tests had been commonly adopted by the majority of schools and caused great pressure among primary students, or that as the Honourable Andrew CHENG said earlier, students were forced to sit for the tests even if they were unwilling since certain schools would consider the scores of such tests, then we would consider taking further actions. At present, according to the information we have got or criteria that have been announced, none of the schools have clearly indicated or required that students must submit the scores of such tests.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, some Members said earlier that they were worried students would be asked to sit for such tests, but I do not think that this would happen because the Secretary had told us earlier that schools are not allowed to make such a request, both verbally and in writing. What I am most worried is that even this is not required by schools, parents would ask their children to sit for these tests and get certificates for submission to schools at interviews, once this piece of news is released. In that case, the original purpose for abolishing the Academic Aptitude Test will be totally defeated. Does the Secretary think that there is such a trend? If yes, what would the authorities do? Since the Government has adopted such a lenient attitude by only offering appropriate advice to schools that have violated the regulations and imposing no punishments, what would the relevant authority do if the original intent of this system has been completely defeated?*

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, anyone can enrol in public examinations, and if individual parents, after considering the ability of their children, decided that they can take such tests without any pressure, then I do not think that there is any harm in doing so. I stress again that there had been a market for such tests in Hong Kong even before the Academic Aptitude Test was abolished. Many parents enrol their children for such tests, because they just want to find out how does the English standard of their children compare with the international standard. Provided that parents understand that they should not put too much pressure on the children or drill them for such tests, I believe it will not have very great adverse impact on them.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, my supplementary question was what would the authorities do if the original intent was defeated? Now, the percentage for DP has increased from 10% to 20% and many people would like to fight for a place in certain schools. Since there is a trend for students to take such tests in order to secure a place in certain schools, then their willingness will no longer have any significance. If parents want their children to study in a certain school, then why would they care whether the children are willing to take such tests or not? Under this trend, even a public examination is abolished, there is still another one in its place. Then, is this against the original intent of the authorities? And, what would the Government do?*

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

**SECRETARY FOR EDUCATION AND MANPOWER** (in Cantonese): Madam President, I would like to stress again that I think the most important point is students have not taken such tests because they are under very great pressure. The Government would keep a close watch on the market to examine whether a large number of books on drilling students for such tests are suddenly published. However, at present, I do not see a lot of such cases and I also hope that there will not be such a trend. If students do well in school and have sat for these tests light-heartedly, then there will no great problem. These tests are actually not very difficult and most of them are multiple choices or fill in the blanks. We would keep a close watch on the situation and hope that the situation, which the Honourable LEUNG Yiu-chung earlier referred to will not occur.

**PRESIDENT** (in Cantonese): This Council has spent more than 18 minutes on this question. We will now proceed to the fourth question.

### **Collection of Service Charges by Mobile Phone Network Service Operators**

4. **MR MA FUNG-KWOK** (in Cantonese): *Madam President, regarding mobile phone network service operators' collection of service charges from customers, will the Government inform this Council whether the Office of the Telecommunications Authority (OFTA):*

- (a) *has issued guidelines to the operators stipulating the basis for calculating the time-based charges, including whether operators are allowed to collect service charges from customers for call minutes spent on listening to voice mail instructions; if so, of the details; if not, the reasons for that ;*
- (b) *has assessed if the current policies are conducive to the adoption of more diversified and reasonable fee charging methods by operators, and the feasibility of adopting the one-way or the caller-pays fee charging method in Hong Kong; if it has, of the details; and*

- (c) *will, by reference to the practice in other territories, prohibit the operators from collecting service charges on non-airtime; if not, the reasons for that ?*

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

- (a) Hong Kong's mobile services market is one of the world's most competitive market. With six second generation mobile services operators operating 11 networks, our mobile services market is highly competitive with no dominant operator. There are a lot of different packages at competitive prices for consumers and businesses to choose from. Mobile charges as low as 7 cents a minute are one of the world's cheapest. Our mobile penetration rate of 84% is also one of the highest in the world.

For such a competitive market, we do not intervene on the charging principles or practices adopted by the mobile operators nor issue guidelines on these matters. In line with our well established pro-consumer and pro-competition regime, the OFTA will intervene if there is collusive behaviour such as price fixing. It may also intervene if operators do not comply with the Code of Practice for mobile services, which aims to enhance transparency of tariff practices, ensure the adoption of fair trade practices and provide adequate protection for the interests of consumers. At present, we do not find any collusive behaviour nor non-compliance of the Code which warrants intervention by the OFTA.

On voice mail service which is specifically mentioned by Members, we also do not intervene on its charging principles or practices nor issue guidelines. Voice mail is a value-added service provided by the mobile operators provided for the convenience of the consumers. Currently, there are two parts of charges for such services. The first part is a lump sum fee for the provision of the service. When a telephone user needs the service, he or she has to pay a fee, usually ranging from a monthly fee of \$50 to \$65. However, operators very often offer promotional packages to consumers, sometimes waiving this part of fees altogether. The second part is

a charge reflecting the call minutes spent on the service, including both the voice mail instructions and the voice messages. Since there is a lot of choice on the package of voice mail service for consumers to choose from, we do not find it necessary nor appropriate to intervene on the charging practices nor principles, in a competitive market like this, and in line with the international trend of deregulation and liberalization.

- (b) Our existing policy is pro-competition and pro-consumer. We believe that this creates a business environment best conducive to the adoption of diversified and reasonable charging methods by the operators.

Regarding the Honourable Member's question about feasibility of adopting one-way or caller-pay-fee charging method, we have kept a close eye on the development of mobile communications, including the charging method. As we see it, different charging methods are adopted in different jurisdictions in the world. Places like the United States, Canada, and Singapore adopt a two-way charging method, same as Hong Kong. Other places in Europe adopt a one-way charging method.

In Hong Kong, we adopt a flat-rate regime for local fixed telephone services. If the one-way charging method were to be adopted for mobile services in Hong Kong, mobile operators would not be able to collect charges for those calls made by the fixed line telephone users. On the other hand, the fixed line users only pay their flat monthly rate ranging from \$48 to \$110 regardless of the minutes spent on phone calls with the mobile users. In the circumstances, the one-way charging method may not be feasible in Hong Kong. This has not posed any problem for jurisdictions in Europe which adopt the one-way charging method because their local fixed line telephone services are charged on a measured-tariff basis.

The charging methods in mobile and local fixed telephone businesses respectively have been well practised and adopted in Hong Kong. At present, we do not see a request for change in the charging method in the mobile sector nor would there be consensus in the community to change the existing regime for fixed line

telephone business to a measured-tariff one, as reflected in the review the Government did on the local fixed telephone services charging method in 1996. We therefore consider that there is no need to change the existing charging methods.

- (c) We have regular exchanges with policy makers and regulators. As far as we know, we are not aware of any telecommunications regulators in liberalized mobile services regime who regulate the charging practices or principles for value-added services like voice mail services.

As I mentioned in part (a) above, we do not see the need to regulate charging practices or principles adopted by operators for value-added services. We will certainly continue to be vigilant on changing consumer and market patterns as well as developing regulatory principles.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, first of all, in part (b) of the main reply, the Government indicated that it did not see a request for change in the charging method in the mobile sector and it mentioned the 1996 review. I wish to point out that at that time there was a monopoly and long-distance calls were subsidizing local calls, thus many people were worrying about an increase in charges should the charging method changed. Now, technology has advanced and competition appeared. The Government will be liberalizing the entire market for fixed network telecommunications in 2003. In view of this, will the Government inform this Council whether it thinks the one-way charging method will provide a new mode of competition for consumers so that they may have more choices? Will the Government please give a reply later?*

*There is a second point I hope the Government will give a reply to. In part (c) of the main reply, the Secretary mentioned that .....*

**PRESIDENT** (in Cantonese): Mr MA, each supplementary should contain only one question.

**MR MA FUNG-KWOK** (in Cantonese): *Thank you, Madam President.*

**PRESIDENT** (in Cantonese): Secretary, please answer.

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, we are indeed keeping a close watch on developments in the market. But as I pointed out in the main reply given just a while ago, Hong Kong is a rare example in the world where six mobile services operators are operating, despite the population size of only 6 million. In a keenly competitive environment like Hong Kong, consumers have been enjoying very competitive prices for the services they are provided with; otherwise one cannot explain why Hong Kong has a leading penetration rate in the world. Though we should make changes in response to the demands of the market, it seems the market has not yet given us any message demanding a change to the present charging method.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, in part (b) (and part (c) also mentioned some of it) of the main reply, the Secretary mentioned that at present mobile telephone users on making calls to fixed line telephone users have to pay PNETS charges to operators of fixed line telephone service. In view of this, mobile telephone users are in one way or another subsidizing fixed line telephone users. While fixed line telephone users outnumbered mobile telephone users in the past, the latest development is that we have about 4 million fixed telephone lines but over 5.6 million mobile telephone lines (including prepaid users). As such, must we still be pursuing the policy of having mobile telephone users subsidizing fixed line telephone users?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, when mobile telephone users use fixed network telecommunications facilities, they have to pay PNETS charges. Of course, with a growing number of mobile telephone users, the formula for calculation should be changed. In fact, present PNETS charges have been reduced. The OFTA will study the possibility of reducing the charges to zero.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, elucidation please.*

**PRESIDENT** (in Cantonese): Mr SIN, a Member can only ask questions but not elucidate.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, I just want an elucidation on the Secretary's answer.*

**PRESIDENT** (in Cantonese): Mr SIN, no elucidation request please.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, from part (a) of the main reply, I understand that the Government will intervene if there is collusive behaviour or if operators do not comply with the Code of Practice for mobile services. Will the Government inform this Council of the things it can do under the statutory powers conferred on it?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, in respect of collusive behaviour, the Government may under the relevant provisions of the law impose a fine. In serious cases, the Government may even suspend the licence of the operator.

**DR RAMOND HO** (in Cantonese): *Madam President, in part (c) of the main reply, the Secretary mentioned that at present it did not see the need to regulate charging practices or principles adopted by operators for value-added services but would continue to be vigilant on changing consumer and market patterns. Will the Secretary inform this Council of the means it will adopt to try to understand the demands of the consumers on the market?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, the OFTA will obtain consumer opinions through various channels such as studies done periodically on complaints, requests made by the public or written submissions on ways to provide better services to consumers when new services are launched.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, in part (c) of the main reply, the Government indicated that at the moment no telecommunications regulators in liberalized mobile services regime would regulate the charging practices for value-added services. But in October 2000, telecommunications operators and the local Telecommunications Authority in Taiwan decided after some discussions to ban charges for voice mail instructions. The ban will mean a loss of NT\$3 billion per year in service charges. Taiwan indicated to the International Telecommunication Union that it is an open market. Will the Government inform this Council whether it is aware of the fact? How does the Government perceive this fact?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, the Government is aware of that. The scenario mentioned by the Honourable MA Fung-kwok is that in Taiwan, mobile telephone operators will consult consumers to see if they need the service, and, if they need it, the operators will charge the users for the service. In other words, in Taiwan it is not the case that the entire service is free. Users will be charged a fee if they use the voice mail service. But in Hong Kong, we do not think there is a need for the choice because if users do not think they need voice mail service, they may hang up immediately when they hear voice mail instructions. Therefore, we doubt whether we must do that in order to benefit consumers.

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

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, I would like to raise a follow-up question. In fact, the case in Hong Kong is such that when one gets through and then hang up again, the mobile operators will charge a one-minute service charge. So, even if a user does not listen to the voice mail instructions, he or she will be charged a fee.*

**PRESIDENT** (in Cantonese): Mr MA, this is not part of your supplementary question just now. You can only request the Secretary to respond to the part of your supplementary question that was not answered.

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, will the Government inform this Council whether it is aware that Hong Kong consumers have no choice but to pay charges in this regard? Thank you, Madam President.*

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, following the logic of the Secretary, mobile telephone users, on calling fixed line telephone users, are using the facilities of fixed line telephone operators. But once connected, facilities of both types of telephones are used. At present, however, when a fixed line telephone user calls a mobile telephone user, he has to pay PNETS charges, which simply means the mobile telephone user is subsidizing the fixed line telephone operator. Will the Government change this policy so that neither type of telephone users will be charged? In a nutshell, is it possible for mobile telephone users to be spared PNETS charges?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): *Madam President, I would like to seek some elaboration from the Honourable Member. How can both parties be spared charges? If so, who will operate the business?*

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, I was not saying that users should not be charged. I mean mobile telephone users have to pay PNETS charges whenever they make calls and are thus subsidizing fixed line telephone users. On the contrary, fixed line telephone users do not have to pay PNETS charges when they call mobile telephone users. Put simply, using a fixed line telephone to deliver a call would save PNETS charges.*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): *Madam President, I have said already a moment ago that if at a certain stage there is a fair charging principle in the market to be adopted, the OFTA will be pleased to look into it.*

**MR MA FUNG-KWOK** (in Cantonese): *Madam President, will the Government inform this Council whether it is aware that in the United States fixed telecommunications network services adopt fixed charging practices? Most of the mobile operators there provide one-way charging services for consumers to choose from and in some State governments, the relevant departments will help mobile network operators reach agreements with each other regarding interconnection. Will the Government inform this Council whether it will make reference to their experiences?*

**SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING** (in Cantonese): Madam President, the Government will certainly make reference to their experiences. Though fixed telephone networks charge the same tariffs and mobile telephone services are charged on a measured-tariff basis, does it mean a one-way charging method will never be adopted? My answer is "no". However, it will be a very complicated process to set up a new mechanism because mobile services operators must negotiate with fixed telecommunications network services operators for an agreement on a formula to be reached by both sides regarding a reasonable sharing of revenue. Do we need to do that? Well, I would not rule out the need. As I said in my main reply, if there is a request from the market or the consumers to do so, we will certainly look into the request. Otherwise, we do not see a need to do that. Returning to the case mentioned by Mr MA Fung-kwok, the information we have on hand tells us that in the United States a two-way charging method is adopted in general but it would not be a surprise to see governments in individual States adopt the one-way charging method. I would not rule out that possibility. In 1997, the Federal Government of the United States wanted to adopt a one-way charging method so that consumers may have one more choice, and a consultation was carried out in that year. Another consultation was carried out in 1999. Five or six years have elapsed and there is no conclusion yet. So, I think the best thing to do is for us to monitor the situation closely. If a mechanism can be set up to benefit all parties, we will actively consider it.

**PRESIDENT** (in Cantonese): This Council has spent over 17 minutes on this question. We shall now proceed to the fifth question.

**Wastage of Water Due to Overflowing of Reservoirs**

5. **MR FRED LI** (in Cantonese): *Madam President, in accordance with the 1989 Water Supply Agreement signed between the Hong Kong Government and the Guangdong Authority, even if the actual quantity of water supplied is smaller than the agreed quantity, the water charges payable by Hong Kong are still to be determined on the basis of the agreed quantity. It has been reported that last year a large amount of potable water was discharged into the sea due to overflowing of reservoirs, resulting in wastage of potable water and public funds. In this connection, will the Government inform this Council:*

- (a) *of the quantity of potable water discharged into the sea in the past three years due to overflowing of reservoirs, and its value as calculated by the unit price of water supplied;*
- (b) *of the electricity charges and other operational expenses for the conveyance of potable water from Guangdong, calculated by the quantity of water supplied after deducting the quantity discharged into the sea, and how these figures compare to the actual expenses concerned, in each of the past three years; and*
- (c) *whether it has striven to negotiate with the Guangdong Authority for reducing the price of water; if it has, of the result?*

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

- (a) The major reasons leading to overflow from reservoirs are the intensive and heavy local rainfall in the past few years coupled with the industry in Hong Kong relocated northwards in recent years, resulting in the drop in demand growth. Moreover, the storage capacities of our reservoirs are limited.

When fixing the quantities of Dongjiang water supplied to Hong Kong in 1989, we needed to ensure that Hong Kong would be free from shortage of water supply even in severe drought years in order to avoid undermining Hong Kong economy and the international status. It could also avoid the hardship of water shortage as in the '60s.

However, starting in the '90s, the industry in Hong Kong moved northwards. The industrial consumption has dropped significantly. Consequently, the actual water consumption was lower than the forecast. When we were aware that the demand growth was dropping, we have already started immediately to liaise with the Guangdong side to reduce the supply quantities. After extensive negotiations, the Guangdong side agreed in 1998 that the annual increase in supply quantities from 1998 to 2004 could be reduced by 20 million cubic metres (mcm). As a result, the total supply quantities in these seven years would be reduced by 560 mcm cumulatively. Moreover, according to the original agreement, we would have to draw the ultimate quantities of 1 100 mcm per year in 2008. The Guangdong side has also agreed that the time of reaching this ultimate capacity could be suitably deferred and the supply quantities beyond 2004 would be subject to further negotiation.

As regards rainfall, Hong Kong had been undergoing successive spells of heavy rainfall for 10 years, starting from 1992 to 2001. Although the 1999 annual rainfall was slightly lower than the long-term average, the rainfall in August and September of that year was very heavy and intensive. In 2000 and 2001, the annual rainfall was also much higher than the long-term average. Owing to the limited storage capacity of local reservoirs and the need of maintaining a certain amount of storage at all times to meet the demands in case of a severe drought, it is an unavoidable phenomenon that overflow of local reservoirs will occur in times of heavy rainfall, especially rainstorms in wet seasons.

The Dongjiang water was supplied to Hong Kong in accordance with the agreement reached by the Hong Kong and Guangdong sides. The agreement was formulated on the basis of the long-term water policies of both sides to match with the respective sustainable development directions. As such, it is not appropriate for any party to make frequent revisions to cater for short-term situations. Moreover, we would not like to see the Guangdong side frequently adjust the supply quantities due to their own reasons.

Over the past three years, that is, from 1999 to 2001, the water quantities overflowed from local reservoirs to the sea were 120 mcm, 44 mcm and 163 mcm respectively. However, it is inappropriate to estimate the economic loss simply using the unit price of Dongjiang water and the amount of overflow from reservoirs. The determination of the unit price of Dongjiang water is directly related to the agreed supply quantity. The Dongshen Water Supply Scheme is a big and long-term investment. In the past 30 years or so, the Guangdong side had repeatedly put in resources to expand the system to meet the long-term water demand of Hong Kong. If we had reduced the agreed supply quantity at that time to avoid overflow from reservoirs or for other reasons, the unit price would have increased. Consequently, the current unit price would have gone up. Besides, when the rainfall is low, we will have to face the threat of water rationing and the associated financial loss, or pay a higher price for additional water from Dongjiang.

- (b) According to the Water Supply Agreement, the supply quantities in 1999, 2000 and 2001 were 770 mcm, 780 mcm and 790 mcm respectively. During these three years, the Guangdong side in response to our repeated requests, had agreed to some flexible arrangements in supply quantities. The actual supply quantities for these three years were 738 mcm, 706 mcm and 729 mcm.

As the storage levels at local reservoirs were high in the last few years, we had discharged some Dongjiang water at Muk Wu Pumping Station into Shenzhen River in 2000 and 2001 in order to save electricity costs incurred in operation. In the past three years, the electricity costs had been reduced by an amount close to HK\$30 million as a result of the reduction in supply quantities from Guangdong and the discharge at Muk Wu Pumping Station.

- (c) According to the 1989 Agreement, water prices are to be decided through mutual consultation. The adjustment to water prices will be based on the increases in operating costs and will take into account changes in relevant price indices in Guangdong and Hong Kong, and the exchange rate between the Hong Kong Dollar and the Renminbi. In the negotiation of the water prices in the last few years, we have demanded on a number of occasions that the water

prices should be reduced on the ground that both sides were experiencing deflation. However, the Guangdong side had a different view and requested for an increase in water price on the reason that their economy was booming and their operating costs have increased correspondingly.

Nevertheless, we would continue to try our best to negotiate with the Guangdong side on water prices. However, just like any other agreement, it is necessary to have the consensus of both sides before any agreement can be reached. The Guangdong side had also requested that the negotiation on the supply quantities and the flexible supply agreement should be considered as a package together with the water prices. When negotiating on these items, we would surely take the overall interests of Hong Kong into consideration with a view to reaching a reasonable agreement on water price and supply quantities, which was acceptable to both sides.

**MR FRED LI** (in Cantonese): *Madam President, as indicated by the figures provided by the Government, the electricity costs had been reduced by nearly \$30 million as a result of the reduction in supply quantities. However, by calculating the price of each cubic metre of potable water at \$3.085, the loss incurred from discharging the water into the sea amounts to more than \$1 billion, which is indeed a tremendous waste. May I ask the Secretary, before 2004, that is, before the next Agreement comes into effect, what measures the Government can take in these two years to avoid wasting potable water continuously?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, I have already explained in the main reply earlier that the amount resulting from multiplying the quantity of overflow from reservoirs discharged into the sea directly by a unit price would just be a figure which is meaningless, because the unit price is directly related to the supply quantity. I have also mentioned earlier in my main reply that although we have fixed the supply quantities in the Agreement, the actual quantity of water supplied currently is smaller than the agreed quantity in 1989. Owing to our repeated requests, the Guangdong side has actually made some flexible arrangements and the actual supply quantities are smaller. The Government will continue its efforts to negotiate with the Guangdong side, and see whether some more flexible arrangements can be made further in future.

**MR ALBERT CHAN** (in Cantonese): *Madam President, the Secretary said in the main reply that the annual discharge of potable water into the sea had been calculated by hundred mcm, and the loss was enormous. The water tariffs currently charged by the Hong Kong Government are calculated according to the quantities of water used by households, that is, the larger the quantities of water used, the higher the unit price will be. The purpose of this arrangement to induce the public to save water, and as far as possible, waste less potable water. Given that we have so much excess potable water, will the authorities encourage Hong Kong people to use more water so as to prevent potable water from flowing into the sea in this way? This is to make the best use of everything. Will the Government consider reviewing the arrangements concerning water tariffs in the light of the new circumstances?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, I consider conserving water very important after all. Although we have had sufficient rainfall in Hong Kong over the past 10 years, and local reservoirs must maintain a certain storage level to provide a stable water supply to the public round the clock, it makes the overflow from reservoirs an unavoidable phenomenon in the event of rainstorms at certain periods of time. However, we cannot rule out that we may have severe droughts in certain years. As such, I consider conserving water a virtue after all.

