

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 7 February 2002

The Council met at Three o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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 CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU 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 CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

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

DR THE HONOURABLE LO WING-LOK

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:

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

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

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

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 MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

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

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

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

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

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

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

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

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

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

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

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

MR JOHN TSANG CHUN-WAH, J.P.
SECRETARY FOR PLANNING AND LANDS

MR PATRICK LAU LAI-CHIU, J.P.
ACTING HEAD, CENTRAL POLICY UNIT

CLERK IN ATTENDANCE:

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

PURSUANT TO RULE 8 OF THE RULES OF PROCEDURE, THE CHIEF EXECUTIVE, THE HONOURABLE TUNG CHEE-HWA, ATTENDED TO ADDRESS THE COUNCIL AND TO RECEIVE QUESTIONS.

PRESIDENT (in Cantonese): Members will please remain standing for the Chief Executive.

PRESIDENT (in Cantonese): The Chief Executive will first address the Council.

CHIEF EXECUTIVE (in Cantonese): Madam President, first of all, I wish to respond to the comments made by the Honourable Martin LEE yesterday. Mr LEE's remarks yesterday were distortions of facts, and I wish to give a response here. The strengths of Hong Kong before the reunification still exist after the reunification. They include a clean government, a level playing field for businesses and the rule of law. It is precisely because we have implemented "one country, two systems", and maintained and brought these strengths of Hong Kong into full play that overseas investors are attracted to invest in Hong Kong. This has also attracted Hong Kong residents who emigrated overseas to return to the territory to work and live here.

As to whether or not the philosophy of governance of the Government of the Hong Kong Special Administrative Region (SAR) has changed, I wish to tell Mr LEE that Hong Kong is faced with major challenges coming with an external economic downswing, globalization of the world economy, and an economic transformation precipitated by rapid development in the Mainland. Our competitors are growing in number and they are putting greater and greater pressure on us. We can no longer rest on our own laurels and follow old practices, hoping that the situation would eventually improve by itself. The entire community must have a new thinking and only in this way can we give play to the advantages of Hong Kong and the potentials of Hong Kong people to overcome difficulties. In times of economic hardships, the SAR Government must show more care for the disadvantaged, promote solidarity among all quarters of the community, enhance social cohesion and build up confidence, and set clear objectives for the future development of Hong Kong. I will ask all government departments to serve the community with a positive, aggressive and new thinking, and to observe the following six rules at all times:

First, enhancing accountability and responding to public aspirations actively and effectively;

Second, studying public opinions carefully and reflecting them when formulating and implementing policies;

Third, making continuous efforts to increase efficiency, control expenditure and put resources to good use;

Fourth, adopting a people-oriented approach to improve the service culture and establish a partnership relationship with the people;

Fifth, making the utmost effort to improve the business environment and in particular, streamline the vetting procedures, and proactively assisting people interested in making investments to resolve problems, thereby actively attracting inward investments; and

Sixth, always giving top priority to employment in considering all policies.

I agree that our culture is changing. But Mr LEE made only criticisms without offering solutions. It is no solution if there are only criticisms. It is not in anyone's interest to keep "badmouthing" Hong Kong like this. I wish to state once again that I will listen to the different voices in society. For those who support me, I will listen to them; for those who do not support me, I will listen to them too. It is important for us to set aside prejudices and establish constructive dialogues, so that we can genuinely do something for Hong Kong and find the best solutions to problems that must be resolved after careful consideration. This is my wish, and I hope we can work in concert for this pursuit.

Madam President, at the suggestion of Members of the Legislative Council, I will respond to two other issues in brief. First, the democratic development in Hong Kong. Ladies and Gentlemen, I have lived and worked in England and the United States for many years before, and I have a profound understanding of democracy in the West. I agree with the importance that Hong Kong people attach to democracy. The Basic Law has been implemented for five years, and I consider it very important to act according to the Basic Law, because only in this way can we achieve social stability and strike a balance. As to the development of the political system after 2007, I do not have a predetermined position. It will be left to the community for thorough discussions in due course, so that members of the public can express their views and a conclusion acceptable to all can be drawn.

In fact, over the past four and a half years, what is the greatest concern of most Hong Kong people? In the outset, they were most concerned about the implementation of "one country, two systems", asking that the Basic Law be implemented in an entirely scrupulous manner. What is their concern now? It is employment, employment, employment; the economy, the economy, the economy. These are also the key areas of our work now. We must make an all-out effort to address issues of the gravest concern to the people. In the past four years or so since the reunification, democracy in Hong Kong has developed healthily and steadily. We will work hard to ensure that it continues to develop steadily and healthily.

Madam President, the second issue concerns arrangements for closer economic ties between the Mainland and Hong Kong. Over the past decade, the economy of the Mainland has come a long way indeed. We must ride on the economic momentum in the Mainland to facilitate transformation of the Hong Kong economy, boost our economic dynamics and create more job opportunities. Since the middle of last year, I have been suggesting to the Central Authorities the establishment of some form of a free trade area between Hong Kong and the Mainland. The Central Authorities have responded positively to the proposal and agreed to hold the first meeting in January this year. A delegation led by the Financial Secretary, Mr Antony LEUNG, visited Beijing on 25 January to meet with officials of the Ministry of Foreign Trade and Economic Co-operation and the Hong Kong and Macao Affairs Office and to kick off formal discussions on the proposal. During the meeting, both sides exchanged views on the preliminary concept of the proposal, and established the principles, the mode of operation and channels for discussions. The proposal is now named "Mainland/Hong Kong Closer Economic Partnership Arrangement". Both sides agreed that the future arrangements should comply with the rules of the World Trade Organization and the "one country, two systems" principle, and consultations should be progressive, starting with the less difficult areas. The political, business and academic communities of the two places will be widely consulted in the process. The second round of consultations is tentatively scheduled in March in Hong Kong. Prior to that, senior officials from both sides will liaise closely and continue to discuss the content of the relevant arrangements beforehand.

PRESIDENT (in Cantonese): The Chief Executive will now answer questions raised by Members. A Member whose question has been answered may, if necessary and for the purpose of elucidation only, ask a short follow-up question.

PRESIDENT (in Cantonese): Members who wish to raise questions will please press the "Request-to-speak" buttons. Many Members would like to raise questions. There are already over 20 Members who have pressed the button to indicate their wish.

First question. Dr LO Wing-lok.

DR LO WING-LOK (in Cantonese): *Madam President, early this week, the representatives of the International Monetary Fund (IMF), after their visit to Hong Kong, issued a statement suggesting, among other things, that Hong Kong should levy a sales tax in future. Some said that the IMF had made a correct diagnosis but prescribed the wrong medicine; and some others said that Hong Kong must not blindly follow the IMF suggestion if it does not want what happened in Argentina to happen here. But anyhow, the IMF pointed out that insofar as Hong Kong's financial conditions are concerned, a structural deficit has already emerged. My question is: Does the Chief Executive agree with this viewpoint? If so, what steps will he take to solve this problem?*

CHIEF EXECUTIVE (in Cantonese): If Members have read the IMF report in detail, they will notice that a great majority of the comments therein are very positive. This is the first point. Second, I wish to stress again that the situation in Hong Kong is different from that in Argentina. The greatest difference between us is that we have a fiscal reserve, but Argentina carries liabilities amounting to \$150 billion. Moreover, we have the backing of the Mainland, but Argentina has no backing at all. Third, we have all along exercised prudence in our fiscal management, and we will continue to do so.

On the question of a sales tax, we must know that first, we are indeed faced with an enormous deficit. This year's deficit is huge, and that of next year may still be huge. If things go on like that, we would certainly come to a dead end. But given that the economy is trapped in great difficulties, there is not much room for an increase in tax. Tax increases will make the economy

shrink further, which is not conducive to economic growth and will reduce revenue from tax. Therefore, what we can do at the moment is to streamline the structure. But I am very confident that the Financial Secretary can achieve a balanced budget over time (within five years, I believe). I have great confidence in this. As to how we can achieve a balanced budget, I will leave it to the Financial Secretary to explain to Members in detail.

DR LO WING-LOK (in Cantonese): *Can Mr TUNG tell us if a structural deficit already exists in Hong Kong now?*

CHIEF EXECUTIVE (in Cantonese): Actually, the Member can save himself from asking this question, because the answer is obviously yes (*laughter*). The problem in Hong Kong has always been a structural one. But whether it be structural or non-structural, it is most important to ask ourselves this question: Do we have solutions to the problem? I can tell Members here that we do have solutions.

DR YEUNG SUM (in Cantonese): *Madam President, first of all, I thank the Chief Executive for his brief response to Mr Martin LEE's remarks yesterday. The Chief Executive asked us to set aside prejudices, not to invariably hurl criticisms at the Government, and to make useful and constructive suggestions. On the question of prejudices, I do not quite understand what he meant. Perhaps the Chief Executive has great prejudices against us too. Very often, it is utterly difficult for us to ask for a meeting with the Chief Executive. Although his door is open, the door remains securely shut on the Democratic Party. The Chief Executive wants suggestions from us. I wish to tell Mr TUNG that in order to alleviate the plights of the people, the eight parties of us have come up with many proposals, including reduction in rates, reduction in tax, reduction of public housing rental by 30%, creation of 30 000 jobs, and so on. However, has the Chief Executive heeded our proposals? Has he taken steps to answer the aspirations of the people? We have made these proposals, has the Chief Executive responded to us? The fact is that Mr TUNG has not listened to our views, for he is too immensely prejudiced against us. The Chief Executive only cares about the industrial and business sector both at heart and on his face. The Cyberport contract was awarded to certain people without being put to open tender.*

PRESIDENT (in Cantonese): Dr YEUNG, please state your question.