**MR JASPER TSANG** (in Cantonese): *Madam President, the Secretary mentioned in the main reply that it was not feasible to frequently adjust the supply quantities after reaching an agreement with Guangdong Province. However, have the Guangdong and Hong Kong sides made any arrangements so that the time and method of water supply can match with the wet and dry seasons of Hong Kong, for example, reducing the quantities of potable water transported to Hong Kong during rainy seasons but increasing them during drought seasons? Has the Government made such arrangements?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, regarding the technical side concerning water supply, we have actually conducted numerous negotiations with the Guangdong side. As Members can see that taking the whole year into account, the Guangdong side has already made some flexible arrangements and the actual supply quantities have been reduced as a whole. In

fact, the Government has also raised the question of whether the supply quantities could be reduced in the wet season of the year. However, whatever water supply systems they are, considerable arrangements involving resources and manpower have to be made. Therefore, the Guangdong side told us that there would be problems insofar as technical arrangements were concerned. However, we will continue to study with them together, seeking to make an arrangement on the supply quantities, which are acceptable to both sides.

**DR YEUNG SUM** (in Cantonese): *Madam President, I believe the Secretary would also know that even though the supply quantities are reduced, we basically still have to pay the same water prices. The Agreement will expire in 2004, so would the Government absorb the experience this time? Moreover, can the Secretary tell us the process of the relevant negotiations, and the progress presently made?*

**SECRETARY FOR WORKS** (in Cantonese): *Madam President, ever since the signing of the Water Supply Agreement with the Guangdong side in 1989, the Government has actually maintained negotiations with the Guangdong side all along. And we have been discussing supply quantities, water quality and the relevant matters at the operational and Secretarial levels. Supply quantities and future arrangements after 2004 are now under discussion.*

**MR LAU KONG-WAH** (in Cantonese): *Madam President, I am concerned about the issue of water prices. In part (c) of the main reply, the Secretary mentioned that according to the Agreement, an upward adjustment to water prices could be made based on the operating costs. As also mentioned by the Secretary, the Guangdong side considered that their economy was booming, so their operating costs would be increasing. Therefore, they requested for an increase in water price. It seems to imply that water prices may go up in future. However, we certainly will request for a reduction. I have these questions for the Secretary: Has the Guangdong side actually provided us with some data, or stated in which specific areas that the operating costs have increased? In fact, the vegetables, meat or daily necessities transported to Hong Kong are less expensive than before, so why may water prices be increased? Has the Guangdong side provided the data concerned? And does the Secretary consider those data reasonable?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, first of all, I may have to clarify one point. According to the Agreement, water prices are determined by three factors. Apart from the increase in operating costs, they also depend on changes in relevant price indices in Guangdong and Hong Kong, and the exchange rate between the Hong Kong Dollar and the Renminbi. In negotiating water prices of Dongjiang water, the Guangdong side has provided us with the information on costs of electricity and other operating expenses as one of the reasons to support the request made by the Guangdong side for an increase in water prices. We have examined the information concerned, but we sometimes have reservations about individual data on expenses. However, in short, the Guangdong side has provided us with the relevant information.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the Secretary has not answered whether those data are reasonable. He just said that there were some reservations, so does that mean the relevant data were unreasonable?*

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

**SECRETARY FOR WORKS** (in Cantonese): Madam President, I just said there were some reservations, I was not saying that they were unreasonable.

**MISS EMILY LAU** (in Cantonese): *Madam President, the Secretary said earlier that 327 mcm of potable water had been drained into the sea over the past three years, but the loss could not be calculated by multiplying this figure by the \$3.08 mentioned by the Honourable Fred LI. May I ask the Secretary how much the actual loss is? In fact, the public also wishes to know how much money we have washed into the sea, especially at this time of grave economic difficulties. Moreover, has the Government negotiated with the Guangdong side given we know clearly that the water will have to be drained into the sea, but at least we can request the Guangdong side to reduce the supply quantities, thereby saving some operating costs at least albeit we still have to pay the water prices?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, first of all, I must make a very important clarification, that is, I absolutely did not say we had

to drain the water into the sea. I just said the reservoirs had overflowed. I said earlier that owing to the need to maintain a stable supply of potable water, we must maintain a certain amount of storage in our reservoirs. When it rains heavily, rain water will flow into reservoirs through the catchment areas. If the reservoirs overflowed, water will naturally flow into the sea. In fact, it does not involve any charge. Therefore, the figure resulting from multiplying the quantities of potable water overflowed from reservoirs into the sea by the unit price is not appropriate. Since Hong Kong has experienced successive spells of heavy rainfall over the last 10 years, we have striven to negotiate with the Guangdong side, who has also agreed to reduce the supply quantities.

**MISS EMILY LAU** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. He did not need to clarify whether the water has been drained into the sea or has flowed into the sea due to an overflow from reservoirs, saving us from splitting hairs. In fact, potable water has its own price. No matter the potable water has been drained into the sea or has flowed into the sea because of an overflow, it has a price after all. May I ask how much it has actually cost our coffers?*

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

**SECRETARY FOR WORKS** (in Cantonese): Madam President, I have nothing to add.

**PRESIDENT** (in Cantonese): We have already spent more than 17 minutes on this question. This is the last supplementary question.

**MR HENRY WU** (in Cantonese): *Madam President, in responding to part (a) of the main question, the Secretary mentioned that the Guangdong side had repeatedly put in resources to expand the Dongshen Water Supply Scheme in the past 30 years or so, and the Government had been discussing this issue with them. I think that no water rationing is a good thing. It was also mentioned in the main reply that when the rainfall was low, we might have to face the threat of water rationing and the associated financial loss. In fact, we can hardly*

*guarantee that there will not be any severe drought, nor do we know when it will happen. The weather now keeps changing, or perhaps due to other reasons. May I ask the Secretary whether the Agreement has protected us from the financial loss incurred from water rationing if it has to be implemented?*

**SECRETARY FOR WORKS** (in Cantonese): Madam President, I have already mentioned in the main reply that when fixing the quantities of Dongjiang water supplied to Hong Kong in 1989, we hoped to ensure that Hong Kong would be free from shortage of water supply even in severe drought years. However, if Hong Kong experiences years of droughts and is in serious shortage of water supply, or water rationing has to be implemented, the Agreement allows Hong Kong to demand an increase in supply quantities, so flexibility does exist.

## WRITTEN ANSWERS TO QUESTIONS

### Regulation on Free Transport Service Provided by Real Estate Developers

6. **MR ALBERT CHAN** (in Chinese): *Madam President, in order to boost the sale of flats, some real estate developers arrange free transport in various districts to carry the public to view model flats and the sales offices. While awaiting passengers, such vehicles often occupy lay-bys at roadsides in busy districts for a long time, thereby blocking traffic and posing possible danger to other road users. In this connection, will the Government inform this Council:*

- (a) *whether real estate developers are required to submit details such as routing arrangements to the Transport Department (TD) and obtain approval before the provision of the above-mentioned passenger transport service; if so, of the approving criteria adopted by the TD; if not, the reasons for that;*
- (b) *of the number of complaints it received in the past two years about traffic congestion caused by such vehicles waiting for passengers at roadsides for an extended period; how these complaints were handled and the respective outcomes; and*
- (c) *whether it has plans and measures to monitor this kind of passenger transport service; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR TRANSPORT** (in Chinese): Madam President, the operation of non-franchised public buses is subject to the issue of Passenger Service Licence (PSL). It is a PSL condition that the licensee has to obtain the Commissioner for Transport's prior approval in writing for operating free bus service with a fixed route or fixed destination area for more than 14 days either consecutively or intermittently during a continuous period of 12 months on which carriage is offered to any member of the public. Operation of free shuttle bus services provided by real estate developers for the public to view model flats is subject to this condition.

An applicant has to submit details of the proposed service (including the service routing, timetable, and so on) to the TD. The factors which will be taken into account in considering an application for such service include the following:

- (i) the need for the services to be provided by the applicant;
- (ii) the level of service already provided or planned by other public transport operators; and
- (iii) traffic conditions in the areas and on the roads where the services are to be provided.

In the past two years, the TD received three complaints concerning two cases of traffic congestion caused by such vehicles while waiting for passengers at roadsides for an extended period. The police issued verbal warnings in both cases, and also issued Fixed Penalty Tickets against the vehicles causing congestion in one case.

The operation of such shuttle bus service will continue to be regulated in accordance with the established mechanism explained above. The TD will also conduct site surveys to monitor the operation and arrange for enforcement action as necessary.

## **Report of Biodiversity Survey**

7. **MR LAU PING-CHEUNG** (in Chinese): *Madam President, the Department of Ecology & Biodiversity at the University of Hong Kong conducted*

*the Biodiversity Survey under the sponsorship of the Environment and Conservation Fund in 1997 and submitted a report to the Government in June 2000, recommending the extension of conservation areas in Hong Kong by 25 sq km of land. In this connection, will the Government inform this Council:*

- (a) whether it has verified the findings of the report and followed up the relevant recommendations;*
- (b) whether it will take on board the proposed extension of conservation areas by 25 sq km of land; if not, of the reasons for that; and*
- (c) as the authorities concerned have advised that there are more than 10 privately-owned sites which are similar to or are of greater conservation value than Long Valley, of the sites in question, and how such sites compare to those set out in the report?*

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

- (a) and (b)

The Agriculture, Fisheries and Conservation Department (AFCD) has read the contents of the report in detail. It has started a thorough examination of its findings and recommendations, including conducting site inspections to collect more detailed information and verify the findings of the report as well as discussing with the experts responsible for the survey in order to determine the appropriate follow-up actions. The AFCD will designate suitable sites as country parks or "Sites of Special Scientific Interest" on the basis of the conditions and requirements of the respective sites.

- (c) According to the AFCD's preliminary assessment, solely from the perspective of nature conservation, there are over 10 sites on private land that have similar or higher conservation value compared with Long Valley. Some of these sites are covered by the report. The AFCD has to collect more detailed information in order to examine the ecological value of these sites. At the same time, we will

explore ways to better conserve such private land of high ecological value in the context of the review of the conservation policy. We consider that it is not appropriate to reveal the locations of these sites at the present moment.

### **Remuneration for Members of Executive Committee of Housing Society**

8. **MR FREDERICK FUNG** (in Chinese): *It has been reported that the Hong Kong Housing Society (HS) adopted a new governance structure at the end of year 2000. Under this new governance structure, members of the Executive Committee attend meetings once per month on average, and they are remunerated at about \$10,000 per month. The HS claims that the remuneration of its Executive Committee members is in line with that of their counterparts in organizations of similar size and business nature. In this connection, will the Government inform this Council if it knows:*

- (a) *how these members' duties and workload (including the number of meetings they are required to attend each month) after the adoption of the new governance structure compare to those before the adoption;*
- (b) *whether the remuneration for these members has changed after the adoption of the governance structure; if it has, the reasons for that and how the new remuneration level was set; and*
- (c) *the organizations mentioned by the HS as "organizations of similar size and business nature"?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, according to the HS:

- (a) The HS reorganized its governance structure in December 2000. Before the reorganization, the HS Executive Committee was responsible for formulating the HS's policies and strategies, co-ordinating the work of various sub-committees and examining their proposals for financial budget, accounts, estate development plans

and so forth. After the reorganization, the Committee's major duties are to decide the HS's strategies, deliberate and decide on individual major developments and business plans, and oversee the HS's overall business development and the performance of its management staff. Its areas of work include buildings and tenders, development, estate management and financial issues. Therefore, although the frequency of meetings remains once a month, the workload and responsibilities of the Committee have increased.

- (b) Members of the Executive Committee were not remunerated in the past. Under the new governance structure, the HS considered that the Committee has to shoulder heavier responsibilities and needs to draw on the experience of more professionals of various sectors. Hence members of the Executive Committee are remunerated at \$10,000 per month in order to enhance their accountability. According to the HS, references were made to different types of organizations in determining the remuneration level, which was accepted and approved by the HS Supervisory Board.
- (c) In the course of the review, the HS had referred to the remuneration of a number of private organizations and statutory committees, including the Hong Kong Housing Authority, the District Councils, the Land Development Corporation and the MTR Corporation Limited. Only general comparisons and references were made during the review process by the HS.

The HS was not set up by the Government. It was established as an independent and non-profit-making organization. The Chairman and members of the HS Executive Committee are elected by members of the HS Supervisory Board and are not appointed by the Government. Although the Secretary for Housing is one of 12 members of the HS Executive Committee, he is not paid any remuneration.

In the light of concerns expressed by some members of the public about the remuneration for members of the HS' Executive Committee, and as the Housing Bureau considers that the organizations the HS has made references to have their own

uniqueness and are not the same as the HS in terms of organizational structure, workload and scope of responsibilities, the Housing Bureau has written to the HS to request it to review its policy and level of remuneration for the HS Executive Committee members together with its current review of the pay adjustment mechanism and pay level of its senior management staff.

### **Securities Companies not Allowed to Operate in Commercial Premises of Housing Estates**

9. **MR HENRY WU** (in Chinese): *Madam President, it has been reported that the Housing Department (HD) refuses to let securities companies set up branches in shopping arcades of housing estates on grounds that securities trading is speculative in nature and such services are already available in bank branches. In this connection, will the Government inform this Council:*

- (a) *of the justifications for the HD not allowing businesses which are speculative in nature to operate in commercial premises of housing estates;*
- (b) *of the criteria adopted by the HD for determining whether a business is speculative in nature and, applying such criteria, list those businesses conducted by securities companies and banks which are speculative in nature; where some banking businesses are determined as speculative in nature, the reasons for the HD allowing banks to provide such services in the commercial premises of housing estates;*
- (c) *whether it has assessed if the HD has adopted double standards in allowing bank branches in its shopping arcades to provide securities trading services while refusing to let securities companies set up branches there to provide the same services; if it has, of the results; if not, the reasons for that; and*
- (d) *of the other types of businesses which the HD will also not allow to be conducted in the commercial premises of housing estates, and the rationale of the HD in doing so?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, commercial premises are provided in public housing estates to meet the shopping needs of residents. In line with this policy, the HD maintains a list of permitted trades for operation in its shopping centres. Whether a certain trade is speculative or otherwise is not a factor considered by the Housing Authority.

The Housing Authority has always reserved premises in its commercial centres for banks, the core business of which is the provision of essential banking services, such as savings accounts, foreign exchange, insurance services, mortgage and loan facilities, and so on. The core business of securities companies is quite different and is not of such an essential nature. Therefore it is not on the current list of permitted trades.

The list of permitted trades is reviewed by the HD from time to time to reflect customer needs and the latest retail trends.

### **Number of One-way Exit Permits Issued**

10. **MR JAMES TO** (in Chinese): *Madam President, at present, out of the 150 daily quota of One-way Exit Permits (OEPs), a specified sub-quota of 60 is allocated for persons of Chinese nationality born in the Mainland of Hong Kong permanent residents (eligible children), while another specified sub-quota of 30 is allocated for application by persons who have been living separately from their spouses in Hong Kong for a long period (the sub-quota for long-separated spouses). Moreover, persons who are issued OEPs by the Guangdong Authorities for reunion with their spouses in Hong Kong are allowed to bring with them a child under the age of 14 into Hong Kong for settlement. In connection with the number of OEPs issued on grounds of reunion with spouses, will the Government inform this Council whether it knows:*

- (a) *the annual numbers of persons entering Hong Kong from the Mainland for reunion with spouses on OEPs between 1998 and 2001, together with the respective annual breakdowns of OEPs which were issued under the sub-quotas for long-separated spouses and otherwise, and by the Guangdong Authorities and other authorities;*

- (b) *the total number of children under the age of 14 brought into Hong Kong for settlement by persons entering Hong Kong for reunion with spouses since 1 January 1998; and among them, the number of eligible children; and*
- (c) *when the Guangdong Authorities will complete the processing of OEP applications submitted by persons who have been living separately from their spouses in Hong Kong since 31 December 1993 or before?*

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

- (a) According to the information provided by holders of OEPs when they entered Hong Kong, the annual breakdown of persons entering Hong Kong from the Mainland for reunion with their spouses on OEPs between 1998 and 2001 are as follows:

Year	Total	Long-Separated		Long-Separated		Separated	
		Spouses for 10 Years or More)	Spouses Less Than 10 Years)	Spouses in Guangdong Province (Separated for 10 Years or More)	Spouses in Regions outside Guangdong Province (Separated for 10 Years or More)	Spouses in Guangdong Province (Separated for 10 Years)	Spouses in Regions outside Guangdong Province (Separated for 10 Years)
1998	19 511	16 788	2 723	16 617	171	970	1 753
1999	22 178	16 574	5 604	16 427	147	859	4 745
2000	25 442	13 139	12 303	12 930	209	6 434	5 869
2001	18 043	3 131	14 912	2 582	549	6 835	8 077

- (b) According to the information provided by OEP holders when they entered Hong Kong, persons entering Hong Kong for reunion with their spouses brought with them 7 435 children aged 14 or below into Hong Kong for settlement during the period from 1 January 1998 to the end of 2001. Among these children, 3 438 are "eligible children".

- (c) As announced by the Bureau of Exit-Entry Administration of the Ministry of Public Security in the Mainland on 8 January this year, for residents of Guangdong Province who have applied to enter Hong Kong for settlement to join their spouses, arrangements will be made for them to leave the Mainland within the year if they have been separated from their spouses since 31 December 1993 or before.

### **Progress of Increasing Job Opportunities in Public Sector**

11. **MR LAU CHIN-SHEK** (in Chinese): *Madam President, in his policy address 2001, the Chief Executive pledged to create over 30 000 job opportunities in the public sector. In reply to a question raised by this Council in this regard on 7 November 2001, the Secretary for Education and Manpower said that the "departments concerned are now studying ways to further expedite and to create, as far as possible, job opportunities in needed areas". As the unemployment rate has continued to rise recently, will the Government inform this Council of:*

- (a) *the progress of each department in its study on expediting the creation of and increase in job opportunities; and*
- (b) *the specific proposals put forward by each department for increasing job opportunities?*

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

- (a) Since the Chief Executive's announcement in his 2001 policy address to create over 30 000 job opportunities, various government departments have been studying ways to further expedite and to create, as far as possible, job opportunities in needed areas to help to alleviate the unemployment situation. Presently, we will advance the creation of some of the works-related jobs from 2002-03 to 2001-02. The number of jobs to be created by works projects in 2001-02 will, as a result, be increased by 600 to a total of 2 600.

Also, in the health and welfare sector, we will bring forward the creation of about 500 jobs, including peer counsellors and hospital assistants, from 2002-03 to 2001-02. This will bring the total number of jobs to be created in the education, medical and health, and welfare sectors to about 1 730 in 2001-02. To sum up, among the 30 000 or so job opportunities, about 7 900 will be created in 2001-02. These include jobs for works-related personnel, public housing estate management and maintenance personnel, cleaners, community workers and teachers. The latest position of job creation is at Annex.

- (b) Taking due regard for our long-term development needs, we are now studying ways to create more jobs to ease the unemployment situation. We will make appropriate announcement when we have further information.

Annex

Progress of Jobs Creation under 2001 Policy Address

	<i>Total</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003 and after</i>
Works Projects	20 000	2 600	10 800	6 600
Housing Department Estate management and maintenance services	4 000	920	1 640	1 440 (up 2006)
Education, medical and health sectors, welfare, and so on	6 220	1 730	4 490	-
Environmental cleansing	2 650	2 650	-	-
	32 870	7 900	16 930	8 040

Note: the above are estimated figures

**Figures about Recipients of Disability Allowances**

12. **MR WONG SING-CHI** (in Chinese): *Madam President, will the Government inform this Council of the following respective breakdowns in respect of recipients of Normal Disability Allowance and Higher Disability Allowance:*

- (a) *the current number of recipients of such allowances for each type of disability, as well as their percentages in the respective populations of persons with the relevant disability; and*
- (b) *the number of persons granted such allowances because of "illness resulting in being bedridden", and its percentage in the population of persons with chronic illness; and the number of recipients for each of the three types of chronic illness that they most commonly suffer?*

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

- (a) (i) In respect of the first part of the question, as at the end of December 2001, there were a total of 93 514 Disability Allowance (DA) recipients, including:
  - 57 038 who were physically disabled (excluding those suffering from total blindness);
  - 5 115 who were totally blind;
  - 4 356 who were profoundly deaf; and
  - 27 005 who were mentally disabled.

For further details regarding the breakdowns into Higher DA and Normal DA, please refer to the table at Annex 1.

- (ii) With respect to the second part of the question regarding their percentages in the respective populations of persons with the

relevant disability, we have examined how the information can be appropriately provided.

Currently, statistics on people with disabilities in Hong Kong are kept in the Central Registry for Rehabilitation (CRR) which collects and compiles information on people with disabilities through relevant government departments and non-governmental organizations (NGOs) with a view to providing statistics on disability to the Government and NGOs as a reference for the planning and delivery of rehabilitation services. Registration with the CRR is on a voluntary basis. For categories of information kept in the CRR, please see Annex 2.

Separately, a household survey on persons with disabilities and chronic diseases was conducted in 2000 by the Census and Statistics Department as one of the Special Topics Enquiries under the General Household Survey to provide an estimate on the prevalence rate of persons with selected types of disabilities and chronic diseases, and information on the basic profiles of persons with disabilities and chronic diseases. For details of the survey with regard to persons with disabilities, please see Annex 3.

It should be noted that the statistics collected by the CRR and the household survey are for different purposes and with different methodologies. Registration with the CRR is on a voluntary basis, while data collected in the survey is basically on a self-reporting basis. In the case of DA, disability is defined strictly on medical ground in accordance with the specified criteria in order to assess the eligibility of an applicant. Hence, we do not think it is appropriate nor entirely meaningful to simply compare the number of different types of DA recipients with the relevant statistics in the other two databases. However, for Members' reference, we have listed related statistics in Annex 4.

- (b) As at the end of December 2001, there were a total of 1 924 persons receiving DA due to "illness, injury or deformity resulting in being

bedridden". We do not have separate statistics on the number of DA recipients due to "illness resulting in being bedridden" alone, nor its percentage in the population of persons with chronic illness.

As regards information on the three most common types of chronic diseases under this category, and the number of recipients for each type, as DA recipients are classified according to the nature of their physical or mental disabling medical condition and not by the nature of their illness, we do not have statistics on the nature of their illnesses, or the number of recipients under each type.

Annex 1

Table: Statistics on DA Cases (as at the end of December 2001)

	<i>No. of Higher DA recipients</i>	<i>No. of Normal DA recipients</i>	<i>Total</i>
(a) Physical disablement			
(i) Illness, injury or deformity resulting in being bedridden	576	1 348	1 924
(ii) Total blindness	113	5 002	5 115
(iii) Others (for example, loss of functions of two limbs, paraplegia, and so on)	10 295	44 819	55 114
(b) Profound deafness	1	4 355	4 356
(c) Mental disablement	2 410	24 595	27 005
Total	13 395	80 119	93 514

*CRR*

The CRR collects and compiles information on people with disabilities in Hong Kong through relevant government departments and NGOs with a view to providing statistics on disability to the Government and NGOs as a reference for the planning and delivery of rehabilitation services. Registration with the CRR is on a voluntary basis. Information on people with disabilities is fed into the CRR through government departments and NGOs providing rehabilitation services. These agencies report to the CRR when they come into contact with a disabled client for the first time and they are required to obtain his/her written consent before they can report the client's particulars to the CRR with the Registration Form. People with disabilities can also choose to register directly with the CRR.

The CRR covers eight selected types of disability, namely:

- a. physical handicap;
- b. hearing impairment;
- c. visual impairment;
- d. speech impairment;
- e. mental illness;
- f. autism;
- g. mental handicap; and
- h. visceral disability.

The relevant statistics is at Annex 4.

*Survey on Persons with Disabilities and Chronic Diseases*

A household survey on persons with disabilities and chronic diseases was conducted in 2000 by the Census and Statistics Department as one of the Special Topics Enquiries under the General Household Survey. The survey provided an estimate on the prevalence rate of persons with selected types of disabilities and chronic diseases, and information on the basic profiles of persons with disabilities and chronic diseases. Under the setting of a household survey, interviewers could not conduct comprehensive medical assessment tests to verify whether a respondent was disabled. In line with the methodology of similar

household surveys undertaken by many overseas statistical offices, a practicable approach was adopted in the survey whereby a person was defined as being disabled if, according to that person, he/she had been diagnosed as such by qualified health personnel or if he/she had perceived himself/herself as having some disabling conditions.

Under the survey, persons with disabilities were defined as those who (i) had been diagnosed as having one of more of the following seven conditions; or (ii) had perceived themselves as having one or more of the first four of the following seven conditions which had lasted, or were likely to last, for a period of six months or more at the time of enumeration:

- a. restriction in body movement;
- b. seeing difficulty
- c. hearing difficulty
- d. speech difficulty
- e. mental illness
- f. autism; and
- g. mental handicap.

The relevant statistics is at Annex 4.

Annex 4

*Breakdown of the Number of Registrants on CRR by Types of Disability<sup>@</sup>*

<i>Types of disability</i>	<i>Number of registrants</i>
Hearing impairment	12 669
Visual impairment	13 500
Physical handicap	58 037
Speech impairment	2 072
Mental handicap	29 048
Mental illness	15 089
Autism	1 922
Visceral disability	4 785
Total	137 122
Total number of registrants on the CRR*	121 966

@ As at 31 March 2001.

\* Registrants may have more than one type of disability.

## Findings of the Survey on Persons with Disabilities

<i>Selected types of disability</i>	<i>Total number of persons</i>
Hearing difficulty	69 700
Seeing difficulty	73 900
Restriction in body movement	103 500
Speech difficulty	18 500
Mental illness	50 500
Autism	3 000
All persons with disabilities (excluding mentally handicapped persons)*	269 500

\* A person might have more than one selected type of disability and hence the overall number of persons with disability is smaller than the sum of the number of persons with individual types of disability.

Based on a separate method of statistical assessment, the number of persons with mental handicap is estimated to be in the range of 62 000 to 87 000.

**Supply and Demand of Motorcycle Parking Spaces**

13. **MR ALBERT HO** (in Chinese): *Madam President, regarding the supply and demand of motorcycle parking spaces, will the Government inform this Council:*

- (a) of the respective numbers of registered motorcycles and private cars, and their relative ratio;*
- (b) of the respective numbers of parking spaces for motorcycles and private cars, and their relative ratio; the respective numbers of motorcycle parking spaces provided by the Government, the Housing Authority (HA), the Housing Society (HS) and the private sector as well as their average patronage, together with a breakdown by district;*
- (c) whether it has assessed if there are adequate motorcycle parking spaces in various districts; and*

- (d) *whether it will propose to the HA and the HS the conversion of some private car parking spaces in car parks with low patronage into motorcycle parking spaces, in the districts, which suffer from a shortage of motorcycle parking spaces?*

**SECRETARY FOR TRANSPORT** (in Chinese): Madam President, the number of registered motorcycles and private cars in 2001 are 27 100 and 340 700 respectively. The ratio of registered motorcycles to private vehicles is about 1:13.

The respective number of parking spaces for motorcycles and private cars in 2001 are 15 200 and 544 900. The ratio of parking spaces for motorcycles to private vehicles is about 1:36. The breakdown of motorcycle parking spaces by district supplied by the Government, the HA, the HS and the private sector is shown in the attached Table. We have no information on the average utilization rate of parking spaces of motorcycles for government and private car parks. Nevertheless, our analysis based on the data provided by the HA and the HS reveals that the utilization rates vary widely. For HA car parks, the utilization rates range from about 87% (in urban areas) to 60% (in New Towns), with an overall average of 77%. For HS car parks, the utilization rates range from 100% (that is, fully occupied) to about 10%, with an overall average of 52%.

Statistically, there are shortfalls in most districts for overnight parking of motorcycles. However, as revealed from the utilization rates above, motorcyclists prefer to park their motorcycles at free on-street spaces rather than at off-street paid car parks where there are in general surplus provisions.

The conversion of any surplus car parking spaces for use by motorcycles is generally encouraged should the demand arise. One of the recommendations of the Second Parking Demand Study currently underway is to allow flexibility in designating motorcycle parking spaces, such as the use of odd spaces with less stringent headroom requirement. If this recommendation is accepted by the Government, the use of odd spaces for motorcycle parking may be first implemented within government car parks, under flyovers and footbridges where traffic conditions permit, and may then extend to housing estate car parks.

## Motor Cycle Parking Space Supply by Districts in 2001

<i>District</i>	<i>Government</i>	<i>HA</i>	<i>HS</i>	<i>Private</i>	<i>Total</i>
Central and Western	498	4	0	185	687
Wan Chai	623	0	0	75	698
Eastern	373	450	85	654	1 562
Southern	312	512	8	91	923
Yau Tsim Mong	875	14	0	35	924
Sham Shui Po	430	164	0	84	678
Kowloon City	668	143	32	39	882
Wong Tai Sin	205	862	0	89	1 156
Kwun Tong	259	996	31	163	1 449
Tsuen Wan	159	92	5	130	386
Tuen Mun	125	436	0	89	650
Yuen Long	165	360	0	23	548
North	61	130	0	28	219
Tai Po	108	240	0	63	411
Sai Kung	169	550	233	415	1 367
Sha Tin	193	854	95	217	1 359
Kwai Tsing	179	703	55	239	1 176
North Lantau	55	50	0	20	125
Overall	5 457	6 560	544	2 639	15 200

Total no. of Motor Cycle Parking Spaces 15 200

Total no. of Private Vehicle Parking Spaces 544 900

Ratio of Motor Cycle to Private Vehicle Parking Spaces 1:36

### **Professional or Consultancy Services for Infrastructural Projects**

14. **MR ERIC LI** (in Chinese): *Madam President, the Chief Executive announced in the 2001 policy address that the Government and the two railway corporations planned to invest \$600 billion in infrastructural projects. Regarding the professional or consultancy services contracts for these projects, will the Government inform this Council of:*

- (a) *the number and the total value of the projects which involve the outsourcing of professional or consultancy services; and*

- (b) *the measures the authorities concerned will take to ensure that local tertiary institutions and professionals will have the opportunities of being awarded the contracts, and to facilitate the development and retention in Hong Kong as far as possible and their transfer from foreign companies to local professionals of the specialized technologies used in such projects?*

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

- (a) The Government and the two railway corporations have planned to invest about \$600 billion in public infrastructural projects and railway projects in the coming years. Of the \$600 billion, about \$400 billion will be spent on the Government's own capital works programme and \$200 billion will be spent on railway projects.

The Government's capital works programme consists of roughly 1 600 projects at different stages of planning or construction. Among these projects, about 850 are designed and supervised by engaging consulting firms. The outstanding investment in these projects is about \$340 billion representing about 85% of the total investment in the whole capital works programme.

There are 12 railway projects at different stages of planning or construction by the two railway corporations. The design and supervision of these projects involve the corporations' own staff as well as consultancy firms.

- (b) The procurement of consultancy services by the Government is guided by the principles of transparent, open and fair competition, public accountability and value for money. When letting government consultancy contracts, we treat all bids on equal footing. We do not, for any reason, favour or discriminate against any consulting firms, local or overseas. Furthermore, many consulting firms practising in Hong Kong may have an overseas origin but have established their offices in Hong Kong for many years. Their registered principals as well as employees are mostly locals or professionals who have resided in Hong Kong for a long period of

time. We agree that transfer of technology to the local workforce is important. Therefore, for contracts involving complex technologies, we have included specific requirements for technology transfer to local employees. Examples are the contract of technical support for the inspection, maintenance and structural health monitoring of long span cable-supported bridges in the Tsing Ma Control Area and the contract for the design and construction supervision for the Stonecutters Bridge, and so on.

### **Outsourcing of Lifeguard Service by LCSD**

15. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, the management work of the Island East Sports Centre, including the provision of lifeguard service for the swimming pool there, has been contracted out to a private company since July 2001. With regard to the outsourcing of lifeguard service by the Leisure and Cultural Services Department (LCSD), will the Government inform this Council:*

- (a) *whether it knows how the entry requirements of and recruitment procedures for lifeguards currently set by the LCSD compare to those of the above-mentioned company;*
- (b) *of the number of lifeguards currently employed by the LCSD, their average years of service as well as their respective average monthly salary and allowance; and whether it knows the relevant figures for lifeguards employed by contractors of the outsourced service; and*
- (c) *whether the LCSD plans to contract out the lifeguard service of its public swimming pools and beaches progressively?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): Madam President,

- (a) The lifeguards employed by the LCSD are classified into two categories, namely permanent establishment (PE) and contract lifeguards. Both categories of lifeguards should fulfil the same entry requirements. They should have:

- (i) a valid Bronze Medallion in lifesaving issued by the Hong Kong Life Saving Society;
- (ii) a valid first aid certificate;
- (iii) attained a level of proficiency in Chinese and English language up to Primary Six standard, or equivalent; and
- (iv) good eyesight.

Vacancies are filled through open recruitment exercise. Eligible persons can apply. If applicants pass the interview, lifesaving test and body check, they will be appointed subject to the number of vacancies.

Under the agreement, the lifeguards deployed by the service contractor to the Island East Sports Centre should also meet the above entry requirements. The recruitment practice adopted by the contractor is a matter of its internal administrative procedures.

- (b) As at 1 January 2002, the number of lifeguards employed by the LCSD and their average years of service are as follows:

<i>Category</i>	<i>Number of lifeguards</i>	<i>Average years of service</i>
(1) PE lifeguards		
(i) Senior lifeguards	110	23.2
(ii) Lifeguards	582	11.3
(2) Contract lifeguards	345	3.3*

\* The years of service for contract lifeguards do not include their years of service as the LCSD's temporary lifeguards.

Their salaries and allowances are as follows:

	<i>Category</i>	<i>Salary</i>	<i>Allowance</i>
(1)	PE lifeguards		
	(i) Senior lifeguards	\$13,405-\$15,520	Overtime Allowance
	(ii) Lifeguards	\$11,115-\$13,745	(Note 1)
(2)	Ex-council contract lifeguards	\$11,115-\$13,745	Extraneous Duties Allowance (Note 2)
(3)	Lifeguards on non-civil service contract terms	\$11,115-\$12,105	Nil

Note 1: Staff who work overtime can be granted Overtime Allowance at the discretion of the LCSD only when time-off cannot be arranged.

Note 2: Lifeguards who are deployed to beaches and have to operate inflatable rescue boats are granted a monthly allowance of \$557.

The service contractor employs 12 lifeguards for the Island East Sports Centre and their average years of service and monthly salary are 5.3 and \$8,840 respectively.

- (c) At present, the LCSD does not have any plans to further contract out the lifeguard service of its public swimming pools and beaches.

### **Performance of Survivor Detectors**

16. **DR TANG SIU-TONG** (in Chinese): *Madam President, it was reported that the Fire Services Department (FSD) recently purchased a survivor detector called DKL LifeGuard, but the performance of this model of survivor detectors was called into question in the test reports published by the Department of Energy and the National Institute of Justice of the United States respectively. In this connection, will the Government inform this Council:*

- (a) *of the models of survivor detectors currently used by the FSD and the number of each model;*

- (b) *whether the FSD had obtained overseas test reports and rating information on this model of survivor detectors before it purchased this product; if so, how such information has been obtained, and whether the test reports obtained include both of the reports mentioned above;*
- (c) *of the results of internal tests conducted on the DKL LifeGuard by the FSD;*
- (d) *how the FSD staff who have used the DKL LifeGuard evaluate its performance; and*
- (e) *whether the FSD plans to purchase more survivor detectors of this model; if so, of the details?*

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

- (a) The relevant information is as follows:

<i>Model</i>	<i>Quantity</i>	<i>Working Principle</i>
"Delsar" Life Detection System	5 sets	Detection of vibrations and sound waves
Video Imagescope	1 set	Search camera on a flexible probe to obtain images in confined space
"DKL" LifeGuard Model 1	1 set	Detection of dielectrokinetic energy of the human heartbeat

- (b) To improve its search and rescue capability, the FSD always seeks to keep abreast of development in new or innovative life-saving technologies and equipment through articles in professional magazines, Internet, information obtained from suppliers, exchanges with overseas counterparts and other means. In 1998 the FSD started to follow and study the development of a new dielectrokinetic technology for rescue application. This included reviewing a test report on a prototype model — "DKL" LifeGuard

Model 2. The test report, commissioned by the United States Department of Energy, was prepared by Sandia National Laboratories. It was then found that the new technology was still under extensive testing, and no commercial model was offered on the market. As for the other test report cited in the question, which only came to the FSD's attention recently, it is related to another prototype model — "DKL" LifeGuard Model No. 3. Neither has this model been offered on the commercial market. Nevertheless, the FSD has kept the technological development and market condition under close monitoring.

In 2001 the FSD reckoned that, after several years of technological improvement, a commercial model — "DKL" LifeGuard Model 1 — had been released into the market, and that fire brigades and emergency agencies of the United States, Germany, Belgium, Taiwan and Japan had procured this model for rescue use. In response to the FSD's enquiry, the supplier arranged presentation and demonstration of the functions of the product to the FSD and produced a test report from an independent product testing body. After thorough study on the product's tested performance, reliability, durability and compatibility with the existing equipment, the FSD procured one set of "DKL" LifeGuard Model 1 for longer-term performance evaluation.

It should be noted that the search and rescue operations of FSD require integrated use of various equipment. The "DKL" LifeGuard Model 1 is primarily deployed for speedy, initial detection of the presence of trapped persons to narrow down the scope for detailed search. Equipment that detects sounds or vibrations generated by knocking or movements of trapped persons and probe camera also have a major role to play in locating trapped persons.

(c) and (d)

The FSD has conducted evaluations and practical tests on the "DKL" LifeGuard Model 1 both before and after the procurement and the results have been satisfactory. Feedback from front-line staff on the performance of the product in the field has also been positive.

- (e) The FSD will conclude the results of the evaluation of "DKL" LifeGuard Model 1 in mid-2002 and decide whether it would procure more survivor detectors of this model for general use within the service to enhance its search and rescue capability.

### **Full Liberalization of Local Fixed Telecommunications Network Services Market**

17. **MR HOWARD YOUNG** (in Chinese): *Madam President, regarding the full liberalization of the local fixed telecommunications network services (FTNS) market, will the Government inform this Council:*

- (a) *of the movement in the percentage of the telecommunications sector in the Gross Domestic Product (GDP) over the past four years, and whether it has assessed and reviewed how such movement relates to the measures taken for liberalizing the FTNS market;*
- (b) *of the respective market shares of the four existing wireline-based FTNS operators, and whether it has analysed the reasons for the significant differences in those shares and taken follow-up actions;*
- (c) *whether it has analysed the benefits of the liberalization of the FTNS market to the overall economy; if it has, of the details; and*
- (d) *given that a research report on the telecommunications industry in the Asia-Pacific Region, published by Standard & Poor's in October last year, has pointed out that factors such as the persistent pressure from competition and the uncertainty in the scale of regulation would bring about severe strains on the telecommunications sector in the Asia-Pacific Region in the coming years, and that the terrorists attack on 11 September last year has aggravated the market's worries about the economic outlook, thereby causing financing problems to the telecommunications corporations in the region, whether it has assessed if 1 January 2003 is still the right time for the full liberalization of the FTNS market?*

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

- (a) The statistics on percentage of telecommunications sector in GDP for 2000 and 2001 are not yet available. The percentage figures of telecommunications sector in GDP, namely the ratio of the telecommunications industry's value-added amount to the GDP, for 1998 and 1999 are 1.8% and 1.4% respectively. The percentages have slightly decreased.

However, the revenues for the telecommunications sector have grown from \$50.7 billion in 1996 to \$55.4 billion in 1999. Under our progressive liberalization policy, various sectors of the telecommunications market have been liberalized with more new entrants. This has led to intensive competition, which in turn has benefited consumers and businesses at large with increased provision of innovative, quality services at lower price, particularly in the mobile and IDD services. We therefore have observed in this growing sector increase in revenues and utilization, coupled with price reduction and lower profit margin by more competing operators.

Liberalization of the telecommunications market is the international trend. We believe that our policy is in the right direction. It brings about benefits to consumers in terms of lower prices and better quality services. There are also other benefits brought by the liberalization policy as outlined in part (c) of my reply.

- (b) PCCW-HKT Telephone Limited, or the then Cable & Wireless HKT Telephone Limited, was the monopoly in the local telecommunications market before competition was introduced in 1995. It has a long history in rolling out its network. Moreover, PCCW-HKT Telephone Limited is required to provide a universal service of ordinary telephone. Therefore its telephone network covers everywhere in the territory of Hong Kong.

In 1995, three new operators were licensed to provide fixed telephone services. To enhance coverage of the new operators, the Government secured commitments from three new operators in

1998 to roll out their networks. Since then, the Government has been actively monitoring the progress of roll out and facilitating the related work. As at September 2001, the three new operators already achieved a coverage whereby over 35% of the residential customers had an alternative choice. Our target is to enable 50% of the consumers to have an alternative choice by end 2002 and we are fairly confident that the target can be achieved.

In terms of market share, we estimate that the three new operators currently have a market share of about 10%. We would however like to highlight that market share of the three new operators is a matter for the market which depends on, *inter alia*, customer preferences. Our aim is to provide alternative choices to consumers through competition in a liberalizing market.

(c) and (d)

Economies around the world have been going through the peaks and the troughs as they always do. The telecommunications industry, like other industries, also has its ups and downs. Under our well established market-driven principle, the decision whether to enter and exit a market is best left to the operators taking into account their own business plans. The role of the Government is to reduce barriers to entry into the market and provide a favourable and level playing field for the industry.

As announced in 1999, we are firmly committed to our established policy to fully liberalize our telecommunications market in 2003. It is of the utmost importance that we uphold our announced policy. Indeed, we have benefited substantially from our liberalization policy — competition has led to quality and innovative services at competitive prices, bringing benefits to the consumers and the business community. A few notable examples are:

- IDD customers have benefited from a tremendous saving of \$9.4 billion in 1999 and 2000 since the introduction of competition in January 1999.

- The prices of international private leased circuits (IPLC) have dropped significantly since the external facilities market was open in January 2000. For instance, the monthly rental of an IPLC with a capacity of 2 Mbps between Hong Kong and mainland China has plummeted from \$140,000 to \$20,000 since 2000, a reduction of 86%.
- With 10 fixed telecommunications network operators, broadband service has improved and the number of customers has increased from 51 494 in February 2000 to 543 433 in October 2001, more than 10-fold in less than two years. The average monthly rental is in the region of \$200, one of the cheapest in the world.
- In the local telephone market, more customers have alternative suppliers who offer monthly rentals ranging from \$48 to \$88.

### **Public Housing Building Contracts to be Awarded**

18. **MR ABRAHAM SHEK:** *Madam President, will the Government inform this Council of:*

- (a) *the tender schedule that has been drawn up and the value of the contracts that will be awarded in the next 12 months by the Hong Kong Housing Authority (HA) for building public rental housing estates and Home Ownership Scheme flats;*
- (b) *the anticipated number of jobs that will be created by the award of these contracts; and*
- (c) *the number of housing units that will be built under these contracts?*

**SECRETARY FOR HOUSING:** Madam President,

- (a) According to the current development programme of the HA, 18 public housing building contracts will be let in the coming 12

months. Details are given in the Annex. The total estimated present day value of these contracts is about \$9.8 billion. The value of each contract is commercially sensitive information.

- (b) The HA estimates that a total of 5 100 and 430 employment opportunities will be created for manual workers and professional/technical staff respectively by the award of these contracts.
- (c) These 18 contracts will provide about 29 000 flats plus ancillary facilities.

Annex

HA's Building Contracts to be Let between January 2002 and January 2003

<i>Project</i>	<i>Tender Award Date</i>
<b>Public Housing</b>	
1. Eastern Harbour Crossing Site Phase 1	February 2002
2. Lei Muk Shue Phase 4	February 2002
3. Sha Tin Area 2B	March 2002
4. Kwai Chung Phase 5	April 2002
5. Fan Ling Area 36 Phase 2	June 2002
6. Tung Chung Area 31 Phase 2	June 2002
7. Fan Ling Area 36 Phase 3	July 2002
8. Fan Ling Area 36 Phase 4	July 2002
9. Shek Pai Wan Redevelopment Phase 2	July 2002
10. Shek Yam Phase 5	July 2002
11. Hung Hom Phase 2	September 2002
12. Sha Tin Area 52	October 2002
13. Shek Kip Mei Phase 1	November 2002
14. Eastern Harbour Crossing Site Phase 2	November 2002
15. North West Kowloon Reclamation Site 10 Phase 4	December 2002
<b>Commercial Properties</b>	
1. Fan Ling Area 36 Phase 1	July 2002
2. Redevelopment of Yau Tong Estate Phase 4	August 2002
3. North West Kowloon Reclamation Site 10 Phase 3	December 2002

### **Traffic Accidents on Tung Chung Road**

19. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, several serious traffic accidents have taken place on Tung Chung Road recently, and the north-south access of Lantau Island was paralyzed every time. Residents' groups consider that while residents of Lantau Island have no choice but to accept the Government's proposal to widen Tung Chung Road as an alternative to constructing the Lantau North-South Road Link, the life of the residents, local and foreign visitors cannot be protected expeditiously as the scheme will not be completed until 2006. In this connection, will the Government inform this Council:*

- (a) *of the number of traffic accidents on Tung Chung Road last year and their casualty toll; and how these figures compare to those of the preceding two years;*
- (b) *of the current respective numbers of valid Lantau Closed Road permits issued in respect of the various types of vehicles;*
- (c) *whether there are plans to prohibit heavy vehicles and tankers from using Tung Chung Road; if so, of the details; if not, the reasons for that;*
- (d) *whether it will set up an inter-departmental Tung Chung Road Emergency Transport Co-ordination Centre to take up the co-ordination role in case of emergency, so as to strengthen the ability to cope with contingencies; if so, of the details, if not, the reasons for that; and*
- (e) *whether it will take measures to expedite the progress of Tung Chung Road improvement scheme, including streamlining the relevant procedures and carrying out the works by sections concurrently, and so on; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR TRANSPORT** (in Chinese): *Madam President, in 2001, a total of 36 traffic accidents occurred on Tung Chung Road, of which nine involved personal injuries resulting in 26 casualties (two serious and 24 slight*

injuries) but no fatalities. A comparison of the accident statistics with those of 1999 and 2000 is set out in the table below:

<i>Year</i>	<i>Total nos. of Accidents</i>	<i>Accidents without Injuries</i>	<i>Accidents</i>		<i>Casualties</i>	
			<i>Involving Injuries</i>	<i>Serious Injuries</i>	<i>Slight Injuries</i>	<i>Total</i>
1999	35	28	7	1	7	8
2000	43	32	11	10	53	63
2001	36	27	9	2	24	26

The number of accidents in 2001 (36) is slightly less than the average number of accidents for the past two years (39). The number of casualties in 2001 (26) is much less than that of the average for the past two years (35.5).