DR YEUNG SUM (in Cantonese): *So, my question is this: Will the Chief Executive, in close co-operation with the Financial Secretary, respond positively to the proposals made by the eight parties, in order to relieve the people of their plights?*

CHIEF EXECUTIVE (in Cantonese): Dr YEUNG Sum, I really wish to talk with you. Recently, we have actually had many chances to communicate with each other, but you refused to discharge the duties required of members of the Election Committee. You did not only refuse to attend meetings, but also refused to have discussions with me. My representative has even telephoned some of you individually. Now, we can only try to create some new opportunities.

Just now Dr YEUNG mentioned the business sector and I am completely baffled. It is because friends from the business sector once said to me, "Our assets have suffered losses of \$200 billion or hundreds of billions of dollars since you took office as the Chief Executive". As we all know, due to the bursting of the bubble economy, Hong Kong economy is now going through structural adjustments. So, Dr YEUNG's remarks are baffling indeed. In a word, I have been criticized by all quarters of society. But I know that when I have done something right, and when I am criticized by all sides, that means the path taken by me is correct. *(Laughter)* On the proposals made by the eight parties, I know that Members have been discussing them with the Financial Secretary, and I am aware that the Financial Secretary is looking into them. This is not a simple issue, for we have such a huge deficit. On the one hand, we must indeed pay attention to the budget deficit and we must also take account of the people's plights on the other. So, I think the Financial Secretary is actively considering these proposals. Members will know the result when the Budget is published.

DR YEUNG SUM (in Cantonese): *What I want to say is very simple, and that is, I hope the Chief Executive can positively respond to the demands of the eight parties. The Chief Executive said that some members of the Election Committee had failed to discharge their duties. But I wish to tell the Chief Executive that candidates in an election generally have to canvass votes. Even if they do not*

distribute pamphlets on the street, they still have to pay visits to their voters, not that members of the Election Committee should pay visits to the candidates. I hope the Chief Executive can understand this point. I also hope that he can live up to the concept of Western democracy and reach out to his voters to canvass votes.

CHIEF EXECUTIVE (in Cantonese): Dr YEUNG Sum, do you think that it is not my wish to reach out to voters to canvass votes? Indeed, I very much want to canvass votes from my voters. Just that our democracy has just started, unlike other places where democracy progresses under the auspices of a very large political party. Moreover, I, being the Chief Executive, have to deal with an enormous amount of work. So, I believe almost all members of the Election Committee do appreciate my difficulties. I hope Dr YEUNG will appreciate them too.

MR IP KWOK-HIM (in Cantonese): *Madam President, in his address earlier on, Mr TUNG mentioned that members of the public are now most concerned about employment, employment, employment; the economy, the economy, the economy. It is true that the Hong Kong economy is in the doldrums. The service industry has even been the first to bear the brunt, and many small and medium businesses in the service sector are operating with very high costs. Some friends from the catering sector have said that many restaurants may fold up after the Lunar New Year. If that is really the case, then a group of non-skilled workers will face unemployment. Some operators of catering establishments have often mentioned sewage charges. Can Mr TUNG consider providing some form of support for these small and medium businesses by waiving the sewage charges for the catering industry for half a year? As far as I know, the payment made by restaurants currently accounts for 90% of the sewage charges, and they are paying about \$200 million each year. Waiving this charge for them can help address the problem of unemployment for staff in the trade, and it will be conducive to the overall economic development of Hong Kong. Will Mr TUNG consider this proposal?*

CHIEF EXECUTIVE (in Cantonese): With regard to the catering industry, as far as I understand it, rent accounts for 15% of their revenue. Other operating

expenses incurred by the industry include wages, food materials, and so on; and sewage charges merely account for 1% to 2% of their total costs. It is 1% to 2%.

In short, Hong Kong is facing an extensive economic restructuring. In the course of restructuring, we must face deflation. Why does a deflation exist? A major reason is that costs in the Pearl River Delta Region in the Mainland are far lower than ours in such areas as wages, operating costs and rent. Under such circumstances, they can provide services at lower prices, and this has been putting pressure on us. This is where the basic problem lies. I believe this problem can be resolved only in a few years' time.

Is it that we can solve the problem simply by making some adjustments to the sewage charges? In general, we have been assessing the negative impact brought by deflation to see what better ways there are to help businesses in Hong Kong. I believe the problem cannot be solved merely by adjusting one single fee item. Should that be the case, the problem would be easy to tackle. I think we must look at the overall picture.

MR IP KWOK-HIM (in Cantonese): *Madam President, Mr TUNG, the point perhaps lies in what Mr TUNG has just said, that is, the sewage charges account for 1% to 2% of their costs. In fact, they are operating with great difficulties and so they hope that they can be provided with some measure of relief. This is a chain reaction. People must take meals anyway, which means that they have to spend money for this purpose. If the business of the catering industry is good, it will project a different picture in the entire market. Will Mr TUNG consider providing this relief for the catering industry?*

CHIEF EXECUTIVE (in Cantonese): As a matter of fact, Mr IP, the industry also has many other pressing problems that need to be resolved. For instance, losing several cases in court; and Hang Fook Lau Restaurant is a case in point. In the long run, this does give cause for concern to the trade. Therefore, there are many problems that we cannot be of any help. For example, we cannot be of any help in legal issues. But if we can help in certain areas, we will look into them carefully.