With the exception of the North Lantau Highway and the roads in the airport and Tung Chung New Town, all other roads on Lantau are closed roads where access by vehicles is regulated by a closed road permit system. As at end of 2001, 3 374 vehicles were issued with closed road permits for Lantau. A breakdown of the permits by vehicle types is at Annex.

In addition to being a closed road, Tung Chung Road is also a prohibited zone. Except franchised buses serving on routes in the area, Lantau taxis and emergency vehicles, all vehicles using Tung Chung Road between 8 am and 6 pm are required to possess prohibited zone permits. For heavy vehicles (above 5.5 tonnes in weight), the prohibition extends to 24 hours a day, that is, such vehicles are required to possess permits in order to use Tung Chung Road any time of the day. In view of the complications in handling overturned tankers on Tung Chung Road as experienced in a recent traffic incident, the Transport Department (TD) will propose to the Islands District Council Traffic and Transport Committee to ban tankers carrying dangerous goods from using Tung Chung Road. If the proposal is accepted by the District Council, dangerous goods vehicles accessing South Lantau will be required to use waterborne transport via the Mui Wo Vehicular Ferry Pier, same as the arrangement prior to the opening of Lantau Link.

Inter-departmental co-ordination with standing emergency procedures is already in place to tackle any traffic incidents on Tung Chung Road. For

incidents, which require closure of Tung Chung Road, representatives of the departments concerned and parties involved will arrive at the scene in the first instance to handle the situation and implement remedial measures. The TD's Emergency Transport Co-ordination Centre (ETCC), which is manned 24 hours a day, will liaise with relevant departments including the Traffic Police and the firemen on site, to monitor development of the incident and to arrange for alternative public transport services, if necessary. Information on the road closure and emergency transport arrangements will be released through the Information Services Department, the electronic media and Internet. The ETCC will also maintain close liaison with the Islands District Office. Through the District Office, the major local organizations and District Council members involved are kept informed of the road closure situation and the emergency transport arrangements. Whilst there is still room for further enhancing public information dissemination and recovery procedures to tackle traffic incidents of different nature and causes, the current inter-departmental set-up is able to respond to the incidents promptly and is working effectively.

Over the past years, we have completed various improvement works to enhance safety of Tung Chung Road. These include the addition of seven new passing bays, lengthening of four existing passing bays, the widening of 25 local road sections, the addition of 20 warning signs to drivers before road bends, and the installation of over 400 m safety fences to minimize the risk of vehicles running off the road and falling down the adjacent slopes. In addition, we have improved access control at the northern entry of Tung Chung Road by providing a roundabout with prominent signs and road markings for turning away vehicles without permits, and the provision of a kiosk for inspecting permits. In 2002, we will continue to carry out a series of improvement works including road widening works, provision of additional passing bays, and the laying of anti-skid surfacing materials. We will also construct a temporary road link connecting Tung Chung Road at Lung Tseng Tau to Chung Yat Street to reduce head-on vehicle conflict on the existing single traffic lane on Tung Chung Road between Lung Tseng Tau and Pa Mei.

In parallel, we are pushing ahead with the implementation of a better standard Lantau north-south road along the existing Tung Chung Road alignment with a target completion date of 2006. The one-kilometre long section of Tung Chung Road between Lung Tseng Tau and Pa Mei will be completed by the end of 2003. For the section between Lung Tseng Tau and Cheung Sha, we have

commissioned consultants to carry out preliminary design of the project to enable us to proceed with the statutory procedures under the Environmental Impact Assessment Ordinance and the Roads (Works, Use and Compensation) Ordinance, the detailed design and ground investigation, and land resumption, and so on.

We are fully aware of the urgency of the improvement project and will take all possible steps to advance the programme of the project. We will carry out the necessary administrative and legal procedures, detailed design and ground investigation, and so on, concurrently, where possible. Construction works will also be carried out at different locations concurrently. We plan to invite tenders for the works towards the end of 2003, commence the construction in early 2004 and complete the works in phases from end of 2005 to end of 2006.

Annex

<i>Types of Vehicles</i>	<i>Number of Vehicles Issued with Lantau Closed Road Permits</i>
Private Car	2 284
Government Vehicle	248
Goods Vehicle	548
Buses	150
Motor Cycle	90
Taxi	50
Special Purpose Vehicle	4
Total	3 374

## **MOTIONS**

**PRESIDENT** (in Cantonese): Motions. Two proposed resolutions under the Interpretation and General Clauses Ordinance to amend subsidiary legislation.

First motion: Amending the Attachment of Income Order (Amendment) Rules 2001.

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

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I move that the first motion under my name: Amending the Attachment of Income Order (Amendment) Rules as set out in the Appendix to the Agenda, be passed.

The abovementioned Amendment Rules, tabled in this Council on 12 December 2001, seek to provide for the court procedures to implement the Attachment of Income Order (Amendment) Ordinance that was enacted by this Council in July 2001.

The relevant Legislative Council Subcommittee has scrutinized the Amendment Rules. I am most grateful to the Honourable Margaret NG, the Chairperson of the Subcommittee, the Honourable Audrey EU, the Acting Chairperson, and other Subcommittee members for the proposals they made during the scrutiny period.

The Subcommittee proposed to make a technical amendment to the newly added Rule 8(5) so that it would tie in with the newly added Rule 8(4). We agree with the proposal, which is the subject of this motion.

Another proposal the Subcommittee put forward is to make the procedures relating to the Attachment of Income Order (AIO) Scheme more convenient, easily understandable and more user-friendly. We also agree with the proposal and will adopt the following measures:

- (1) The Home Affairs Bureau (HAB) will prepare, as an administrative document and not a statutory form, a blank form for use as the affidavit required for applying for an AIO. Copies of the form will be available at various places including the Family Court Registry;
- (2) After completing the form, a maintenance payer or payee can make a statutory declaration to declare that the details on the form are true before a Commissioner of Oath at the Family Court Registry or any of the District Offices of the Home Affairs Department.
- (3) The form, and the necessary application procedures, will be set out in a revised version of the information booklets published by the HAB on the AIO Scheme;

- (4) The Court Bailiff will, at the request of applicants who are not legally represented and who have difficulties effecting the service, effect service on behalf of the applicants free of charge;
- (5) When the Court makes an AIO, it will attach to the AIO a note to remind the maintenance payer to apply for a new AIO if he changes to a new job. A copy of the form to be used as affidavit will also be attached to the note; and
- (6) When revising the information booklet, the HAB will include additional guidance and proformas to help those involved in the legal procedures without legal representation. While revising the information booklets, we will consider, in particular, the other proposals made by the Subcommittee.

With these remarks, Madam President, I sincerely request Members to support the motion.

**The Secretary for Home Affairs moved the following motion:**

"That the Attachment of Income Order (Amendment) Rules 2001, published in the Gazette as Legal Notice No. 260 of 2001 and laid on the table of the Legislative Council on 12 December 2001, be amended, in section 10(c), in the new rule 8(5), by repealing everything after "(b)," and before the dash and substituting "if subsequently a maintenance payer has a new income source, he shall, within 21 days after he is first entitled to receive any income from the new income source"."

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

**MISS MARGARET NG:** Madam President, in my capacity as Chairman of the Subcommittee formed by the Housing Committee to study the Attachment of Income Order (Amendment) Rules 2001, I wish to report on the deliberations of the Subcommittee.

The amendment proposed by the Secretary for Home Affairs is in response to a suggestion made by members of the Subcommittee. The Subcommittee has pointed out an inconsistency in the new subrules (4) and (5) of rule 8.

A maintenance payer is required to comply with the requirements set out in subrule (4)(a) if he has a "new income source" within 21 days after he ceases to receive income from the original income source. No mention is made as to whether the income is capable of being attached. Subrule (5) provides that if a maintenance payer acquires "any new income capable of being attached", he shall within 21 days after the acquisition comply with the requirements in subrule (5)(a) to (c), which are basically the same requirements as in subrule (4)(a).

Members have expressed concern that subrule (5) may be interpreted in such a way that a maintenance payer is not required to comply with the requirements if he considers that his new income is not capable of being attached. This may be used as a pretext by some maintenance payers for not applying for a new attachment of income order. To plug the loophole, the Subcommittee has suggested that the maintenance payer should be required to notify the relevant parties whenever he acquires any new income, regardless of whether it is capable of being attached.

The Subcommittee is satisfied that the proposed amendment will remove the inconsistency and improve the clarity of the provisions.

Members have also requested the Administration to make the application procedures more user-friendly to enable the applicants to comply with the requirements without legal representation. In response to the request, the Administration has proposed a series of administrative measures to facilitate the application process. These measures include providing a blank form for use as the affidavit required for applying for an attachment of income order, and free of charge service of summons by Court Bailiff for applicants who are not legally represented and have difficulties in effecting such service, as described earlier by the Secretary in his speech. The form and the necessary application procedures will be set out in a revised version of the information booklets on the attachment of income order scheme published by the Home Affairs Bureau.

The Subcommittee recommends support of the Amendment Rules and the amendment proposed by the Secretary for Home Affairs. Thank you, Madam President.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Secretary for Home Affairs, do you wish to reply?

(The Secretary for Home Affairs indicated that he did not wish to reply)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Home Affairs 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): Second motion: Amending the Matrimonial Causes (Amendment) Rules 2001.

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

**SECRETARY FOR HOME AFFAIRS** (in Cantonese): Madam President, I move that the second motion under my name: Amending the Matrimonial Causes (Amendment) Rules 2001 as set out in the Appendix to the Agenda, be passed.

The Amendment Rules, which were tabled in this Council on 19 December 2001, seek to simplify the legal procedures of petitions for undefended divorce.

The proposed amendment is technical in nature and seeks to modify the wording of the forms in the Chinese version of the Amendment Rules so that its meaning is fully consistent with that of the English version.

Thank you, Madam President.

**The Secretary for Home Affairs moved the following motion:**

"That the Matrimonial Causes (Amendment) Rules 2001, published in the Gazette as Legal Notice No. 270 of 2001 and laid on the table of the Legislative Council on 19 December 2001, be amended, in section 5(a)(i), (b)(i), (c)(i), (d)(i), (e)(i), (f)(i) and (g), by repealing "撇開上述修改或增補〈如有的話〉不論" where it twice appears and substituting "經上述修改或增補〈如有的話〉後"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Home Affairs 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 Home Affairs 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' MOTION**

**PRESIDENT** (in Cantonese): Members' motion. Motion with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debate. As Members are already very familiar with the time limits on speeches, I only wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

Rent concession for domestic and commercial tenants of public rental housing estates.

## **RENT CONCESSION FOR DOMESTIC AND COMMERCIAL TENANTS OF PUBLIC RENTAL HOUSING ESTATES**

**MR ALBERT HO** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

In recent years, the economy of Hong Kong has turned from bad to worse. The forecast economic growth has been adjusted from the original 4% to 1%, the unemployment rate has reached 5.8%, the number of the unemployed now stands at 205 000, and layoffs, salary cuts and the closure of companies are common occurrences. In the face of such an unfavourable economic environment, the middle and lower strata of society have been affected the most enormously. At present, the total number of rental flats under the management of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS) is 680 000, and the number of residents stands at 2 million, which is almost 30% of the total population in Hong Kong. Most of the households are grass-roots people and tenants of public rental housing (PRH), therefore the rental policy in respect of PRH is closely related to the livelihood of the grassroots.

Although the HA and the HS have waived the rent for the month of December last year, and as a measure of concession, the rates will be reduced and commercial tenants will have their rents reassessed, the Democratic Party considers that while these measures are a step in the right direction, their potency is not enough in alleviating the hardships of the people. After considering the proposals of the eight-party coalition concerning the rental policy for PRH, the Democratic Party requests the HA and the HS to achieve the following:

- (a) introducing a mechanism whereby, subject to their passing a vetting process, PRH tenants who are paying excessive rents are only required to pay rents equivalent to 13% of their total household income, for a period of one year;
- (b) granting a 50% rent reduction for households comprising elderly persons only;
- (c) reducing the rents of commercial tenants by 30% for a period of six months; and
- (d) conducting full consultation with the Legislative Council and the public in reviewing public housing policies.

I will now elaborate the reasons for making the aforementioned demands.

Firstly, concerning the proposal to establish a vetting mechanism to ensure that the rents payable by PRH tenants will not exceed 13% of their household income for a period of one year, it is entirely out of the sympathy of the eight-party coalition towards the general financial difficulties by PRH residents that a criterion is set, in order to lighten the rental burden borne by the residents. The legislation requires that the overall median rent-to-income ratio of PRH tenants should not exceed 10%. However, the latest figure shows that the ratio is now as high as 10.7%, but the HA still refuses to reduce the rent payable by residents according to the law.

Among PRH residents, the rental burden of households in new housing estates is the heaviest. At present, the great majority of families allocated PRH will opt for the space allocation standard of at least 7 sq m per person, and the HA stipulates that the overall median rent-to-income ratio of these prospective tenants should not exceed 18.5%. In fact, the median rent-to-income ratio for many households in new housing estates has already exceeded 18.5%. According to the information of HA, the median rent-to-income ratio of 45% of households in individual housing estates exceeds 18.5%, and the median rent-to-income ratio for 28% of these households is as high as 25%. It can be seen that the rents of new housing estates have created a heavy financial burden on its households, running counter to the intention of the public housing policy.

In order to directly alleviate the residents' heavy financial burden, and taking into account the consensus of the eight-party coalition, the Democratic Party proposes that residents be allowed to apply for a reduction in rent to an amount equivalent to 13% of their household income. I have to stress that the proposal is only "an unusual measure for an unusual period" and that the proposal is short-term in nature, lasting for a period of one year. For this reason, it will in no way exert any long-term pressure on the robust finances of the HA or HS.

Secondly, concerning the proposal to grant a 50% rent reduction to elderly tenants, the Democratic Party hopes that in the long run, the quality of life of elderly people can be improved through a rent concession policy. In fact, at present the HS is already offering a 50% rent reduction to the elderly. Therefore, I believe the HA should follow the example and reduce the rent payable by elderly tenants by half. At present, there are 79 000 elderly households with a total of 111 000 persons in PRH managed by the HA, and the monthly rent averages about \$950. If their rents are all reduced by half, the HA will receive about \$450 million less in rent each year. At present, the HA has a reserve of \$33 billion. Therefore, the financial burden to be created by the concession will be acceptable. Conversely, to elderly people who have to scrimp and save, a saving of \$500-odd monthly is a godsend that will substantially improve their present quality of life. If the HA is amenable to our suggestion, I hope that the Social Welfare Department will also adopt the measure taken last year and continue to grant rent allowance to elderly people on Comprehensive Social Security Assistance (CSSA), so that they can also be benefited.

Concerning the rent of commercial tenants, the HA is currently conducting a reassessment on their rents. Earlier on, the Chairman of HA, Dr CHENG Hon-kwan, said that more than 11 000 applications had been received, and estimated that commercial tenants could have their rents reduced by 15% to 20%. However, the Democratic Party considers that the rate of rent reduction is not sufficient to compensate for their operational difficulties. I would like to raise the following three points.

- (a) In an extremely feeble retail market, commercial tenants are having great difficulties in doing business. The vacancy rate of retail shops under the management of the HA was about 2% on average before the financial turmoil. In recent years, it has surged to about 5%, and recently it has further risen to 5.86%. The vacancy rate is close to 60 000 sq m, which is a two-year high. It is believed that

in the short term, it is difficult to turn the economy around and deflation will continue, and the future does not bode well for commercial tenants.

- (b) In recent years, the HA and the HS have often approved supermarkets or superstores to set up business in various housing estates and expand the scope of goods offered, from household goods in the past to vegetables, fruit and meat at present. In addition, with fierce competition from large shopping malls in nearby estates, small commercial tenants under the management of the HA are facing grave difficulties in their operation and feeling the pinch of being gradually forced out of business. Many commercial tenants still held on under the difficult circumstances because the small shops they have may be the only financial support for the entire family.
  
- (c) Finally, I would like to draw the attention of the HA to the situation in which single-operators are responsible for sub-letting many shopping centres or markets. To improve the management of markets or shopping centres, the HA has developed a system of single-operators, without noticing that there are a lot of drawbacks. In recent months, the Democratic Party has continually received complaints by commercial tenants on the unreasonable treatment given by single-operators, making it very difficult for them to do business. Other Members of the Democratic Party will elaborate on this further later on, but if rent concession is indeed offered, we hope that it will be ensured that individual commercial tenants operating under single-operators can benefit from it, and that single-operators will not cash in on this.

In view of the above reasons and the consensus reached by the eight-party coalition, the Democratic Party demands that the HA and the HS further reduce the rent of commercial tenants by 30% for a period of six months to alleviate their financial pressure. Madam President, since the authorities are conducting a reassessment, we request that if some tenants have already been granted a concession of 10% to 20%, the amount of concession can be raised to 30% for a period of not more than six months. If the concession is more than 30%, we hope that they can still benefit from the same concession, but I believe few commercial tenants will be granted a concession of more than 30%.

Regarding the HA, I would like to point out that the revenue from the rental of markets and shopping centres under the management of HA was about \$3.8 billion in 2000-01 and it is estimated that the amount will be about \$3.9 billion in 2001-02. If the rents are reduced by 30% across the board for a period of half a year, the HA's loss is about \$600 million. Not only do we believe that the HA can afford this, we also believe that the loss will not be as much as \$600 million, since a certain amount of the rent is reduced by the HA of its own accord. Therefore, we should not consider the amount willingly relinquished by the HA as part of the loss.

Our last demand is that the Government, in reviewing its policy on public housing, will fully consult the Legislative Council. Honourable colleagues have recently expressed various views on the process of formulating the public housing policy by the Government. Apart from our queries concerning the process of formulating and suddenly scrapping the target of building 85 000 flats, we have also repeatedly expressed our strong dissatisfaction at the sudden announcement of the policy to place a moratorium on the sale of Home Ownership Scheme flats without consulting the Legislative Council beforehand. We hope that the Government can fully respect the legislature and the HA, as well as other bodies representing the public. The Government has been criticized on the one hand for discussing without making decisions on some issues, while on the other, it has made decisions without discussion on some other issues, giving rise to instances of black-box operation and executive hegemony. This is not conducive to improving the relationship between the executive and the legislature. Housing policy is closely related to the public's livelihood and the economy. We hope that the Government of the Special Administrative Region (SAR) will learn from its past mistakes in administration and conduct extensive consultations before formulating policies to avoid making mistakes or misjudgements again.

Finally, I would like to stress that apart from the demand to reduce by half the rent payable by elderly tenants, all the other demands to reduce the rent are short-term or temporary measures aimed at countering the present economic hardship and alleviating the pressure borne by commercial or domestic tenants in a period of economic downturn. Since the financial turmoil, the people of Hong Kong have been enduring in silence for many years. Fortunately, our society is still quite stable. However, on the one hand, we feel that the pressure in society is growing, while on the other, the Treasury of the Government, and

even the HA and the HS are sitting on enormous surpluses. We think that the Government and organizations such as the HA should spare a thought and consider whether they are duty-bound to use the surpluses to help the public, relieve their hardship and offer timely assistance? We believe that if the pressure on the grassroots can be alleviated, the whole economy of Hong Kong and the stability of society will certainly be benefitted.

I so submit, and hope that Members can bear the livelihood of the public in mind and support today's motion and amendment.

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

"That, whereas Hong Kong's deteriorating economy has posed much hardship on people's livelihood, the Housing Authority is currently reviewing a number of policies that affect people's livelihood and such policy changes will have an impact on the existing rent levels of public rental housing (PRH), this Council urges the Housing Authority and the Housing Society to adopt the following measures to lessen the burden of housing expenses on the public and alleviate the operational difficulties of commercial tenants:

- (a) introducing a mechanism whereby, subject to their passing a vetting process, PRH tenants who are paying excessive rents are only required to pay rents equivalent to 13% of their total household income, for a period of one year;
- (b) granting a 50% rent reduction for households comprising elderly persons only;
- (c) reducing the rents of commercial tenants by 30% for a period of six months; and
- (d) conducting full consultation with the Legislative Council and the public in reviewing public housing policies."

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

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung and Mr CHAN Kam-lam will move amendments to this motion. Their amendments have been printed on the Agenda. The motion and the two amendments will now be debated together in a joint debate.

I now call upon Mr LEUNG Yiu-chung to speak first, to be followed by Mr CHAN Kam-lam; but no amendments are to be moved at this stage.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, the general directions of the original motion and the two amendments today are consistent in that they all demand the Government to sympathize with the situation of the general public and reduce the rents of PRH in view of the present economic hardships, so as to alleviate the burden borne by lower class people. However, since the original motion and the other amendment have made reference mainly to the consensus of the eight-party coalition, and the consensus is after all a product of compromise, so in some aspects they have fallen short of the demands made by the grassroots all along. Therefore, I have proposed this amendment in the hope of conveying the goals that the grassroots have been striving for all the time. At the same time, I also hope that Members from the business sector in the eight-party coalition can truly sympathize with the situation of the grassroots and support their aspirations.

In my amendment, I request the HA and the HS to immediately reduce the rents of domestic and commercial tenants by 30%. Some people may think that it is voracious of me and indeed going overboard to do so. But are we really making an excessive demand? I do not think so. Madam President, if we are willing to try and understand the present situation in society and the plight of the public, we would not be surprised by this figure. According to the figures of the Housing Department (HD), the rent in the private market has fallen from \$195 per sq m in 1997 to about \$148 in 2002, representing a decrease of 24%. However, in the last few years, the rents charged by the HA were only frozen but not reduced, which is far removed from the actual circumstances in society. Therefore, it is only reasonable to request a rent reduction.

Moreover, the impact of the economic downturn on the grassroots is generally greater than that on members of other social strata. Therefore, we have to give special attention to them. Take the 10% of families with the lowest

income in Hong Kong as an example, their income has dropped 30% in the past three years. Among them, many are domestic or small commercial tenants in PRH, therefore the demand to reduce their rents by 30% perfectly reflects a realistic need.

In fact, we only have to look at the figures provided by the HD to find that the present proportion of PRH rent to income is so high as to be totally outrageous. Take the households with a monthly income of less than \$5,000 as an example, their monthly rent in relation to the median rent-to-income ratio is as high as 25.1%, which is way beyond the criterion of 10% stipulated by the HA. Even in the case of new PRH, the upper limits are just 15% and 18.5%, which are also far removed from the actual situation. Therefore, under the present circumstances, our demand for rent reduction is not outrageous at all. Meanwhile, if we examine the circumstances of households with different number of members carefully, we will find that families with one or two members making the lowest income, for example, have to pay as much as 50% of their income as rent. As regards families with four members, for 30% of them, the monthly disposable amount is just on average \$2,000 for each family member after the rent is deducted from their income, which is \$500-odd less than the standard rate of \$2,555 for able-bodied elderly person receiving Comprehensive Social Security Assistance. These figures show that the present rents in PRH indeed take up a very large proportion of household income, creating immense financial pressure on the grassroots. Therefore, I think that the Government has to adjust the rent downwards to alleviate the public's hardship.

Furthermore, commercial tenants in public housing estates have also been operating in very unfavourable circumstances in recent years. Under the economic recession, the desire of the public to spend has dropped, but the HD has exacerbated the situation by promoting superstores as a feature in new housing estates and continually introducing vicious competition. As a result of this, the business of small commercial tenants has gone from bad to worse while their rents remain high, making it increasingly difficult for them to do business, and at the same time they have to cope with the exorbitant rents. Therefore, many commercial tenants have no choice but to close down. Under such circumstances, the HD should consider the realistic situation. As a matter of fact, the present vacancy rate of shopping centres and market stalls is at a five-year high. According to our estimate, the HD has received \$200 million less in rent each year. I would like to ask the Government why it prefers to leave the

shops and stalls vacant and let its income diminish instead of charging commercial tenants less rent, so as to induce them to continue doing business? According to the information paper provided by the HD, in the markets of Hing Wah Estate and Wah Fu Estate, for example, the vacancy rate is over 70%. Why do we prefer standing on the sideline to leave the shops and stalls vacant without anyone doing any business in them to agreeing to reduce the rent, hence giving tenants such a hard time?

Of course, the HD has pointed out that even if the rent for small commercial tenants is reduced, these tenants are still no match for large syndicates, therefore, the emphasis should be on improving the service and attracting customers rather than reducing the rent, and the HD has already begun to install facilities such as air-conditioning in some of the markets under its management. Madam President, we have never objected to these measures taken by the HD, and improvements are also necessary, however, it takes some time for the projects to complete, and while waiting, how are the small commercial tenants going to pull through? How can the small commercial tenants tide over the difficulties? Has the Government ever considered this problem?

Some people considered that the Government has already made an effort to alleviate the hardship of commercial tenants. What they mean is that the Government has taken the step of rent reassessment, so that commercial tenants with difficulties can apply for rent reduction, therefore it is not necessary to reduce the rent across the board. Madam President, firstly, I must stress that we are not opposed to rent reassessment. However, rent reassessment cannot properly solve the problems faced by all commercial tenants. For example, circumstances such as the dominating position of superstores faced by commercial tenants are not taken into account when conducting the reassessment. Moreover, not all commercial tenants will be granted rent concessions. Some tenants in financial difficulty may not necessarily benefit from the reassessment process. Therefore such a move cannot alleviate the public's hardship, nor is it a reasonable measure.

Madam President, regarding our proposal to reduce the rents across the board by 30% and to review the rents in the light of the economic situation a year later, some government officials believe that the HA will go bankrupt in less than five years, or that it contravenes section 4(4) of the Housing Ordinance which stipulates that the HA shall achieve fiscal balance. Madam President, I must stress that these comments are neither founded on facts nor responsible. If the

rents are reduced by 30% for one year, the amount involved will be about \$4.5 billion, which amounts to about 40% of the HA's surplus of \$11.6 billion recorded last year. Since a surplus was recorded, why would the HA go bankrupt? Why would there be an imbalance of revenue and expenditure?

In fact, as we all know, the HA's principal source of revenue is the sale of Home Ownership Scheme (HOS) flats, therefore the suspension on the sale of HOS flats and the construction of fewer HOS flats are the fatal blows rather than rent reduction. I hope Members can see clearly where the crux of the problem lies. In fact, suspending the sale of HOS flats and constructing fewer HOS flats will bring in \$32 billion less revenue for the HA in the next five years. However, in order to prop up the property market, the Government was willing to suspend the sale of HOS flats and construct fewer of these flats and generously pay a price of \$32 billion. In contrast, it does not think it worthwhile to offer rent concessions to commercial and domestic tenants in need. What on earth is the rationale for this?

Moreover, another underlying reason for the so-called reduced profit is that, for a certain period of time in the past, there were mistakes in the policies and plans implemented by senior officials in the HD, leading to a waste of resources. The most obvious example is the problem of the quality of public housing, such as substandard piling problems which led to buildings being pulled down after completion. All these are reasons that led to a waste of resources. Why did the HA not think about these real factors leading to a waste of public money, but focused its attention on the issue of rent reduction instead?

In fact, the Government has all along neglected the needs of the grassroots. The overall median rent-to-income ratio for PRH has reached 10.7% and exceeded the 10% stipulated by section 16 of the Housing Ordinance. However, in the last few years, the Government has continually taken advantage of a loophole in law and thought that a freeze on rents would be fine enough. In fact, such a situation has completely violated the spirit of law advocated by me in the former Legislative Council and by the Honourable CHAN Kam-lam. This spirit of law is related to the affordability of members of the public, but the Government has not considered this matter. At a time when the social and economic situations are very bad, the Government still wanted to exploit the legal loophole and stressed that it was fine to freeze the rent. In fact, the HD must not shun and shirk its responsibilities for the problem it is facing now. The department should face up to the difficulties so that members of the public

can have a reasonable livelihood and a secure abode. Therefore, I believe that the Government should deal with these problems fairly and justly when formulating policies rather than implementing certain policies regardless of the circumstances. I hope that the Government will understand that they are dealing with members of the public of flesh and blood, not cold and lifeless figures.

Madam President, I so submit.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, before embarking on the debate, I would like to talk about what PRH is. A rather controversial point is that many people would say that in times of economic difficulties, the livelihood of PRH residents is rather difficult, however, residents living in private housing also face difficulties. Generally speaking, PRH is a kind of social service provided by the Government, offering a secure abode to people in genuine financial difficulty. Therefore, a point that we all agree on is that the rent paid by domestic tenants in PRH is far less than that paid by residents in private housing. If these residents find it difficult even to pay the rent for PRH, I believe that according to the existing policy, they can apply for Comprehensive Social Security Assistance (CSSA). However, we all know that the Government is often slow in responding to the demands of society. One of the demands in the motion moved by Mr Albert HO today is to reduce the rent payable by the elderly by half across the board. I believe that in the present unfavourable economic climate, apart from assisting the poor and the elderly, we also have to consider carefully whether these measures are fair and reasonable. For this reason, I have sought to amend Mr Albert HO's original motion, so that only elderly people in financial difficulty can have their rent reduced by half.

In fact, we can all see that among the domestic tenants living in PRH managed by the HA, about 80 000 are elderly people and roughly half of them have applied for and are receiving CSSA and rent assistance. Therefore, we believe that at present the Government has already put in place a rather satisfactory safety net for elderly households in PRH which have financial difficulties. However, we all understand that although some elderly people may still have some income, they may still have financial difficulties. Under the existing policy, the Housing Department (HD) may not be able to take care of some of the elderly people, particularly those affected by the redevelopment of

old PRH areas. The rent they pay at present is comparatively inexpensive because of the relatively old facilities and buildings. When they move to new buildings, they have to face the pressure arising from higher rents. However, the HA's policy on waiving the rent of these elderly people or granting rent concession to them is rather rigid. Therefore, we very much hope that the Government can review whether under the existing policy on rent assistance, it is possible to take better care of elderly people in financial difficulty.

Concerning the proposal in the original motion to reduce the rent of domestic and commercial tenants in PRH, it is in fact a consensus reached by the various parties of the Legislative Council in October last year. We all understand that this is an outcome of compromise, and the Democratic Alliance for Betterment of Hong Kong (DAB) will honour its promise and support the proposals. However, we believe that the rent reduction for commercial tenants is only an expedient measure. The most effective solution is to take into account the actual difficulties encountered by commercial tenants and reduce their rent according to the actual circumstances, as well as taking into consideration the state of their business. In November last year, the HA began to accept requests by commercial tenants for rent reassessment and has received over 10 000 applications so far. However, the submission of an application does not necessarily mean a tenant will be granted rent reduction. In fact, it will still take some time before the reassessment can be completed. As far as we know, so far the HD has processed only some 2 000-odd to 3 000-odd applications, even though we know that the rent of some of the commercial tenants can be reduced by 20% and the maximum rent reduction can be up to 70%. However, we all understand that there are almost 10 000 applications for rent reassessment, therefore, it will take several months before the reassessment can be completed. How the HD will increase its manpower so that applicants can have their rent reduced as soon as possible, in order to alleviate the pressure they encounter in doing business, is a problem that I think the HD and the Government should deal with as quickly as possible. On the other hand, in fact we all know that problems often exist in the management of shopping centres. Regardless of old or new shopping centres, there are quite a lot of vacant units in them and their management and the publicity and promotion for them are very inadequate or lacking. The rent of some shops in old shopping centres may be very low but there is not much business. Very few residents go to these shopping centres each day, and most residents living in the old districts are elderly residents with very limited purchasing power. It is indeed necessary for the HD to consider the problem holistically and examine how to improve the business environment of its shopping centres. This is a very important matter.

Madam President, the contents of the motion today can be summed up as our desire to help the domestic and commercial tenants of the HA and the Hong Kong Housing Society (HS) overcome the financial difficulties they face. However, we also know that this is not a solution to the problem at root. In fact, why do we think it necessary to adjust the rent of PRH? This is because commercial tenants have a very difficult time doing business, and it is after repeated calls that the HA and the HS made a decision at the end of last year. The Government had also raised the issue many times before the decision to waive one month's rent and conduct a rent reassessment was made. Under such circumstances, we cannot help but question whether it is because the Government's housing policy is fraught with problems that it has responded to the requests of society so slowly? Is it because the parties concerned could not see eye to eye in respect of policy and management? Is the present situation the result of an overlapping and confused framework for formulating housing policies? Take the moratorium on the sale of HOS flats as an example, many government officials have put in a word or two on this issue, and the Chairman and members of the HA, and even officials of the HD all hold different views, giving the public the impression that the housing policy is in shambles and leading everybody to believe it imperative to have long-term planning.

Some people may ask where the highest level of power in the government framework for formulating housing policy is. In fact, duplications in the framework on housing have been a long-standing phenomenon. The confusion in housing policy is definitely a result of the authorities' failure to respond quickly to major economic changes in recent years. We can simply describe the Housing Bureau as a toothless tiger, whereas the HA and the HS are paper tigers with teeth. We all know that although the latter have teeth, they are of little use because they are paper tigers.

The DAB has always requested the Government to sort out the present framework on housing, streamline the twin leadership of the Housing Bureau and the HA, as well as formulating a clear housing policy for both private and public housing as soon as possible. I hope this can reduce the contradictions in housing policy and I believe the solution lies in revamping the present framework on housing. Madam President, I hope that all Members can support my amendment, so that a clear message can be sent to the Government. Thank you, Madam President.

**MR NG LEUNG-SING** (in Cantonese): Madam President, first I should declare my interest as a member of the HA and that I also take part in the work of its Commercial Properties Committee. Under the present economic circumstances, the HA decided to waive the rent for the month of December last year and to extend the freeze on rent for another year, as well as establishing an Ad Hoc Committee to conduct a comprehensive review on the rental policy for PRH in response to the difficulties of domestic and commercial tenants in PRH. In addition, it has also adopted a special measure to allow tenants of shops under its management to apply for rent reassessment which is conducted free of charge. The commercial tenants concerned can submit an application before 31st of this month, and the reassessed rent will have retrospective effect from 1 November last year. The HA has also further improved its mechanism for adjusting the rent of shops in new housing estates, so that commercial tenants can enjoy greater rent concessions in the event that residents move in at a slower rate than estimated.

Recently, some groups in the community have also expressed views on alleviating the rental pressure borne by residents and commercial tenants of PRH and different parties in the Legislative Council have also put forward some proposals. I personally understand that different strata of society and members of the public in different financial positions all have different needs. I believe that if measures to alleviate the hardship of the public can specifically target various actual difficulties and solve them in a more pragmatic way, they will be more effective than adopting a uniform or simplistic approach. As far as the situation of commercial tenants in PRH is concerned, I think the HA's present approach of accepting applications for rent assessment is more desirable than reducing rent by 30% across the board. Why? First, we should understand that the approach in dealing with the rent of public housing tenants and that in dealing with commercial tenants involve two totally different concepts. Tenants of PRH, that is, domestic tenants, are a group of people in housing difficulty and are proven to have financial difficulties through a means tests and have to receive subsidies in public housing resources, whereas commercial tenants in PRH are no different from their counterparts in private shopping centres, in that they are also business operators selling goods to residents in the market, not recipients of subsidies in public housing resources. Therefore, the HA has always adopted commercial principles in the management of shops in PRH and the revenue thus generated remains part of the public housing resources to be used to meet the housing needs of needy members of the public. It is an unfortunate misunderstanding to expect the HA to use public money to subsidize shop

operators in PRH, or to adopt the same principle as that in the policy dealing with the difficulties of domestic tenants, and it will even lead to unfair competition between tenants of shops managed by a public body and their counterparts in privately managed ones.

With the economy in recession, the rent of shops in the market has experienced an adjustment, however, to slash the rent uniformly by 30% cannot fully and accurately reflect the market situation. In fact, the rate or extent of adjustment of shop rentals in the market will vary according to their area, location and trade, and even the time of signing the lease. This is also the case for shops under the management of HA. They should also be adjusted in response to market conditions, and the market rent for some of the shops may have to be adjusted downwards for more than 30% and to uniformly slash the rent by 30% may not offer adequate assistance to them, while the level of market rent adjustment for some shops may be well below 30%, and there may even be individual changes in circumstances. For example, some housing estates may have an increased number of residents moving in and hence an increase in the number of potential customers, so the rent level should be adjusted upwards. In these cases, should a uniform rent concession of 30% also be granted, resulting in a waste of public money? If we say that we wish to assist needy members of the public, at a time when public resources have to be used sparingly, can this approach concentrate our resources to achieve the real objectives? Even if, as proposed by Mr CHAN Kam-lam in his amendment, the rent is first cut by 30% for a period of six months and then a rent reassessment is conducted after receiving applications from commercial tenants, it will still give rise to the situation of using public money as subsidies, and on what basis is the relevant proposals, including that of implementing the proposal for six months, formulated? It is not easy for one to grasp the rationale involved, and the public will easily be led into thinking that tenants of government-owned properties, regardless of whether they are domestic or commercial tenants, will be entitled to subsidy by public money, and that regardless of whether the rent is reasonable or not, they can all be granted concessions.

If rent concession is granted to commercial tenants in public housing uniformly out of political reasons, this will also interfere with the normal adjustment mechanism of the private rental market. We often say that the Government should reduce its administrative intervention in the market, and the Legislative Council should be consistent on this point. Finally, we must not forget that most of the shops under the management of HA are let in the market

through open tender, and every commercial tenant taking part in the tender had a fairly definite idea of the expected rent level in mind and a bid is placed after considering one's business plan. If unusual adjustments are made to the rent level in the absence of any clear guiding principle, it will be rather unfair to those people who took part in the tender but failed to win any bid. If people think that they can make a higher offer to win a bid, and that they stand a chance of securing a rent reduction made out of political considerations when there are difficulties in their operation, this will create unreasonable expectations and lower the awareness of risks in doing business in the market. I think this point warrants our careful consideration.

Madam President, I support the measures taken by the HA currently to alleviate the difficulties encountered by commercial tenants, and I trust they have had regard for the operation of the free market. I also hope that the different needs of commercial tenants can be catered to according to the principle of using public money prudently. I hope the relevant commercial tenants will make their applications as soon as possible so as to obtain financial assistance. Thank you.

**MR ABRAHAM SHEK:** Madam President, in March last year, the Hong Kong Housing Authority (HA) appointed an ad hoc group to review the rent policy for public rental housing (PRH). In view of the prevailing economic climate, the review of rent fixing and rent adjustment mechanism is timely and reasonable.

PRH is aimed to provide the underprivileged of society with affordable housing. A responsible public housing programme should ensure that there is a sufficient stock of housing units at a reasonable level of rent and that PRH applicants be allocated a unit in no more than three years. A reasonable rent level is explicitly set out in the HA's rent policy: new rents are set not to exceed the median rent-to-income ratio (MRIR) of 18.5% of the prospective tenants at the minimum allocation standard of 7 sq m per person internal floor area (IFA). For tenants with an average of 5.5 sq m per person IFA, their rents should not exceed the MRIR of 15%.

In my view, the current rents are set at a reasonable level. For tenants with financial hardships, there are various rent relief programmes, such as rent freeze and waiver. I, thus, do not agree with the proposal of introducing a mechanism to allow PRH tenants, who are already paying heavily subsidized

rents, to pay rents equivalent to 13% of their total household income for a period of one year. Under the present difficult time, I agree that this 13% formula should be given to families with dire financial problems, and not to everybody.

Tenants in PRH have been enjoying substantial subsidy from the Government. The ratio of housing expenditure against household income of PRH tenants is considerably lower than that of the residents in private housing, and PRH tenants are spending a reasonable and affordable portion of their income on housing. In view of the current economic downturn, is it reasonable for PRH residents to ask for further help from the Government? If the Government agrees to the proposed rent concession, will it be fair to other sectors of the public, such as the tenants of private housing and owners of negative assets?

Government resources should be shared by all sectors of our community. If in the presence of an affordable rent policy, the HA still reduces rent for tenants of PRH estates, the public will get an impression that the Government offers excessive help to a particular sector of society, and pays little regard to other sectors of society. This is not conducive to social stability.

However, I agree with the 50% rent reduction for households comprising elderly persons and other suggestions raised in the motion. I believe that granting a 50% rent reduction for households comprising elderly persons only is necessary and should become a long-term goal of our public housing policy. In my view, this will neither be a severe financial burden on public expenditure nor arouse public controversy if the policy is to be implemented in the long term. Since many elders in our community have mere savings and have to rely on the Old Age Allowance for their living, it is necessary to tap community resources to improve the quality of life of these elders. I am sure that our community can afford to create a supportive and conducive environment for our elders to lead a healthy, active and happy life.

Madam President, public housing is one of major social welfare services provided by our Government. Public housing policy has long been one of the main concerns of this Council. Personally, I fully support that the HA should build more rental flats in order to provide affordable housing to the underprivileged of our society. However, I disagree with the sale of public rental flats to those tenants. Frankly speaking, selling public assets at a cheap

price is an irresponsible policy which simply shifts the estate management and maintenance responsibility to the tenants of limited means. Today, we request the HA to reduce the rent of PRH in order to alleviate the tenants' financial burden. However, many Members have actively urged the Government to expedite the sale of public rental flats. Have these Members consider the financial difficulties faced by those tenants who have purchased their own flats? In addition to the monthly installments, they have to pay fees and charges related to estate management and maintenance.

Currently, the Government provides land free-of-charge for constructing PRH. However, it cannot afford such an enormous financial burden in the long run for an open-ended number of rental flats. Our valuable land resources can only be provided for the construction of a limited number of public housing. For a better allocation of land resources, the rent policy of PRH should function as an effective mechanism, shifting the well-to-do PRH tenants to own private flats and shortening the waiting time for those with a genuine need for public rental flats. In my view, the current policy of encouraging PRH tenants to own flats is neither cost-effective nor prudent. The sale of public rental flats will only allow well-to-do tenants to stay in their public rental flats, whereas the flats could have been used for other purposes or allocated for those who are in need.

Madam President, public housing policy should be fair not only to the tenants, but also to the public as a whole. Since public housing policy is an integral part of the overall housing policy, I strongly believe that it is important to obtain the views and seek support from both PRH tenants and other members of the community in reviewing the public housing policy.

Thank you, Madam President.

**MR HOWARD YOUNG** (in Cantonese): Madam President, in recent year, the economy of Hong Kong has been loitering at low ebbs. Last year, the unemployment rate rose again after a short while of improvement. In view of the public living in destitution, the cross-party alliance of the Legislative Council put forward a specific proposal containing seven points of consensus to the Chief Executive in last October, in which the motion of today was included, that is, rent concession for domestic and commercial tenants of PRH estates.

First of all, to the proposal of the coalition concerning a one-year rent concession for means tested tenants of PRH estates to pay only the rent which is equivalent to 13% of the household income, the HA once responded to it by waiving the rent of tenants for one month and extending the freeze on rent for one more year. However, the Liberal Party and the other parties consider these measures insufficient.

Under the economic depression and the surge of unemployment and pay cut, the income of the public has by and large dropped, conversely, the percentage of the rent *vis a vis* income for PRH estates is continuously rising, thus increasing the pressure on tenants of PRH estates. Yet the impact is most severe on those people who have been allocated to new PRH estates as a result of the clearance of their old estates for development purpose. In the past, they used to pay a rent of only about \$500, but after moving into the new housing estates, the rent soars up to about \$2,000, accounting for 20% of the total household income. It can thus be seen that the freezing of rents will not necessarily help to alleviate the financial pressure on these people.

As a result, to those tenants who have to pay exorbitant rents, if the level of rent can be reduced to being equivalent to 13% of the household income for a period of one year, we consider it may help to alleviate the burden of the tenants on the one hand, and avoid causing excessive impact on the income of the HA on the other. Therefore, we hope the HA will put this measure into practice as soon as possible.