MISS CYD HO (in Cantonese): *Madam President, first of all, I wish to tell Mr TUNG that we are seeking opportunities of open dialogues and debates on an equal footing. Should there be such an occasion, we would be more than happy to take part in it. It is not our wish to draw lots or to ask the Chief Executive to depart from the established practice so as to particularly choose someone with whom he can conduct a dialogue. So, today came as a good opportunity. Madam President*

PRESIDENT (in Cantonese): I am sorry, Miss HO. I wish to remind Members that Mr TUNG is here today to answer questions from Members concerning the work of the Government in his capacity as the Chief Executive.

Miss HO, you may go on with your question.

MISS CYD HO (in Cantonese): *I understand, Madam President. I was expressing my views in response to what Mr TUNG had said earlier on in his capacity as the Chief Executive.*

Mr TUNG stated the need to establish a partnership relationship with the people. I would like to know more about the details in this connection. Does this partnership have anything to do with political appointment? Does Mr TUNG wish to set up his own team of aides through political appointment to push his new thinking forward? Is it that this relationship did not exist in the past four and a half years? There were obstacles in his administration in the past four and a half years. Were they resulted from Mr TUNG's failure to grasp public sentiments for he did not have his own team of aides; or is it that the officials could actually grasp public sentiments, only that the sentiments had not been able to reach the core of policy makers? I hope Mr TUNG can openly expound the details of these two concepts, namely, political appointment and the establishment of a partnership relationship with the people.

CHIEF EXECUTIVE (in Cantonese): Miss HO, establishing a partnership relationship with the people is a must for all governments. So, we will step up efforts to this end. Our basic approach is to come into contact with Members of the Legislative Council and members of District Councils, directly come into contact with the people, and to listen more to the views of various advisory

frameworks. In fact, we have been listening over the past four years or so. Listening to more views can give us a clearer picture, and we must at the same time communicate with the people direct. All these are what we should do.

Secondly, with regard to the system of accountability, we have repeatedly explained the direction of the Government to Members of the Legislative Council over a period of time. I can say here I am confident that, after the implementation of the accountability system, officials under this system can better grasp the sentiments of the people and will enjoy a smoother relationship with the Legislative Council, and the Executive Council will also perform its role better. I believe the Government will more effectively reflect public aspirations on all fronts and will implement policies more effectively. Moreover, we will be able to better grasp the sentiments of the people before policies are formulated.

MISS CYD HO (in Cantonese): *Madam President, I wish to remind Mr TUNG that to establish the most direct partnership relationship with the people, he should obviously come out and seek to be elected as the Chief Executive through direct elections of one person one vote. Even asking all members of the public to go to his office to listen to his policies will also be an option. The most important thing is: The more people taking part in discussions, the better. When is Mr TUNG going to come out and establish a partnership relationship with the people direct through their votes? Or I should put it this way: When will he begin to consider doing so?*

CHIEF EXECUTIVE (in Cantonese): Regarding the election of the Chief Executive by direct elections, let me stress again that we will, as I have said earlier on, act according to the Basic Law and proceed step by step. In the next five years, I believe whoever being elected as the Chief Executive should, in due course, consult the people and listen more to the views of the community. I trust that a conclusion acceptable to all will be arrived at to take the matter forward.

DR DAVID CHU (in Cantonese): *Madam President and Mr TUNG, there is now an incessant increase in the number public hospital patients, and the expenditure of the Hospital Authority is on the rise, leading to an estimated deficit of more*

than \$200 million this year. But private hospitals are now suffering a shortage of patients at the same time. May I ask Mr TUNG whether he will consider enhancing the co-operation between public hospitals and private hospitals, with a view to reducing the expenditure of the Hospital Authority?

CHIEF EXECUTIVE (in Cantonese): It is absolutely necessary to enhance the co-operation between public hospitals and private hospitals. The present trend, that is, the increasing number of patients seeking treatment from public hospitals, is unhealthy to both government finances and the future development of private hospitals. Many people wonder whether the Government has paid all the attention to public hospitals and ignored private hospitals. I think there are two reasons that can prove that this is not the case. First, financially, it is simply impossible for the Government to continue to shoulder the burden this way. Second, this trend runs counter to our economic convictions; we very much hope to see the development of private hospitals.

I am very pleased to inform Members that Dr YEOH Eng-kiong, Secretary for Health and Welfare, has already set up two working groups, one with the participation of hospitals and the other with that of private medical practitioners and private hospitals. As far as I know, they have started to have dialogues, and I hope that these dialogues can yield concrete results.

There is another reason for such a lopsided situation — that of medical charges. I really think that those with the means but still want to seek treatment in public hospitals should be made to pay. This will greatly help ameliorate the lopsided situation.

MR MICHAEL MAK (in Cantonese): *Madam President, Dr the Honourable David CHU has asked the question that I intended to ask. Mr Chief Executive, as you have recently paid more visits to the districts, your popularity rating appears to have gone up, and you have also displayed stronger confidence today. In fact, as I said on both occasions, what you have said are sincere and earnest words of principles. But it appears that you have the heart but not the strength. I would like to see that in your future administration, you will have both the heart and the strength. Dr David CHU said that the balance between public and private medical sectors is grossly upset, which does no good to public and private hospitals at all. Today, I have discussed this with colleagues in private*

hospitals, and they actually hope that you can work more for their interest. My question to the Chief Executive is this: Recently, he has visited the districts quite often and shaken hands with members of the public, and this has boosted his confidence. Can he come and shake hands with our staff in the medical sector and get to understand our hardships, so that we will not be boiling with resentment as we are now?

CHIEF EXECUTIVE (in Cantonese): I am very happy to do so. I will see that arrangements are made given the opportunity.

MR MICHAEL MAK (in Cantonese): *Then what exactly is his plan?*

CHIEF EXECUTIVE (in Cantonese): I am not sure for the time being (*laughter*). I will fix it up with you later.

MR MICHAEL MAK (in Cantonese): *Is the Director going to make arrangements for him?*

CHIEF EXECUTIVE (in Cantonese): We will make the arrangements together through government channels.

PRESIDENT (in Cantonese): Mr MAK, you could have actually asked all your questions in one go.

MRS SELINA CHOW (in Cantonese): *Mr Chief Executive, regarding the economic situation of Hong Kong, which is an issue we are very much concerned about, it seems that our economy has to undergo restructuring, particularly because Hong Kong is an important city of our country. Speaking of economic restructuring, we are glad to see that the economic and trade transactions between Hong Kong and the Mainland has become increasingly frequent. Nevertheless, I believe we have to meet two very important prerequisites if we are to achieve success in this respect: firstly, free flow of talents; and secondly,*

freeing businesses and industries from the existing operating constraints. At present, the Government seems to have realized how important a factor timing is; besides, we also know that the Government really wants to help our economy to complete the restructuring expeditiously. Yet as we all know, different businesses and industries will encounter different constraints and obstacles when they operate on the Mainland. In this connection, may I ask the Chief Executive what proactive actions the Government has taken to understand the different needs of businesses and industries? I understand that the relevant meeting will be held shortly in March, so how are we going to facilitate the restructuring of our economy within a very short time?

CHIEF EXECUTIVE (in Cantonese): Mrs Selina CHOW, I think the said arrangement will really be of great help to the economy of Hong Kong when mobilized, giving new impetus to the economic regeneration of Hong Kong and thereby benefiting the employment situation and many other aspects of our community. However, I hope Members will not underestimate the complexity of the negotiations involved, which will certainly take quite some time. One point I wish to emphasize is that the Central Authorities attach great importance to this matter and are making efforts to push it ahead actively. As to why the negotiations have to be so complicated and difficult, actually, the same situation also appears in other places of the world. Things are rather complicated when the talks begin because parties with vested interests and the different sectors of the parties to trade negotiations will all have many different ideas. Meanwhile, I think it is most important that the Government of the Special Administrative Region reach out to the various sectors to understand their wishes. At the same time, I also call upon businesses and industries in Hong Kong to actively make appointments to meet with the working group led by Mr Antony LEUNG to raise their questions and views, and to inform the working group of the arrangements they hope to be effected. This can only be done with the active efforts of the two sides. We will discuss with the relevant mainland authorities after collecting the views and opinions. Hence, I hope that both sides will act proactively in this respect.

MRS SELINA CHOW (in Cantonese): *Mr Chief Executive, with regard to the wholesale and retail sector, I just hope the Government will solicit opinions from the sector as far as possible, for I believe different trades have their own respective needs and are faced with different problems. Since time is such an*

important factor, I very much hope that the Chief Executive will give us an undertaking here that the various responsible government departments or Policy Bureaux will to a certain extent take an initiative in carrying out the consultation work concerned. This is because business operators will hardly come together on their own initiative without government initiation. I hope the Chief Executive will make an effort to mobilize the Bureaux Secretaries to take the lead in this respect as far as possible.

CHIEF EXECUTIVE (in Cantonese): This is a very good suggestion, I will follow it up.