Madam President, in recent years, the business environment of Hong Kong has been worsening amid a continual deflation. Although the HA has frozen the rent of its commercial tenants, we consider the HA has failed to help commercial tenants who have difficulties in doing business.

Insofar as I am aware, many commercial tenants in PRH estates had to close their business since they were unable to afford the expensive rents. The figures of the HA also show that of the 196 markets and 317 shopping centres of the HA, over 41 markets and 15 shopping centres have a vacancy rate in excess of 20%. The markets of Hing Wah (II) Estate and Wah Fu (II) Estate on Hong Kong Island are almost totally deserted, with a vacancy rate as high as 70%.

Although the HA has launched the rent reassessment scheme for needy commercial tenants and said that those tenants might enjoy an average rent concession from 15% to 18%, we consider that inadequate. Moreover, the speed of the review should be increased since it may take some time to complete, bearing in mind that "a slow remedy cannot meet an emergency". As a result, the Liberal Party thinks that the HA should reduce the rent charged on its commercial tenants by 30% for a period of half a year, so that these tenants may be able to make it through the bitter cold winter of economic downturn. We hope the authority will face up to this quest, as it should no longer be dilatory in doing things and evade the matter on purpose.

As to the proposal on granting a 50% rent reduction for households comprising elderly persons, there is in fact little difference between the wording of the original motion and the amendment proposed by Mr CHAN Kam-lam. The Liberal Party agrees with both proposals and consider it helpful to alleviating the hardship of elderly persons for the moment.

However, we have reservations about the amendment of the Honourable LEUNG Yiu-chung. First of all, his proposal on the deletion of the concession of rents to 13% of the tenants' total household income is practically nullifying the consensus reached by the eight-party coalition. We cannot accept it. With regard to the proposal on lowering the rents to reduce the median rent-to-income ratio to below 10% in compliance with the Housing Ordinance in the long run, we consider it an intricate issue as it has been a persistent argument between the Government and the Legislative Council, therefore it should not be the subject of today's discussion. Today, we are discussing measures to alleviate the hardships of the people, thus I think the proposal on reducing 30% of the rent of commercial tenants for one year has gone beyond the consensus of the coalition. It calls for detailed discussions.

Madam President, in view of the economic depression and a general slump in the market for all trades, the Liberal Party considers it necessary for the Government to provide certain relief measures to the commercial and industrial sector as well as the general public. With these remarks, I support the original motion and the amendment proposed by Mr CHAN kam-lam. Nevertheless, the Liberal Party has reservations about the amendment proposed by Mr LEUNG Yiu-chung.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the economic downturn in recent years has reduced the spending power of the general public and caused severe impact on the retailing sector. Many commercial tenants doing business in markets and shopping centres of the HA are experiencing difficulty in business, and some of them are even gasping for the last breath. All this is evident of the upsurge of vacancy rate in these markets and shopping centres. We have been given to understand that the vacancy rate of shopping centres and markets of the HA has gone up from 5.14% to the current 5.86%, which is an all-time high in five years. Actually, the vacancy rate of shopping centres in some public housing estates is as high as 50% to 60%, and the vacancy rate of some of the markets is as high as 70% to 80%. There are other reasons besides the weakening of consumer sentiment that has caused business difficulties to tenants in shopping centres and markets of public housing estates, such as the ageing population of these estates, competition from other shopping centres in the neighbourhood, the outdated facilities of these public housing estates, the tendency of cross-boundary spending, and so on. We can see that it is not an easy task to improve the business environment of commercial tenants in these housing estates. However, in any case, a suitable rent concession or reassessment is timely help to those tenants.

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

In November last year, the HA started to receive rent reassessment applications from commercial tenants. Besides, it has also waived the tenants all the relevant administration expenses, which is welcomed by the Hong Kong Progressive Alliance. It is reported that about 11 000 commercial tenants in public housing estates have made rent reassessment applications, and as at mid-December last year, the Housing Department has approved 800 applications, with an average concession rate being at about 18%. We hope the Housing Department will speed up the vetting and approval process, so as to help those commercial tenants tide over their most pressing difficulty. However, to those shopping centres or markets of lower letting rate or lower shoppers' flow, if the tenants are able to get an instant rent concession and if the rate of concession is higher, then the help to them would be more effective and substantial, as it will improve their being "put on a drip" situation. We are of the view that instead of letting some commercial tenants of public housing estate close down their business because they are unable to afford the expensive rent and make ends

meet, it is better to launch a more flexible rental policy to help tenants tide over the crisis. In fact, the long-term vacancy of premises in shopping centres and markets is not only a waste of resources, but also a reduction in the income of the HA. Furthermore, if the vacancy rate sees no improvement, the flow of shoppers will drop further, sparking off a vicious cycle and causing adverse impact on other tenants. It can be envisaged that the economy of Hong Kong will not see any significant improvement in the first and second quarters of this year, and the general public will have to tighten their belts for some time and shop owners will hardly see any sign of improvement in their business. If those commercial tenants in public housing estate who are experiencing a difficult time can be granted a considerable rent concession during this period, say, for six months, I believe this would be a cardiotonic that may help them to get over this bitter cold winter of economic downturn.

Needless to say, a mere rent concession is not enough to help those commercial tenants in public housing estates. The HA should speedily improve the ancillary facilities and management of its shopping centres and markets, such as to speed up the installation of air-conditioning systems or to help the tenants organize some promotional activities, in order to enhance the competitiveness of these shopping centres and markets.

Madam Deputy, besides helping the commercial tenants who are experiencing difficulties in business, we should also lend a helping hand to over 2 million people in Hong Kong who are living in public rental housing, many of them belonging to such socially disadvantaged groups as the impoverished elderly people, single-parent or low-income families. In principle, we agree that on the premise of being fair and reasonable, the HA may grant rent concession to public housing tenants who are in financial difficulty according to their actual needs, with a view to alleviating their hardship. However, we would like to make an additional remark that not all elderly people may have financial difficulties, thus in terms of resources allocation, it would not be appropriate to grant an across-the-board 50% rent concession to households comprising elderly persons only. Madam Deputy, I so submit.

**MR TAM YIU-CHUNG** (in Cantonese): Madam Deputy, I would like to take the opportunity of this discussion about rents for commercial tenants in public housing estates to reflect the difficulties they face.

Last year, I accompanied some commercial tenants to the Housing Department (HD) for a meeting at its Commercial Properties Division to reflect the difficulties they face.

From my experience, I should suspect that more often than not staff at the Division only know little about the actual situation and might therefore refuse to listen to the opinions of the commercial tenants. Usually, nothing was achieved after meetings. The staff would only say that if commercial tenants considered rents or increases in rents too high, they might appeal so that the Government would reconsider their cases. However, there might not be any changes after reconsideration.

Serious problems exist in commercial arcades of old housing estates. A main reason is that people move out of old housing estates — Tai Hing Estate at Tuen Mun is a typical example — and with many tenants having evacuated and an ageing population, what is left is a group of elderly or recipients of Comprehensive Social Security Assistance (CSSA). Their buying power is naturally weak. As the housing estates age, no one from outside will patronize the shops there and the commercial tenants will find it increasingly difficult to survive.

The HD may perhaps suggest that commercial tenants should move out or close their business if they cannot survive. But most of these commercial tenants are self-employed or family businesses. They may know no other ways to make a living if they move out or close their shops. So, they had to continue with their businesses under the circumstances. As they do so, they would like to see some concessions in rents to help them tide over the difficult time, not to make handsome profits at all.

However, in April last year, when I met with HD staff, the message from the Government was that a rent increase was necessary. As we all know, before the "September 11 incident", there were indeed some signs of an economic recovery. Despite that, soon after the incident, the HD wanted an increase of below 10%, which it regarded as moderate. To the commercial tenants, who were struggling to survive, it would mean the last straw.

Another type of tenants is those on block lease. They have an even more difficult time. Some commercial tenants may have over-estimated the flow of people or possible turnover at a certain housing estate and thus tendered for shops at high prices. After the tendering procedures, they are bound by the lease and cannot just walk away. So, they have to face even worse difficulties.

The HD, however, simply brushes aside their demands by saying that as it is a block lease, the HD would not be involved and commercial tenants should negotiate with the lessee or lessee company.

As such, the HD should give some serious consideration to the matter, especially at a time when the job market is so bad. I think we should come up with some means to help the commercial tenants to tide over the difficulties faced by them. Lowering the rent is one of the immediate and effective ways to help them, but I think it is equally important to improve the shopping arcades in housing estates through promotional activities or upgrading the facilities and lighting.

The Commercial Property Division of the HD currently has two types of staff: surveyors, who determine rent policies, and front-line management staff. Though the latter understand the pains of the commercial tenants well, there is nothing they can do, as rents are determined by surveyors through their so-called professional judgement. However, many of the professional judgements are often considered unrealistic or even overly optimistic.

Therefore, we hope the HD will re-determine the rents, taking into consideration not only professional judgement but also management evaluations to find out ways to make rents reasonable and compatible with the realistic situation so that the commercial tenants may survive and avoid possible layoffs, which would mean more unemployment.

Another point I would like to mention specifically is the problem with the elderly. Since their savings are limited, some poor elderly people have to live frugally, though they may not be receiving CSSA payments. When some housing estates are redeveloped, they would certainly want to see some improvement to the existing living environment. However, after they have moved into the redeveloped housing estates, they have to pay several times more in rent for the improved environment. In the circumstances, without the help of CSSA, they would find it very difficult to decide whether or not to move into the new housing estates. If they choose not to move in together, they would lose some long-time neighbours. This is, as I said, part of an improvement in the living environment. I therefore wonder whether the HD could, basing on this consideration, relax the restrictions on the application by the elderly for rent assistance in public housing estates to help those elderly affected by redevelopment so that they may enjoy a rent concession and an improvement in

their living environment at the same time. I hope the Housing Authority can consider this point in future.

I so submit. Thank you, Madam Deputy.

**DR RAYMOND HO** (in Cantonese): Madam Deputy, the performance of Hong Kong has been poor in recent years. The "September 11 incident" and the beginning of an economic recession in the United States added uncertainties to the prospects of Hong Kong. The unemployment issue that has been the concern of people has deteriorated in the past six months. In addition to layoffs and "downsizing", companies impose pay cuts on their employees. Many grassroots are affected and among them a significant number are public rental housing (PRH) tenants.

Indeed, about 2.1 million PRH tenants, which is 31% of the entire population of Hong Kong, are living in estates under the management of the HA and the HS. As such, rents for PRH units are a livelihood problem worthy of our closest attention. As PRH is subsidized housing, the affordability of tenants should be a major consideration in determining PRH rents. Some PRH tenants, or even some wealthy PRH tenants paying a higher rent, may find rents a heavy burden when their family members lose their jobs or earn less because rents account for a very high proportion of their household expenditure.

The simplest way to deal with this problem is certainly a blanket reduction in PRH rents, which will benefit all of them. However, this may not necessarily be a plan that is in the best interest of the community. A decision should be made only after careful studies and analyses. But the Government should sympathize with the tenants for the difficulties they face by adopting some reasonable measures to reduce their financial burden insofar as rents are concerned.

In view of the above, I support some of the proposals put forward by Honourable colleagues, including introducing a mechanism whereby, subject to their passing a vetting process, PRH tenants who are paying excessive rents are only required to pay rents equivalent to 13% of their total household income for a period of one year, and granting a 50% rent reduction for households comprising elderly persons only who are in financial difficulties. Moreover, since commercial tenants in public housing estates are also hard hit by the economic recession and are experiencing poor business, reducing the rents of commercial tenants by 30% for a period of six months is reasonable.

Earlier, a cross-party coalition in this Council had held some discussions about relief measures and reached a consensus on seven points. Among them, there is a reduction of rents for PRH tenants and commercial tenants to help the low-income group to tide over their difficulties. The above measure is in complete agreement with this aim. It may also help relieve the burden of PRH tenants and the operating difficulties of commercial tenants. Though temporary, the measure may at least show that the Government is not entirely apathetic to livelihood issues of the people.

In the long run, the issue of rents for PRH tenants and commercial tenants should be included in the review of housing policies. During the review, the relevant authorities should extensively consult the people and this Council to ensure the relevant policies are consistent with the interest of the community as a whole and have regard for the realistic situation of PRH tenants and commercial tenants. Madam Deputy, I so submit. Thank you.

**MR LAU PING-CHEUNG** (in Cantonese): Madam Deputy, it is difficult to make a decision on the motion moved by Mr Albert HO and the amendments put forward by Mr LEUNG Yiu-chung and Mr CHAN Kam-lam. Therefore, I would like to talk about the first point in Mr Albert HO's original motion and the third point in Mr LEUNG Yiu-chung's amendment. Put simply, this is about the broad principle of determining rents for PRH.

Since 1998, the HA has frozen the rents of housing units under its management. Under the law, if the HA adjusts rents, the new rents should not exceed 10% of the median household income of tenants. However, because of an economic downturn in recent years, even if the HA stops reviewing the income level of PRH tenants, rents account for an increasing proportion in the income of tenants due to widespread layoffs and pay cuts, which have resulted in a lowering of income in real terms.

But the Housing Department (HD) has put in place a Rent Assistance Scheme (RAS) in which tenants may apply for rent reduction of 50% when rents amount to over 25% of their income. From this perspective, people may improve their living conditions after moving into PRH units due to housing subsidies by the Government. Even if there is an economic downturn and the rent-to-income ratio rises slightly, the 25% cap under the RAS will make the rise acceptable, particularly when we consider the fact that PRH rents amount to about 37% of market rents. Moreover, other people without subsidized housing in PRH may spend 30% or more of their income to repay housing loans by

instalment or to pay rent; so, the present PRH rents are acceptable. Public housing is indeed public resources provided by taxpayers to the needy so that they may dwell in a reasonable living environment at a relatively inexpensive rent. Thus, we have to strike a balance between the financial capability of the community and the provision of subsidized housing.

THE PRESIDENT resumed the Chair.

However, in reality I can see that tenants have to face an abrupt increase in the rents they have to pay when a housing estate is demolished and then redeveloped. A four-person unit in the urban area, for example, may be rented at \$600 in a housing estate waiting to be demolished. Once the housing estate is redeveloped and tenants move in, the new rent would increase abruptly to \$2,500 due to improved facilities and better living environment. An additional condition is that tenants are not allowed to apply for rental assistance within two years. This would mean that tenants with low income are in effect forced to relinquish the receiving housing estate and choose renovated units at a low rent in the same area. Usually, such tenants are mostly elderly people whose children have chosen to be excluded from the tenants' register and whose incomes are unstable. It would be very unkind to deprive them of the chance to live in an improved environment in this way.

Looked at from another angle, to support the first point of Mr Albert HO's motion or the third part of Mr LEUNG Yiu-chung's amendment would mean agreeing to reducing the difference in rents in the new housing estate and those in the old ones, which is unfair. The root of the problem lies in the lack of a mechanism in the present public housing policies to determine rents comprehensively with flexibility and reason. Hence it would create a bad precedent if rents were artificially reduced just because there was a decrease in the incomes of tenants, though the reduction may be temporary. Therefore, I would rather support a comprehensive review of the mechanism for rent determination.

By the same token, I agree that owing to the economic downturn, there should be room for a downward adjustment in the market rent in shopping arcades under the HA. In fact, since November last year, the HA has started to receive applications from commercial tenants for a reassessment of their rents. As far as I know, as at the beginning of this month, there were 11 000

applications, of which 4 000-odd have been dealt with. It is reasonable for commercial tenants to request a rent reduction due to poor business, but a blanket 30% reduction without looking at the specific conditions so that commercial tenants who are making profits are also benefitted is not compatible with commercial principles. Moreover, the rent reassessment service provided by the HD is free. Even if it were found that rent higher than the original rent should be paid, the HD would not increase the existing rent. This makes it more unconvincing for me to support a blanket 30% reduction in rent.

Madam President, I so submit.

**MR WONG SING-CHI** (in Cantonese): Madam President, I wish to speak today on the motion regarding the living environment of the elderly in PRH units. I wish to prove that the elderly living in PRH units do need a policy that may enable them to lead an easier life.

The Hong Kong community is more advanced than before and its economic development is sufficiently sound. All these are the fruits of the labour and unyielding efforts of a group of elderly who toiled in the past. At a time when the Hong Kong economy was at a trough, they held the fort and contributed immensely to our future development. They have grown old now and are losing their capability to work. Even if they still work, they can only earn a paltry sum. We can see that obviously they have contributed a lot to the community as it is. We should therefore salute the elderly through different channels and give them assistance.

At present, in our affluent society, there are still a number of elderly persons living alone in abject poverty. A survey in 1996 shows that nearly 90%, that is, 87.5%, of single-person households living in abject poverty are aged 60 or over. That means a majority of the persons living by themselves are elderly persons. 71.8% of the two-member households living in abject poverty are elderly people. They have to live frugally and life is very difficult for them. Expenditure on food for the elderly living in abject poverty is even less than that for the elderly living alone on Comprehensive Social Security Assistance (CSSA). These elderly people made enormous contribution to the community of Hong Kong in the past. But they are now leading a hard life. Why do we not give them support? Why can we not provide them with more comfortable living conditions, a better financial capability to pay existing rents?

The Government may say the elderly may apply for CSSA payments, but we remember clearly that the Government hinted in the past that "CSSA nurtures lazy bones". This makes the hard-working elderly unwilling to obtain CSSA payments even if they need them. Some elderly do not know what CSSA is and some refuse to apply for it out of self-respect. In fact, many elderly people are afraid to obtain CSSA even when they have no money — they just live on old age allowance. Some of the elderly do not qualify for CSSA because their savings have exceeded the qualifying limit. They may have just several ten thousand dollars in their pockets, to be used as their funeral expenses. Often that amount can last for only a year, but they live in a thrifty manner and leave the savings intact. So, they obtain no CSSA payments but continue to pay the normal rent.

In fact, many of the elderly have to work very hard till they are 70 or even 80 to live on. According to a survey on tenants carried out in 1997, 9.5% of the elderly were still working. But nearly half of them were unskilled labour, not skilled labour. This figure is higher than the 18.6% of the entire working population. It can be seen that their wages are low. Often, they only receive old age allowance, in addition to their paltry wages, to make ends meet. Regrettably, however, Mr TUNG seems to have taken them in because he had said there would be a review of the old age allowance. Up to now, there is none and the old age allowance is not yet increased.

According to a survey, the median household income of these elderly is \$2,600, and the median monthly expenditure is \$1,700. In 2001, households comprising elderly persons have to pay an average monthly rent of \$950. If the rent is reduced by half, every elderly person can have \$400-odd as extra money to spend. This amount is even more than that demanded by the people from Mr TUNG as additional amount for the old age allowance and can relieve some financial pressure of the elderly.

Despite the 50% reduction in rent for many elderly people, which results in them paying only several hundred dollars, some of them may find it a burden because whereas before they lived in the rural areas in the New Territories where no rents had to be paid, they now have to pay rents due to urban development. Moreover, the dwelling places were free and large before, but they are rented and small now. Therefore, the elderly are in fact living in great hardships. Under the circumstances, the Government should give rental assistance to this category of the elderly living in PRH. So, I hope the Government will reduce

the rent for the elderly after listening to the demands of Members in this Council so as to enable them to enjoy the fruits of their continued hard work while Hong Kong was facing the worst of times.

With these remarks, I support the motion.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, my speech today concerns mainly with part (c) of the motion, that is, reducing the rents of commercial tenants in public housing estates by 30%.

There is an economic depression at the moment, and this is certainly a real threat to tenants in public housing estates and the general public. On the other hand, if people cut their spending, this would directly affect the operation of commercial tenants in PRH. After the financial turmoil, the catering industry was badly hit. The business of restaurants, meat shops and poultry shops in public housing estates has been deteriorating. In recent years, I have noted that more stalls are being staffed by couples and stalls that used to employ staff are now unable to keep their staff. This shows that the business of these stalls has been dwindling amid the economic difficulties.

Last year, several commercial associations and I met with the Secretary for Housing and Dr CHENG Hon-kwan, Chairman of the Housing Authority (HA). We hoped they could immediately reduce the rents for commercial tenants by 30% in view of the economic downturn. The HA indicated it would conduct an assessment at once. According to the latest data, most commercial tenants have been granted a 20% reduction in rent. This is better than no reduction. However, I would like the Government to note that a 20% reduction in rent cannot compensate for the drop in turnover of the restaurants and market stalls concerned. The reduction could provide some relief, like a life buoy or a piece of rope to keep them afloat for a while. Not every commercial tenant is making profit now. They just hope to continue their business.

In the circumstances, I hope the Government does not blindly stick to commercial principles or the principle of prudent management of public finances. Indeed, there are various kinds of commercial principles. Some of them make people reap huge profits while some others make people incur huge losses. Thus, the strict application of commercial principles may not be a correct way. In fact, commercial principles can be very simple. When business is poor, and

the market adjusts itself downwards, fewer people will rent shops. But it is better to lower rents than leaving shops vacant. For example, if shops rent out at \$5 per sq ft and they can find no tenants, the rent can be reduced to \$4.5 per sq ft or even \$4 per sq ft until they can be rented out. Often, I find many shops under the management of the HA are vacant. There are no banks or restaurants. Even operators of market stalls say business is poor. A restaurant operator at Sun Tin Wai Estate could not afford the exorbitant rent and requested the HA to reduce it a bit so that he could continue his operation. This could help him to keep the employees and provide a place for the residents there to eat out. Alternatively, he suggested the HA to offer the shop for lease and when a new tenant was found, he could move out on one month's notice. However, the HA said it was not a possible arrangement and asked that the operator leave as soon as possible. Today, several years later, the shop is still vacant. Insofar as commercial principles are concerned, is a 30% reduction in rent, which will maintain the rental revenue, not better than no revenue at all for several years? I do not understand what commercial principles or principle of prudent management of public finances the Government is following. A shopping arcade without restaurants or banks will have fewer visitors. How can the market and other commercial tenants continue their operation?

In the last couple of years, an extraordinary phenomenon has begun to appear. Whereas business tended to perform better on Saturdays in the markets, because more people would stay home to prepare their own meals, markets now have a much reduced flow of people on Saturdays and Sundays. Why? It is because more people cross the boundary to visit mainland China. Whereas shops opened for business seven days a week, they do five days at the maximum now. Are we asking for too much when we demand a 30% reduction in rent for the commercial tenants? I do not think so at all.