MR MARTIN LEE (in Cantonese): *Madam President, I am grateful to the Chief Executive for responding so promptly to the speech I made in this Chamber yesterday. He has given us a revelation here, that is, we should use more "harsh" words to criticize him if we wish the Chief Executive to respond to our views more expeditiously. (Laughter)*

According to the Chief Executive, a review of the political system would be conducted in the next five years (including 2007, as it is now 2002 already). In April 2000, the Secretary for Constitutional Affairs, Mr Michael SUEN, promised this Council that the review of the political system would be conducted in September 2000 upon completing the Legislative Council Election. Obviously, the decision was eventually overruled by the Chief Executive, and now, the Chief Executive even tells us that the review will be postponed to such a remote date. Actually, the public have been waiting very anxiously and are very eager to elect a Chief Executive by "one person, one vote" as our leader. This is because a Chief Executive with popular mandate can discharge duties more efficiently. Hence, I just hope the Chief Executive can tell us why the review of the political system has to defer yet further. Mr Michael SUEN subsequently explained to us that the review would be conducted after the 2002 Chief Executive Election and the 2004 Legislative Council Election. Obviously, Mr TUNG will certainly win the Chief Executive Election in 2002 because no other persons can stand for the election. Under the circumstances, what can we learn from this election we have been waiting for? Who will benefit from the deferment of the political system review?

CHIEF EXECUTIVE (in Cantonese): Mr LEE, the consultation exercise definitely will not be held in 2007 because it will be too late to do so by then. However, it will not be held in 2002 either, as we have many other matters to handle, including the Chief Executive Election, and so on. We have to see when is the more suitable time for conducting consultation. I have not reached any final conclusion on this matter yet, bearing in mind that this should be the responsibility of the second Chief Executive. In the meantime, we should focus our attention on issues of the utmost concern to the people. Let me repeat, we will conduct the consultation in due course.

PRESIDENT (in Cantonese): Mr LEE, do you wish to follow up?

MR MARTIN LEE (in Cantonese): *Certainly, Mr Chief Executive, if we should ask the people today whether they want to be given democracy or employment tomorrow, they would definitely tell us they want employment. However, in many cases democracy and employment are in fact inseparable. Acceptability is very important to the Chief Executive. If the Chief Executive is elected by the public by "one person, one vote" after taking into consideration the different political platforms of candidates, he or she will have popular mandate and support. That way, many issues can be resolved readily. For this reason, I hope the Chief Executive can conduct the political system review expeditiously.*

CHIEF EXECUTIVE (in Cantonese): I do not think I lack acceptability. I was elected by 400 electors as the first Chief Executive and I believe my election does have a mandate because the 400 electors elected me in accordance with the provisions of the Basic Law. We must act in accordance with the Basic Law.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, I would like to speak to the Chief Executive through you. Recently, I have raised a few questions with some officials and these questions are about a few IT factories moving their production lines to some other places. These factories include Motorola and Citizen Watch. They are engaged in such high technology content industries like IT and they have set up their factories in Hong Kong for a long*

time. I am aware, however, of the remark made by the Chief Executive in the past, that it was very difficult to set up industries in Hong Kong. It is because our land prices are not as cheap as in other places and our wages are not as expensive as those in other places, sorry, what I mean is that our land prices and wages are not as cheap as those in other places. Therefore, we lack competitiveness in these aspects. As far as I know, the Government has been saying in recent years that it wishes to develop high technologies here. It is difficult for us to say that high technologies are not related to industries. For example, Motorola and Citizen Watch mentioned by me earlier are operating some industrial productions which require high technology. It is only that some of their middle and downstream productions have been relocated elsewhere. In such circumstances, should we let the present situation stay as it is or should we consider formulating some tax policies which will attract investors here to make investments? These include the offer of tax concessions, or measures aiming at encouraging people to come to Hong Kong to develop IT industries. Has the Government ever considered these? Or does the Government think that nothing can be done at all and that is it?

CHIEF EXECUTIVE (in Cantonese): Miss CHAN, I think I would have to answer your question in two parts.

The first part is about the way forward for the development of technology and innovation. Recently, Mr Eugene WONG, the Chairman of the Commission on Innovation and Technology, has made the following recommendation to us. He said that the most important task for Hong Kong was to develop our competitive edges, and Hong Kong should develop a new direction on innovation and technology based on our existing edges. He has proposed two recommendations. The first is that Hong Kong is a service centre with excellent achievements. So with regard to technology and innovation, emphasis should be placed on the services sector. In addition, consideration should be made to help our services sector to become more technology-based. Technology and innovation should be used to raise our efficiency. This will make Hong Kong occupy a special position in the world. At the same time, after the development of technology, the ideas backing these new technologies can be sold to other places. Mr WONG is of the view that this direction will lead to success. So this is the first direction for development.

On the second direction for development, Mr WONG said that Hong Kong had to invest in technology. Investments in technology should be made in two or three areas. He was of the view that it would only lead to a wastage of resources if we sought to compete with other countries or places but we did not invest in technology. However, that would have to depend on the areas where we already have an edge and these will be the areas we should invest. Where should we invest? He recommended that investments be made in biomedical technology, then on the design of integrated circuits, that is, ICs. He was of the view that all these would be beneficial to Hong Kong. The third area he mentioned was nanotechnology. Dr LUI, what is the Chinese term for it?