On the issue of a 30% rent reduction in this motion debate, I wish to remind the Government that some of the tenancy agreements executed by the HA contain a part for basic rent and another linked to business turnover. For example, a commercial tenant may need to pay 10% of the turnover and for a turnover of \$1 million, he has to pay \$100,000 in rent. If the Government just reduces the rent by 30% without reducing the part linked to turnover, that will mean no reduction for some. Even for a commercial tenant with a turnover of \$900,000, he has to pay \$90,000 in rent. Thus, in addition to the 30% reduction in rent, as mentioned in the motion, I hope the part linked to turnover may also be reduced correspondingly.

In fact, the HA is adopting a better measure now than it did in 1998, but it is not doing enough. In this regard, I hope the Government will not just consider commercial principles or the principle of prudent management of public finances to the complete neglect of a major principle. I do not wish the Government to be penny wise but pound foolish. No one will benefit from this.

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

**MR FREDERICK FUNG** (in Cantonese): Madam President, I trust Members know very well the present economic position of Hong Kong. Many companies and enterprises are imposing wage cuts and dismissing employees. Even our Government has to downsize. During the economic depression and in the course of changing to a knowledge-based economy, the middle and lower classes have to try very hard to keep their jobs, and, for those who are fortunate enough to keep them, they may have to face reduced wages and benefits. Many statistical data tell us that the spending power of the people has diminished greatly. Housing expenditure has long occupied a large proportion of the total household expenditure in Hong Kong families. When times get rough as of now, the Government should alleviate the burden of the people in this regard and join hands with them to tide over the difficulty.

According to figures from the Census and Statistics Department, the median household income of tenants in PRH has abruptly dropped from \$15,600 in the first quarter of 1997 to \$12,000 in the third quarter of 2001, representing a 23% drop. So, the financial position of PRH tenants has been greatly undermined by dismissals and wage cuts. At present, PRH tenants are paying rents at 10.7% of the median rent-to-income ratio (MRIR), exceeding the statutory limit of 10%. This shows that PRH rents have exceeded the affordability of tenants, an amount agreed at least by this Council. What is worthy of note is that the HA reduced the limits on income and assets for applicants on the General Waiting List (GWL) last April, in view of the drop in rent in the private sector. This year, the HA and the Housing Society (HS) have been repeatedly hinting at a drastic reduction of the relevant upper limit on the income of applicants. So, since several years ago, rents in the private sector have dropped, the incomes of PRH tenants have dropped, and the said upper limit has dropped, but the Government has been unwilling to reduce the MRIR. Why? What are the reasons for that and what is the logic? Rents at the moment are maintained at the 1997 level, which is at an all-time high. It would

be very unfair for the HA and the HS not to reduce the rent for the 2.1 million PRH tenants. It would also show that the Government is totally oblivious of the reality at present.

Companies often turn to their employees in an economic depression. Workers in general have a low bargaining power and so their benefits continue to be cut. Indeed, PRH makes it possible for many businessmen to provide less benefit to their employees. It is PRH that helps to lower their cost of production. This is one reason why Hong Kong can maintain its competitive edge and make workers a pillar of the economy. At present, workers' wages continue to be cut and even if people have work to do, they may not earn enough to cope with their living expenses. So, their spending power has diminished drastically. If the Government could reduce PRH rents, the pressure of the people could be relieved and the buying power of 2 million people raised, thereby reviving the economy. The cost of production may also be reduced and the competitive edge of Hong Kong enhanced. In addition, at a time when the people have lost faith in the Government and grievances begin to accumulate, a rent reduction would indeed help boost the popularity of the Government and improve social stability. In the long run, the people in Hong Kong and the Government will stand to benefit.

As to the issue of the elderly, over 50 000 singleton elderly people are now living in PRH by themselves. A vast majority of them have lost the ability to work. They cannot rely on their own efforts to solve their financial problems. Many of them are in fact living on old age allowance, or even the paltry income from interest on savings or on their savings by using a small amount of them month after month. They are actually a disadvantaged group. Thus we hope the Government can provide more assistance, especially assistance in the form of rent reduction, for some elderly PRH tenants.

The economy is poor, and wages and income have been reduced, but PRH rents are maintained. Why? Is that reasonable? Is the Government still being so shortsighted as to calculate present benefits, worrying a reduction in rent would reduce revenue? In fact, as Members must have known, in the past year, the HA and the Housing Department have been contracting out works projects and other jobs. Many staff have been dismissed and their expenditure on salary and recurrent expenditure has been reduced. Thus, the HA has the necessary condition to reduce rents. I hope the Government can have the vision and breadth of mind to show solicitude for the people by reducing rents to bring

about a positive effect. I hereby strongly urge the HA and the HS to reduce rents to relieve the difficulties of the community.

With these remarks, I support the original motion and the amendments. Thank you, Madam President.

**MRS SELINA CHOW** (in Cantonese): Madam President, the speech delivered by the Honourable TAM Yiu-chung has struck a chord with me, since for many years I have mediated with the HA on behalf of many commercial tenants on such problems as the difficulties and exorbitant rents. However, I was "routed" almost every time and had hardly ever had any success, leaving me with a strong sense of frustration, an experience somewhat similar to that of Mr TAM Yiu-chung. However, later I thought that if even he, as a Member of the Executive Council, did not have any success, then being merely a Legislative Council Member, how can I ever hope to succeed?

Just now the Honourable NG Leung-sing mentioned that these issues relating to rent should not be politicized. I feel that this is rather curious. He has neglected one thing, and that is, this has nothing to do with politics. Rather, as Members, we are duty-bound to help members of the public. If commercial or domestic tenants said that there is something unfair or improper, they have to find some representatives who are willing to come forward on their behalf to make an appointment with officials, since there are difficulties if they are to seek an interview with officials in their own capacity. Therefore, we should face up to the difficulties when helping them, as is the case with some Members. However, down the years, I found that both the HA and the Housing Department (HD) are not only bureaucratic but also rigid in their attitude towards the issue of the rent for commercial tenants. On the one hand, both said that they had to learn from the market on the issue of the rent for commercial tenants, that they are following market practices; on the other, they have never followed the flexible practices of the market. Meanwhile, they also lack some fundamental concepts. In private or commercial markets, owners and tenants are basically in a partnership. The owners do not wish to see the commercial tenants fail or suffer losses in their business, because if tenants are not successful in their business, the owner will also be affected. However, that is not the view held by the HD. They said that tenants who could afford the rent should go on doing business; those who found the level of rent unaffordable could quit. It is easy for them to say so, and this we have heard quite a number of times. They are

paying no heed to what tenants have invested. The efforts and money put by the tenants into the operation of their shops are inconsequential to the officials who make decisions. As far as I know, the process by which government officials make decisions is very simple. Each time a tenant wants to renew the lease, he has to submit an application form. The tenant's rent is whatever amount the officials deem fit. They do not talk to the tenants and will merely notify the tenant of the amount of rent payable.

In the past, more often than not, the rent would be increased when the lease was renewed. I only know of two instances in which the rent was reduced, that is, in 1998 and in 2001. This was because at that time many commercial tenants told the authorities that they had difficulties in doing business (Mr NG Leung-sing said that it had nothing to do with political pressure, but I am sure it had). Government officials said that the reduction demanded by commercial tenants was too great for the Government to comply, but it would conduct its own rent reassessment. I asked the officials on what criteria was the decision to reduce the rent by 15% to 20% made. The government officials gave a lot of reasons, but are they convincing? The greatest problem with these officials lies in their attitude. The impression they gave us was that this was the rate of reduction decided by the Government, if commercial tenants did not find it acceptable, then the offer would be withdrawn. This is a most disgusting attitude. Moreover, there is also no room for discussion. As an owner, it is necessary for the Government to establish a close relationship with the tenants and understand their actual condition. However, generally speaking, the Government does not discuss with tenants. In fact, there is a body known as the Hong Kong Public Estate Shop Operators Union and more than 7 000 commercial tenants are affiliated with it. It has been operating smoothly for many years and the requests it made have not been unreasonable. Commercial tenants just want to communicate with the Government, but all along the Government has been unwilling to talk to them as if it is afraid of being taken advantage of. In July 2000, the authorities suddenly introduced the "trade widening policy", which is a policy to broaden the scope of business, allowing commercial tenants formerly allowed to sell only one type of goods to sell a variety of goods. For example, those who originally sold only vegetables can now also sell fruit. Commercial tenants did not call for this new arrangement. In fact, they did not have any choice. This was because the authorities said all of a sudden that the present business environment was not too good, so it allowed commercial tenants to sell a greater variety of goods. Some commercial tenants indicated that their shops, with a floor area of only 4 ft by 6 ft, had limited space,

and it was practically impossible for them to put on sale many types of goods. However, the authorities still requested commercial tenants to accept this measure to broaden the scope of goods on offer. As far as I know, all commercial tenants, big or small, objected to this measure. Intriguingly enough, it turned out that this measure, which commercial tenants had no choice but accept, was actually taken into account in the reassessment of the rent. Last November, the authorities reassessed the rent and decided to reduce the rent. However, a lower rate of reduction was granted to commercial tenants who have broadened the variety of goods offered.

Under the present economic circumstances, commercial tenants have indeed suffered a substantial decrease in their business turnover. Our demand to reduce the rents of commercial tenants by 30% is well justified. I hope that this time the attitude of the HA will not be as rigid as it was in the past. Thank you, Madam President.

**DR TANG SIU-TONG** (in Cantonese): Madam President, the HA waived the payment of rent for 580 000 public housing tenants in Hong Kong in December last year, which was equivalent to reducing the rents by 8% as a measure to alleviate the hardship of the people. In addition, the HA also decided to continue to freeze the rents, the Hong Kong Progressive Alliance (HKPA) expressed support for these measures. However, since many grassroots are being threatened by retrenchment and salary cuts, people in society naturally wish the HA to reduce the rents further so as to ease the burden of the public. According to a survey conducted by the Joint Committee on Public Housing on some 1 100 public housing estate households, more than 40% of the responding households said that the rents were high. Among them, particularly tenants who had moved in for less than three years were the largest in number. Some tenants affected by redevelopment even said that the new rents were much higher than the original. As such, even though the public housing rents are lower than market rents, they are still a heavy burden to some impoverished families.

Madam President, the question on how the HA should determine the rents has been a major dispute in recent discussions concerning public housing rents. According to the documents of the Housing Department, the affordability of tenants has all along been the major factor of consideration by the HA in determining the rentals of public housing, other factors will include the facilities

and location of estates, and so on. The existing Housing Ordinance provides that after the HA has adjusted the rents, the overall median rent-to-income ratio of all public housing estates shall not exceed 10%. However, as indicated by the information, the level of rent in last year accounted for 10.7% of the median income. So there are views that the Government should reduce the rents or it will contravene the law. In this connection, the Government has responded that the HA currently has not made any adjustment to the rents but just frozen them for several consecutive years. Therefore, even the rents have exceeded 10% of the median income, they cannot be considered as having broken the law. In fact, on the level of legal technicality, the practice of the HA is lawful. However, we hope the Government can examine whether ambiguities exist or improvements are necessary for the relevant mechanism, so that disputes can be prevented from arising. It is known that the HA set up an ad hoc group last year to review comprehensively the rent policy of public housing according to the affordability of tenants, the principle of reasonable allocation of public housing resources, legislative provisions and the public's aspirations. We look forward to the release of the relevant results at the earliest possible time.

Madam President, the Government's public housing policy involves the well-being of the general public, so the HKPA opines that the relevant policy must be stable and clear. In drawing up the public housing policy, public views should be fully absorbed by the Government. We think that the focus of the Government's public housing policy should be placed on providing public housing to the low-income group and resolve their housing problem. We hope the policy will not depart from this basic principle.

Madam President, I so submit.

**MR FRED LI** (in Cantonese): Madam President, today my discussion will focus on the management of shopping centres and markets in public housing estates by single-operators. Even if this motion is passed and the Housing Department (HD) and the HA also accept the good advice to actually reduce the rents by 30%, the markets managed by single-operators may not be benefitted.

According to the new policy of the HD, all new markets will be managed by single-operators. Individual tenants have no relationship with the HD, so

they cannot complain whether the rents or air-conditioning charges are expensive or not. In the course of our work in the district, we have received many complaints. The shopping centres and markets of some housing estates in Kwun Tong and Wong Tai Sin are also managed by single-operators. We find that after the HD has reassessed the rents, the rents for single-operators are reduced, but that is an overall reduction in the rents of markets and shopping centres and it lacks transparency. As tenants have no idea how much rents are reduced, they only wish that single-operators could leave them a little bit of benefit out of conscience.

We consider some terms of the tenancies open to question. For example, the rents for some stalls are \$2,000, but the management fees cost \$5,000 and the air-conditioning charges cost \$5,000 too. Together they amount to \$12,000. The \$2,000 rent appears to be very inexpensive, so the HD will just reduce a small amount symbolically when it reduces the rents in future. It is because the rent costs only \$2,000, which is already very low. However, we have no idea whether the HD has actually worked out the calculation based on the rent at the amount of \$2,000 when it reduces the rents of single-operators. Even when I inquired with the HD about these figures, neither could it give an answer to me because they were the so-called commercial secrets. The HD may reduce the rents of single-operators substantially, but the intermediary contractors will make use of the opportunity to "drain away the profits" by taking up a large portion of the reduction. As a result, the actual benefits enjoyed by small tenants will just be minimal.

As we also know, some single-operators will ask their relatives and friends, or even they themselves, to open up several stalls in the markets to sell meat, vegetables and groceries. Once these single-operators get the rent reductions after the reassessment of rents, they will reduce more rents for stalls belonging to them. As no one knows the rate of reduction for each stall, neither do they know the method of rent reduction adopted by the HD, these single-operators will then try their best to give the benefits to their own people. Such a practice also complies with the HD's requirements. It is because the HD may require an overall rent reduction of 20%. There is no denying that the single-operators have reduced the rents by 20% but they may have given a large share of the benefits to their own stalls. What can we say about this? Since those markets are occupied by their own relatives, the situation mentioned above will often occur.

The terms and tenancies concerned are very harsh as they can request small tenants to move out and terminate their tenancies at any time. Small tenants feel indignant but dare not to speak out. Even though their shops can be taken back at any time, the HD will not intervene. In addition, some single-operators will try every possible means to prevent tenants from forming trade associations. For example, they will threaten to terminate the tenancies, send someone to disturb the operation of tenants, and so on. When people of the Democratic Party were collecting views from commercial tenants in markets managed by single-operators, they had been followed and obstructed. To put it in an unpleasant way, single-operators are just like "cocks of the dunghill". However, the biggest problem is that the HD has turned a blind eye to the unscrupulous practice of these single-operators in running the markets. Even though the HD has received our complaints, it will just stress time and again that this is a private agreement between small tenants and single-operators, so the HD has no power to interfere. In fact, owing to the failure of the HD to effect supervision, the single-operators can be so blatant in their practices. I think the HD ultimately is to blame.

Recently, a problem has arisen in connection with a shopping centre in Ping Tin Estate, Lam Tin. In fact, this is a very famous shopping centre because a child once fell from height and broke his head due to the failure of the balustrades. This shopping centre is managed by a single-operator. The shops in the shopping centre have recently been flooded twice consecutively owing to the burst of sewers. The HD said that these were the responsibilities of the single-operator, but the latter said it had nothing to do with the problem, both trying to shirk responsibilities among themselves. So, the small tenants can only grumble incessantly. These are recent examples and they have given me a serious headache in dealing with them. The incident reflected that there are problems with the HD in supervising the management of markets and shopping centres by single-contractors.

Insofar as the review on rentals is concerned, the HD is currently accepting applications for rent reassessment from tenants on a comprehensive basis. I hope the HD can realize that the purchasing power of tenants of old housing estates aged over 20 years is lower because they are ageing, or even though they are relatively more recent, the residents moving in also came from redevelopment areas and are older. Therefore, the businesses of commercial tenants and market stalls in those housing estates are also in dire straits. I hope the HD can appreciate their sufferings in particular when reassessing the rents and have them reduced comprehensively.

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

**MR IP KWOK-HIM** (in Cantonese): Madam President, the HA has all along stressed that public housing rents are determined according to the affordability of the residents. In recent years, the wages of many wage earners have been reduced, with some of them having been lowered by half. However, public housing rents have not been lowered in tandem with these changes. One very simple logic is that tenants have to "tighten their purses", so how will they patronize the shops under the HA? Therefore, I hope the HA can consider today's motion in a prudent and serious manner, so as to implement some relief measures for tenants and commercial tenants in public housing.

Currently, the HA has over 60 public housing estates in total. In recent years, new housing estates have been completed one after another. However, many old public housing blocks have also been demolished at the same time. As indicated by the information, it is forecast that by 2006, a total of 566 public housing blocks will have been demolished through the Comprehensive Redevelopment Programme. To those residents living in old housing estates, it will not be as simple as "involving some initial outlay only" when moving into new flats from the old ones. The rents for some new units have taken up 20% of the residents' monthly income. Although the facilities in old housing estates were simple, the buildings aged and concrete spalling from the ceiling was nothing new either, these residents had to pay a monthly rent of around \$500 to \$800 only. Their situation could exactly be described as "living in contentment and feeling happy despite in poverty". However, after moving into the new flats, the monthly rents payable by them have risen significantly by two to three times. However, the wages of residents definitely will not double or treble because they have moved into the new homes. The purpose to redevelop housing estates is to improve the living conditions of the residents. However, the current policy of redevelopment can only provide renovated units to residents who cannot afford the rents of new flats, but decline to accept applications for rent assistance made by residents so that they can continue to live in the new housing estates. Therefore, I feel that this measure is totally in conflict with the redevelopment policy, or even makes redevelopment become meaningless.

The original intent of public housing is to provide residents with affordable accommodation. If residents can barely make both ends meet, this in fact has

put the meaning of public housing upside down. According to the existing Housing Ordinance, public housing rents cannot exceed the ceiling of 10% of the median income of residents as a whole. However, since the second quarter of 2000, the figure has surged to 10.2%. But I would like to remind Members the fact before us is that the rents for large units in new housing estates often account for 18.5% of the overall median income of the residents! The Democratic Alliance for Betterment of Hong Kong (DAB) understands that to resolve the problem completely, the mechanism for reviewing rentals must be revised. However, the factors for determination of rents are very complicated and it takes a long time to examine and discuss. However, we can see at the same time that the income of residents is dwindling. Therefore, in this connection, the coalition of eight political parties of the Legislative Council has reached a consensus to set up a mechanism that will enable public housing tenants who are paying exceedingly high rents to pay a rent equivalent to 13% of their family income for a period of one year after they have passed the relevant vetting process. I have to stress that this is only a temporary relief measure. A year later, I expect the ad hoc group established by the HA in April last year to review the policy of public housing rents can draw up a concrete proposal to determine the rents. We can then solve the problem completely in this way.

Apart from public housing rents, the DAB is also very concerned about the rents of shops under the HA. Today, I would like to tell Members a real story and this incident was also mentioned by me in this Chamber before. Early last year, a fish stall owner who had been running a fish stall in Wah Fu Estate for 20 years kept asking me for assistance and telling me the difficulties encountered by him in running his business. He said that his stall was very small but he had to pay a monthly rent of \$7,000 or so. Coupled with the fact that the residents living in Wah Fu Estate were fewer in number and older, and their financial conditions were poorer, so there was no way for him to continue to operate. After learning about his case, I conducted a survey and found that such a high price was not required even if we rented a small shop in a town centre. Therefore, I expressed this on a number of occasions to the Housing Department (HD), requesting them to reduce the rent. Finally, the HA announced that they would reassess the rents of commercial tenants.

I thought the so doing could help residents resolve their problems. But the final news made me feel depressed — the shop owner who had run the fish stall for 20 years closed his business two months ago. The measure of the HD

to reassess rents could not "revive" his shop. The economy is in the doldrums. Many public housing residents have joined the ranks of the unemployed, and their purchasing power is bound to decrease. Thus, commercial tenants are encountering much greater difficulties. It is hoped that the HA can reduce rents as soon as possible and resolve the problems of commercial tenants. I so submit.

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

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, over a very long period of time in the past, there have been many discussions in society concerning the rent concession for public rental housing (PRH) and commercial tenants. Members can also see that after the Housing Authority (HA) had listened to the views of the public and the Legislative Council had requested the Government to reduce the rents of PRH tenants (including commercial tenants), the HA drew up such measures as waiving the rents of PRH tenants for October in the last fiscal year, extending the freeze on rents for one year, and assisting PRH households to ride out the current economic plight. Among them, there is also mention of the necessity to reassess the rents of relevant commercial tenants.

Although the HA and the Government have made some responses after listening to our views in this respect, I have to say that these measures are still insufficient. The degree of insufficiency can be said to have fallen far short of the current situation of the people. First of all, let me talk about the issue concerning PRH rents. Currently, quite a number of PRH households are paying very expensive rents, especially for some newly-completed units; or the rents of units completed in the last couple of years are even much higher. Just like some new housing estates that I am familiar with: the Po Tat Estate above Shun Tin Estate, that is, the Po Tat Estate above Sau Mau Ping. The monthly rents payable by some tenants are as high as \$3,000, but this is just the rent for a PRH unit. This new estate is located on the top of the hill off Tseung Kwan O and above Sau Mau Ping, and the rents are calculated at market rates. However, the transportation fees the residents have to pay are close to those of residents living in the estates built for the development of the New Territories, which are very expensive. Many of the residents there were applicants on the Waiting List, and a lot of the people were rehoused there because the old districts were to

be redeveloped. They said to me, "If we were living at the foot of the hill, we had to pay only \$2,000 to \$3,000 to rent a room in private buildings. We expected the environment to be better after moving into this housing estate, so the children could have more space." However, to their surprise, they could only be allocated a unit in a place where they considered quite remote — Po Tat Estate — after they had applied for a PRH unit. Moreover, they found the rents very expensive after moving in.

The location of this housing estate is really very remote. It is located on the top of the hill and extended into Tseung Kwan O. The rents are very expensive. Let us put aside Po Tat Estate and turn to Upper Wong Tai Sin Estate and the Sau Mau Ping area just completed. The households in these newly-completed PRH estates also have to pay a monthly rent of \$2,000 or so. In respect of the monthly income currently earned by general families in the PRH, it is already very good if they get more than \$10,000. If the rent accounts for 20% to 30%, or even a larger proportion, of the income of each family, coupled with the very expensive transportation fees, the burden of these grassroots is indeed very heavy. Therefore, during the discussions by the coalition of eight political parties earlier in respect of the proposal of suggesting the Government to reduce PRH rents, Members considered this for a very long time. It was because we had to examine how we could come up with a balanced proposal of reduction for rents ranging from several hundred to several thousand dollars. Eventually, the rent concession measure proposed by us is to set the ceiling of PRH rents at 10% of the median household income. We considered this a reasonable level, and we also considered this proposal correct. In fact, I think the Government can implement this proposal through various channels.

Madam President, we have taken the livelihood of the grassroots to heart. More often than not, we will find that the fees and charges in various aspects covering clothing, food, shelter and transport have been reduced. The prices of clothing and food are lowered, but the expenses in accommodation and transportation have remained very expensive. What we are discussing today concerns with a group of PRH residents who are supposed to be looked after by the Government and should pay less expensive rents theoretically for this can enable them to improve their living. Regrettably, due to the limitations of the relevant mechanism on owners in difficulties, these households will have to experience a lot of difficulties before they can get the so-called rent reduction even though the Government is willing to render them assistance.

Evidently, I think this is due to the departure of HA's concept of PRH management from the existing social situation as a whole, and society has presently undergone drastic changes, especially the changes in respect of people's income. So the HA has in fact lagged behind the times. Basically, a number of rents have remained at the same levels before the freeze on rents. PRH rents have been frozen for several years, that is to say, the levels of rents currently paid by most people are still maintained at the same levels as those around 1997. Madam President, I believe you are also aware that if we compare the rentals of private buildings in Hong Kong with those of PRH, a very different situation has now occurred. Rentals for private buildings will be adjusted according to market demands; whereas the PRH rents are currently collected according to the level set at a certain period of time, thus giving rise to the situation mentioned by me just now. The rents of some newly completed housing estates are particularly high. Even for some 10-odd-year-old PRH estates, the rents are not cheap either.

Madam President, I wish to raise a basic question. Why did the Government have to draw up a public housing policy in the first place? Why should less expensive rents be fixed? Was it meant to enable the public to improve their lot? Since the Government saw that a group of people were in dire straits and had nothing to shelter themselves at that time, the first resettlement area was so built, and it has developed into today's public housing policy ever since. The objectives proposed then should be the same as today's situation. I opine that the right action for the Government to take is to develop in the direction proposed then. In fact, many people in Hong Kong are leading a very difficult life. If the Government is willing to reduce the rents, it will undoubtedly be very helpful to the grassroots.

In addition, I would also like to talk about the situation of commercial tenants. The rents of commercial tenants in PRH are really very expensive, and basically they are not as flexible as those of shopping centres in private buildings. Just like the situation of the stall in a certain estate mentioned by the Honourable IP Kwok-him who has just left the Chamber, more often than not, the rentals of shopping centres in PRH are certainly very high, but the business in the shopping centres is very poor. The existing government policy on managing shopping centres is very rigid, and no adjustment will be made at all in the light of the plights of commercial tenants. And what method did the Government adopt to make the shopping centres more prosperous? That was to introduce some supermarkets to operate in the shopping centres. The Government might have

thought that so doing would bring better changes to the shopping centres. However, the Government might not know that with the implementation of the policy to introduce supermarkets into shopping centres, commercial tenants there are now caused to encounter even greater difficulties in doing business.

Madam President, I hope very much that the HA or the Housing Bureau can be more aware of what is happening in society. They have to realize the difficulties being faced by the grassroots or commercial tenants operating in the shopping centres of housing estates, and refrain from drawing up plans behind closed doors and taking actions which depart from the reality. Madam President, I so submit. Thank you.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mr Albert HO, you may now speak on the two amendments. You have up to five minutes to speak.

**MR ALBERT HO** (in Cantonese): Madam President, there are two discrepancies between the amendment proposed by Mr LEUNG Yiu-chung and the motion moved by me. The first one is on rent reduction. He requests that the rent concession be implemented for a period of one year as per my motion, and the rents of tenants and shop owners be reduced by 30%. The objectives of these requests are certainly consistent with the proposals of my motion, which are also measures alleviating the people's hardships. And I believe the degree of relief also meets the needs of the public. The Democratic Party feels that we can lend support to Mr LEUNG Yiu-chung's amendment. Although Members will also note that his requests are more demanding than the consensus of the coalition of the eight political parties. However, we must understand that the consensus reached by the coalition is a basis which is acceptable to all, just like the lowest common multiple. Moreover we all have one understanding that if Members have better requests, they can elaborate on their own.

The second one is the request to lower rentals, causing the median rent-to-income ratio to drop below 10% in order to comply with the stipulations in

law. On this point, we have had debates on a number of occasions at the Panel on Housing of the Legislative Council or during the question time of Council meetings. The Democratic Party has all along considered that to be consistent with the spirit of the relevant ordinance, the Government should initiate to lower the rentals, so that the overall public housing rents can be reduced by 10% on average, thus obviating the need to undergo a review of an overall downward adjustment before deciding whether compliance with the statutory requirements is necessary.

However, the viewpoint adopted by the Government is different. The Government considers that if the requirements in law are invoked, a downward adjustment must be made once and for all. That is to say the Government must make the adjustments in full. If such an adjustment is not made, it means nothing even the overall rentals collected from public housing by the Government is below or above 10%. In fact, many Members have expressed divergent views on this point. Mr LEUNG Yiu-chung restated it on this occasion. We also agree to his view. However, he has failed to take care of a point originally proposed in my motion. I propose that public housing tenants who are paying excessive rents be granted a substantial rent reduction, and no matter what, the rents cannot exceed 13% of their household income. Mr LEUNG Yiu-chung may think this may not be achieved because what we have proposed is an overall average. However, on the basis of the reasons given by me earlier, the Democratic Party will also support his amendment.

Now let me talk about Mr CHAN Kam-lam's amendment and I also have two points to make. The first point concerns with a technical problem. He proposes that if the rentals have not been reassessed, they should be completed as soon as possible. There should not be any problem with this. Another point relates to the 50% rent reduction for elderly households, for he proposes to add one condition: "and having financial difficulties". After considering this point, the Democratic Party thinks that many elderly persons living in public housing actually have no income. Even some of them cannot apply for the Comprehensive Social Security Assistance or other allowances because they have savings, and so on, it does not mean they need not face difficulties in other aspects which include the needs and demands for financial, medical or social service support. As long as the Housing Authority is willing to treat the elderly in a more reasonable manner, and show more concern to them, I believe it can definitely draw up a policy to enable most of the elderly to benefit from the measures proposed by us, that is, to reduce their rents by half.

Therefore, on the basis of the reasons mentioned by me just now, the Democratic Party will also support Mr CHAN Kam-lam's amendment. At the same time, I hope Members will vote together to support the two amendments mentioned by me earlier. Thank you.

**SECRETARY FOR HOUSING** (in Cantonese): Madam President, over the years, the Government has provided eligible low-income people with affordable rental accommodation through the Housing Authority (HA) and the Housing Society (HS). The Government's commitment in this respect has been consistent. At present, apart from the Mainland, the ratio of Hong Kong's households living in public rental housing (PRH), numbering over 620 000 or 2 million people, is the highest in Asia. In the past five years, the Government on average spent as much as \$40 billion annually on housing, or about 15% of the total public expenditure. This ratio is among the highest in the world. A recent opinion survey conducted by The Chinese University of Hong Kong showed that over 90% of the population support that the Government of the Hong Kong Special Administrative Region (SAR) should continue to launch the public housing programme. Last year, the United Nations Committee on Economic, Social and Cultural Rights highly commended the SAR for its achievements in providing appropriate housing for Hong Kong residents. These supports and commendations are indications of the recognition of our housing policy both by the Hong Kong people and by the international community.

At present, about two thirds of the HA's domestic tenants, or some 400 000 households, pay monthly rents of below \$1,500. The lowest rental is \$241 per month for an interim housing flat and the highest is \$3,810 (the latter is that for a public rental flat converted from an Home Ownership Scheme (HOS) flat of over 60 sq m including a master suite and other HOS facilities). The HA's rent is all-inclusive. That means tenants need not pay separately for rates, management fees or maintenance charges.

The capital outlay in the form of land premium for PRH is around \$148 billion. For recurrent operating expenses, rents charged by the HA are insufficient to meet the recurrent expenses, such as in 2001-02, the rental deficit for the HA is in the region of \$2.7 billion, which works out to be an average subsidy of about \$4,000 per household.

The public housing programme has been operating for over 50 years. Over such a long period, tenants paying cheaper rents spend relatively less of their income on housing. They thus have the means to improve their living conditions. Figures for the second quarter of 2001 showed that about 140 000 families living in PRH had a household income of over \$20,000 per month. However, almost 90 000 families who lived in private housing had a monthly household income of below \$5,000. Many of these households are living in very poor environments.

What are the reasonable indicators for public housing rentals? The United Nations in 2000 set Urban indicators which state that the amount spent on housing by families earning the lowest 40% of incomes in a given region should account for not more than 30% of those incomes. At present, those 40% of the HA's domestic tenants earning the lowest incomes, including 116 800 cases where rentals are paid under the Comprehensive Social Security Assistance (CSSA) Scheme, spent only about 17.4% of their incomes on rent. Excluding the CSSA cases, the median rent-to-income ratio for public housing tenants stands at 9.7%. These figures show that public housing rentals paid in Hong Kong are far below the standards set by the United Nations.

As to individual poor families in public housing, the Government has put in place all the elements of a comprehensive safety net. For example, the CSSA Scheme run by the Social Welfare Department (SWD) covers the entire rent for the poorest households. The HA's Rent Assistance Scheme cuts by half the rentals paid by families whose financial positions suddenly deteriorate. These households may also move to PRH flats at lower rents to get out of the plight. At present, one in seven of the public housing tenants are beneficiaries under the CSSA Scheme.

I now wish to respond to the original motion moved by Mr Albert HO and the amendments moved by Mr CHAN Kam-lam and Mr LEUNG Yiu-chung specifically. Overall speaking, the motions moved by Members to provide rent relief are conceptually blurred, inadequately reasoned and fail to address the feasibility of implementation. Therefore, if the motions were implemented by all means, then it would only go against the principle of equitable and efficient use of resources and wasting large amounts of public funds.

In his original motion, Mr Albert HO moved "that a mechanism be introduced whereby, subject to their passing a vetting process, PRH tenants who

are paying excessive rents are only required to pay rents equivalent to 13% of their total household income". Me LEUNG Yiu-chung moves to amend it to read "reducing the rents of residential and commercial tenants by 30% for a period of one year, and thereafter conducting a review in the light of the economic situation at that time". These motions run against the concept of equitable and fair allocation of public housing resources. With limited resources, we, as a responsible government, must ensure that public funds are spent on people in genuine need, instead of adopting any across-the-board measure. As regards Mr LEUNG Yiu-chung's amendment on reducing the rents of the tenants by 30% for a period of one year, it may indirectly encourage tenants with lower income to choose larger and better public housing units. After one year, these tenants will have to pay the original rents. What will happen if they cannot afford them?

I very much agree with some Members that public housing rentals should, to a certain extent, reflect the value of the flats. First of all, the Government must provide affordable housing for eligible households. On the basis of affordable rents, we should then allow tenants to have more choices. If the objective circumstances allow, they should be able to choose flats that suit them, taking into account their preferences concerning district, flat size, facilities, and so on.

In fact, since 1990, the HA has gradually raised the space allocation standards. At present, in newly constructed housing estates, the average living space per person is 12 sq m. This reflects our achievements in improving the living conditions of public housing tenants over the years. As a result of the relatively cheap rents of PRH, many households, upon flat allocation, opt for larger and better flats that carry higher rents. This is also one of the main reasons for the rise in median rent-to-income ratio in recent years.

To tide over the difficulties hand in hand with its tenants, the HA has introduced a series of relief measures in recent years. These include shelving rent increases since 1998, postponing rental review since 1999. Furthermore, the HA also granted a one-month rent holiday to its tenants for December 2001. These measures have benefited a total of 580 000 households, at a cost of \$4.8 billion to the HA. Furthermore, in order to alleviate the hardships of the tenants, the HA also refunded the rates rebate of the Government at a maximum amount of \$2,000 per household to the tenants. According to a survey made by some organizations, the HA's current measure of freezing rent for public housing has the support of the majority of tenants.

For individual tenants who have encountered financial difficulties, the HA has introduced, since 1992, the Rent Assistance Scheme which now benefits 2 900 households. The spirit of this Scheme is similar to that of the proposals in the motion. The specific difference is that assistance provided by the HA is more focused, and it draws the CSSA line at families whose rent-to-income ratio exceeds 25%. In drawing this line, we have not only taken into account the spending pattern of an average Hong Kong household, but it is also in line with international standards like those adopted in the United Kingdom, the United States and Australia.

Tenants in prolonged financial difficulty may apply for CSSA. For families living in public housing, the number of CSSA recipients has gone up from 60 000 in December 1995 to 116 800 in September 2001, comprising one seventh of all public housing tenants.

The above shows that the HA has already had a time-honoured mechanism in place to offer help of various degrees to needy families.

On what Mr LEUNG Yiu-chung said about "in the long run and as a matter of principle, lowering the rents so as to reduce the median rent-to-income ratio to below 10% in order to comply with the stipulations in the law", I beg to differ. First I need to reply to a claim that the HA has broken the law. According to legal advice, the relevant legal provision of the Housing Ordinance provides that the overall median rent-to-income ratio (median figure) may not exceed 10% after rental adjustments. In other words, the relevant provision is targeted at the power of the HA in rental adjustments. In view of the economic situation, the HA has not adjusted its public housing rents since 1998. The rents for many flats are still at 1995 levels. Therefore, though the existing median figure is higher than 10% due to other factors such as sale and redevelopment of public housing estates and the allocation of larger flats to tenants, the HA has not broken the law because this result has not arisen as a consequence of rental adjustments.

Actually, the current legal provision of using the median figure as a basis for public rental policy may give rise to misunderstanding. I wish to compare the situation of the HA with that of the HS. The median figure for the HA is 10.7% whereas that for the HS is 10.3%. As the HS generally admits tenants with higher incomes than HA and HS does not have a well-off tenant policy, under the circumstances where the incomes of HS tenants are generally higher

than that of HA tenants, it can still maintain a lower median figure of 10.3% though the rentals of the HS are higher. On the other hand, as more than 110 000 no income or low income PRH tenants of the HA who are CSSA or Rent Assistance Scheme recipients are also included in the total figure, despite the very cheap rents being charged by the HA, the median figure at 10.7% is still higher than that of the HS. This example shows that if we just seek to lower the median figure, we will not be able to tackle the real issue and it will only distort our housing policy. It does not necessarily provide any material assistance to needy poor households.

Last year, the HA set up an Ad Hoc Committee on Review of Domestic Rent Policy to update the mechanism for setting public housing rents in the light of the latest social developments and to help families in genuine need. The review is not a "plot" as envisaged by some people. Initial findings of the review are expected to be available in several months. The Committee will widely consult the public and the Legislative Council before making final recommendations to the HA.

As to the motion on a 50% rent reduction for "households comprising elderly people only" or "elderly having financial difficulties", the HA and the HS already have different measures in place to offer more effective assistance to needy households comprising elderly people only.

There are now about 80 000 elderly households living in HA's estates. Over half of them, that is, 40 000 households are receiving CSSA or rent assistance. Besides, the HS now operates 923 flats purposely built for the elderly. The HS has already accorded special treatment to the elderly by charging just half of the normal rent. We do not think that it is necessary to assume that all elderly people are penniless.

As regards commercial tenants, given the economic downturn, the HA conducted a rental reassessment in 1998, involving 10 466 commercial premises. The final rent reduction averaged 21.8%. In light of the last experience, the HA decided in October last year to consider requests from individual commercial tenants for adjustments of the rents to a level not higher than the market rent, notwithstanding the fact that existing rents are stipulated in current tenancy agreements. The review is now underway and is expected to be completed by the end of March this year.

As at the end of last year, among the 3 000 cases already reviewed, the highest rent reduction is 76% and the average rent reduction is 20%. In some cases, the rent should have been adjusted upwards after the assessment, but the HA has not increased the rentals. Where the assessment justifies a rent reduction, the changes will take retrospective effect from 1 November 2001 and would last until the expiry of the tenancy agreement (or 31 October 2004 at the latest). The relevant figures reflect the differences resulting from different dates when various tenancy agreements for individual trades and commercial tenants were drawn up and the different operating conditions they are facing.

In the case of the HS, in response to an appeal from the Government to alleviate the hardships of commercial tenants in public housing estates, the HS has followed the example of the HA and agreed to review commercial rents upon application. To date, about 250 of the commercial tenants, that is, about 70%, have applied for rental reassessment. Among rents already assessed, the rent reduction ranges from 5% to 13%.

In fact, we fail to see the rationale behind the three motions for an across-the-board 30% rental reduction for six months or one year for commercial rents. Shop rents vary, according to the location, external factors facing the trade and the dates the relevant tenancy agreements take effect. The need and reasonableness of a 30% across-the-board reduction is doubtful. Therefore, the HA's current measure to reassess the rent for individual commercial tenant according to commercial principles can better reflect the reality and help needy tenants maintain their competitiveness so that they can continue their operations. Rental reductions will not benefit shop tenants that have been enjoying prosperous business, for it will be a waste of public funds.

Madam President, housing concerns everybody. Responsible advocates and implementors of public policy must insist on the principle of fairness in formulating and implementing a reasonable housing policy. Responsible advocates and implementors of public policy must strike a reasonable balance, taking into account the demands and interests of various sectors.

The motion under discussion today actually involves some important concepts:

- (1) in setting rents for public housing, an appropriate and sustainable level of subsidy has to be provided according to tenants'

affordability. Once the basis of affordability is achieved, policies should be implemented flexibly, to give tenants the chance to choose flats of different rentals according to their aspirations;

- (2) we must address the long-standing issue of the HA's recurrent deficits in the management of PRH. We have to be accountable to the general public for the social subsidy over the years; and
- (3) the management of commercial properties should be guided by commercial principles and the rental reassessment issues should be handled prudently.

In view of the above principles, the Government cannot agree to the motions proposed by the three Members for an across-the-board rental reduction. Therefore, the Government urges Members to vote against all three motions. The Government supports one proposal in these motions "to conduct full consultation with the Legislative Council and the public in reviewing public housing policies" for this is the normal practice of the Government and the HA.

Madam President, the Government, the HA, the HS and Honourable Members do have a consensus. We all hope to help the public tide over the present economic difficulties. Though our goal is the same, the measures being proposed or have already been taken are different. I would like to emphasize that public housing rental levels actually reflect the level of subsidies for public housing provided by the general public. How to balance the different interests and how best to utilize limited social resources call for collective wisdom. I welcome the concern expressed by Members and the public on housing policy matters. I hope that Members will come forward with constructive views to help the Government formulate and implement timely housing policies.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr LEUNG Yiu-chung, you may now move your amendment.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam President, I move that Mr Albert HO's motion be amended, as set out on the Agenda.

**Mr LEUNG Yiu-Chung moved the following amendment: (Translation)**

"To delete "(a) introducing a mechanism whereby, subject to their passing a vetting process, PRH tenants who are paying excessive rents are only required to pay rents equivalent to 13% of their total household income, for a period of one year;" ; to delete "(b)" and substitute with "(a)"; to delete "(c)" and substitute with "(b)"; to add "residential and" after "reducing the rents of"; to delete "six months; and" after "for a period of" and substitute with "one year, and thereafter reviewing the rents in the light of the economic situation at that time; (c) in the long run and as a matter of principle, lowering the rents so as to reduce the median rent-to-income ratio to below 10% in order to comply with the stipulations in the law". "

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

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

(Members raised their hands)

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

(Members raised their hands)

Mr 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 proceed to vote.

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

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr LAW Chi-kwong and Mr Michael MAK voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted against the amendment.

Miss LI Fung-ying abstained.

Geographical Constituencies and Election Committee:

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

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Dr TANG Siu-tong, Ms Audrey EU, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Mr MA Fung-kwok voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, five were in favour of the amendment, 20 against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 25 were present, 15 were in favour of the amendment 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 amendment was negatived.

**MRS SELINA CHOW** (in Cantonese): Madam President, in accordance with Rule 49(4) of the Rules of Procedure, I move that if a Member claims a division in respect of the motion on "rent concession for domestic and commercial tenants of public rental housing estates" in this meeting or any amendments thereto, the Council shall proceed to such division immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Selina CHOW be passed. Does any Member wish to speak?

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that if a Member claims a division in respect of the motion on "rent concession for domestic and commercial tenants of public rental housing estates" in this meeting or any amendments thereto, the Council shall proceed to such division immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, you may now move your amendment.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, I move that Mr Albert HO's motion be amended, as set out on the Agenda.

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

"To add "and having financial difficulties" after "households comprising elderly persons only"; to add "and completing the reassessment of shop rentals expeditiously after receiving the applications of commercial tenants" after "a period of six months"."

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

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

(Members raised their hands)

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

(Members raised their hands)

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

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

**PRESIDENT** (in Cantonese): Mr Albert HO, you may now reply and you still have two minutes 30 seconds.

**MR ALBERT HO** (in Cantonese): Madam President, I would like to respond mainly to the Secretary's reply a moment ago. First of all, the Secretary quoted some United Nations figures in a very elective way, that is, the criterion of rents paid not exceeding 30% of the total income of a household. But Members must understand that this is only an overall upper limit, that is, an upper limit set by the United Nations taking into account of the circumstances of different communities and economic systems. Why then was the limit set so high? The reason is that many of the countries are welfare states with unemployment and retirement protection. Children there have milk subsidy and some among them can even receive free education up to university level. Hong Kong has only a safety net for the poorest group of people. Therefore, can we compare with these countries in every aspect? It would not be tenable to say we should feel satisfied because our rents do not exceed the 30% criterion.

The Secretary mentioned further the very high incomes of many tenants in public rental housing (PRH) units, so high that they exceed those of tenants in the private sector. But we must not forget that if the incomes of PRH tenants reach a certain level, the tenants will have to pay one and a half times or two times the normal rent or even be categorized as well-off tenants. Thus, we cannot say all tenants receive the same rate of subsidy. To those who earn a high income, they have to pay higher rents.

What we are demanding now is that PRH tenants pay rents not exceeding 13% of their income. This is 3% higher than the legal limit of 10% of the overall average median income. This is possible because we see that some tenants are paying rent not exceeding 10% of their income and hence we have to build in some room for adjustment. I think 13% is a very reasonable figure. Why does the Government regard 10% acceptable but not 13%, which it deems unfair and unacceptable? I do not understand it.

On the part of the tenants, the Secretary's major criticism is that a blanket reduction is untenable. But I wish to stress that my motion is a temporary relief measure, in which a blanket reduction is usually employed. Is a waiver of a month's rent for all tenants not a blanket measure? In fact, we propose that the policy of reviewing public housing rentals should be continued after a blanket reduction. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That Mr Albert HO's motion, as amended by Mr CHAN Kam-lam, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

## **NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 23 January 2002.

*Adjourned accordingly at eighteen minutes to Seven o'clock.*