PRESIDENT (in Cantonese): Chief Executive, it is 納米. (*Laughter*)

CHIEF EXECUTIVE (in Cantonese): Nanotechnology. He thought that the third area in which we should invest was nanotechnology. He said that as Hong Kong had already attracted a pool of world-class experts in this area, achievements can be made more quickly.

Moreover, the development of other countries or places in nanotechnology is not very advanced. He said that since we had the foundation, we should develop on this. He is presently studying into this proposal. I am sure that the final recommendations he makes will be very useful.

We are aware that all along our industries are competing with places like Shenzhen, Dongguan, Guangzhou and Shanghai. After making a lot of considerations, we know that it would be very difficult to compete with these places. It is because land and wages are cheap there and the supply of land is abundant. I have talked on a number of occasions whether we have a policy on industries. We do not have a general policy on industries. However, if there is an industry which we have an edge, one which will create a momentum for economic growth and job opportunities, then I think we would be very happy to sit down and discuss it with Honourable Members. So, though we do not have any general policy on industries, we would be happy to tailor-make a policy for an industry which meets the above requirements. I have been in the office of Chief Executive for four and a half years, but I have yet to see an industry which can be put up for such discussions.

MISS CHAN YUEN-HAN (in Cantonese): *Mr Chief Executive, there is something which I have seen and which you have also seen, but the Government has not listened to our view. That is, we should use the land adjacent to the course of the Shenzhen River or to open up our border closed area. The land in the boundary areas in the north is like that in Shenzhen. We can build, for example, a Chinese medicine base there. Industries like these are able to use the technologies on the Mainland, while its downstream industries can employ some Hong Kong workers. However, the entire Government, or you yourself, seem to think that we should identify an industry which can make big money and offer jobs to a lot of people before it can meet the requirements mentioned. In my opinion, it is very hard to identify such an industry, but I think we can make good use of the features of the land adjacent to the course of the Shenzhen River in the boundary area and we can also consider the fact that the area of our land is about the same size as that of Shanghai. Can thoughts be given to that? I think in many areas we are too rigid and once we do not want to consider anything we will stop thinking about it. Is this the case? Madam President, please convey my question to the Chief Executive.*

CHIEF EXECUTIVE (in Cantonese): Miss CHAN, this is not the case. About the development of the banks of the Shenzhen River and the border closed area, we are presently looking into that. That is the first point. The second point is that in any case, we need more time for that. It is because when these areas are to be developed, we need to tackle a lot of problems like the construction of a sound road network and the provision of water and electricity, and so on. We have indeed made some studies on these. The third point I would like to make is, what can the Government do with respect to these developments? What we can do is to put forward our views on, say, the development of the Chinese medicine industry, the garment industry or whatever. But the fact is, no companies have ever made such a suggestion. What we often do is to invite the business sector to think about it. What happens is often the business sector would think that no money can be made out of this idea and so it is put aside. Having said that, however, we will try our best to think how we can attract more people to come to Hong Kong to invest or to induce those who have already come to Hong Kong to make more investments. We will certainly put in our best efforts.

MS AUDREY EU (in Cantonese): *Madam President, I would like to ask the Chief Executive a question concerning the accountability system for principal officials. The Chief Executive has undertaken that the system will be implemented in July. Of course, we reckon that the Chief Executive will succeed in securing another term and the system can then be put into implementation in July. May I ask if the public will be consulted on the accountability system? If not, why? If the answer is positive, it seems that time is running out and we will not be able to do it in time. Meanwhile, what is the estimated amount of the additional expenses involved? May I also ask whether special consideration will be given to certain specific posts, such as the relatively sensitive post held by the Secretary for Justice?*

CHIEF EXECUTIVE (in Cantonese): The post of the Secretary for Justice mentioned by the Honourable Member will be dealt with in accordance with the Basic Law. I have studied this issue before, but I do not see that special consideration is warranted. As regards funding, at least I have so far been unable to see the study at that level. I believe I will be informed in due course. Members will also be informed of how this matter will eventually be dealt with. Third, the Government has been exchanging ideas with this Council in relation to this matter. Therefore, consultation will definitely be conducted and continued. I would like to emphasize that I personally feel that the accountability system is a very important arrangement insofar as the next Chief Executive, no matter whom will be elected, and the future Special Administrative Region Government are concerned. This is because this arrangement can ensure principal officials to be accountable to the public in concrete terms, strengthen communication between this Council and the executive organ, and enable the re-structured Executive Council (as mentioned by me earlier) to play its role more effectively. This is good for all parties concerned. I also believe I will gain support from the public and Honourable Members concerning the introduction of this system.

MS AUDREY EU (in Cantonese): *Madam President, the consultation referred to by Mr TUNG earlier is going to be conducted with this Council. Yet my question was about public consultation. This is because Mr TUNG remarked that the accountability system would have profound impact on and affect the entire Executive Council and the executive structure. As the matter has such profound impact and will involve substantial recurrent expenditure, why does Mr TUNG consider it unnecessary to conduct public consultation? Furthermore,*

the Secretary for Justice is actually wearing a number of hats simultaneously. The one who assumes this post is required to give legal advice to the Government. But very often, the position of the Government or the advice given by the Secretary is not consistent with public interest. Moreover, the Secretary will be involved in deciding ultimately whether or not a certain person should be prosecuted. We have witnessed some cases, such as the Sally AW Sian case, in which political factors were involved. Even if the Chief Executive might deny this, some people will invariably suspect that political consideration has been involved. Given the sensitive nature of this post and the possible involvement of so many conflicts

PRESIDENT (in Cantonese): Ms EU, I am sorry that this is the Chief Executive's Question and Answer Session, not a debate. Please make your supplementary question as concise as possible.

MS AUDREY EU (in Cantonese): *I understand that. This is why I want to ask the Chief Executive if he is still convinced that no special consideration will have to be given in relation to the post after taking into account all these factors?*

CHIEF EXECUTIVE (in Cantonese): I have indeed given consideration to this area. Many people adore the government structures of the United States and Britain. Nevertheless, Honourable Members and I are also well aware of how the Attorney General in these two countries is appointed. We have all read about this. Second, we will act in accordance with the Basic Law. So far, the Secretary for Justice has been playing her role very effectively. Concerning the consultative arrangement raised by the Honourable Member earlier, I do not know what ultimate arrangement will be made by my colleagues in the Government. As far as I know it, we will continue our discussion with this Council. However, we will certainly come up with a good arrangement to consult all the people.

MR HOWARD YOUNG (in Cantonese): *Madam President, with the efforts made by the Chief Executive and the Government, the mainland authorities have been persuaded into lifting the quota for Hong Kong Group Tours. The effect of the measure is beginning to be seen. Yesterday, companies which used to have*

no franchise for Hong Kong Group Tours arranged their first tours to Hong Kong. For the following week, many hotels have been fully booked.

I would like to ask the Chief Executive, since you have said that you would discuss with the mainland authorities on the issue of multi-entry business visas, would you consider talking with the mainland authorities on the issue of multi-entry visas valid for a number of years to mainland residents who would like to come to Hong Kong not necessarily on business, but may be as tourists, and these people are those with a high income, good records, steady employment and who have been to Hong Kong but have no records of overstaying? I think such a move will help promote our tourism.

CHIEF EXECUTIVE (in Cantonese): Mr YOUNG, we will do this one step at a time. Last year, 4.4 million mainland residents visited Hong Kong. For this year, since the lifting of the restriction, the number of visitors from the Mainland has increased greatly indeed. I hope the number will go on increasing. As for the next step, I hope that in future visitors who come here to travel, on business or for other personal reasons can all come if they want. They will not have to do so by arrangements with the travel agencies. They will no longer need to come as a group but just purchase tickets from the travel agencies. If all the above can be made possible, that will be a great breakthrough indeed. We are working hard towards this end and when this is achieved, we will see what we should do next and we will fight for all of these step by step.

MR HOWARD YOUNG (in Cantonese): *Mr Chief Executive, you have said that you would fight for all of these step by step. However, we are only fighting for more tourists to come here as individuals and so there is no need to take an across-the-board approach. Mr Chief Executive, would you consider that? I have looked into the practice in other countries, like Australia, the United States and Japan, and all these are countries which Hong Kong people like to visit. These countries issue visas to applicants on a case-by-case basis. The United States, for example, may issue a multi-entry visa which is valid for 10 years, or a single-entry visa valid for just one month. For single women from certain countries, I would rather not name them, certain countries will only issue them with single-entry visas. On the other hand, some countries may issue them visas valid for three years. Would the Chief Executive consider the practice adopted*

in many countries on the issue of travel documents of various kinds on a case-by-case basis for entry and exit purposes and to refer such practices to the mainland authorities for reference?

CHIEF EXECUTIVE (in Cantonese): That is a very good idea, I will reflect it to the mainland authorities.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, Mr TUNG is widely criticized not necessarily because he has done something right; he may be besieged on all sides because he has done something wrong. A 400-member Election Committee is after all not as acceptable as an election by 7 million people, yet, criticisms are sometimes useful. In any case, I wish to ask a question about education — an issue that Mr TUNG is most concerned about. Mr TUNG has recently spoken about new elitism and he discussed linking elites and the Direct Subsidy Scheme (DSS). I wonder if Mr TUNG know that, after some elite schools have switched to DSS schools, their school fees have become increasingly expensive. They charge \$40,000 for primary education and \$60,000 for secondary education. After some calculations, if a student receives primary to matriculation education in the same school, he has to pay a total of \$660,000 in school fees. Are such fees affordable by families in general or even middle-class families? If elite schools that have switched to DSS schools became nobility schools, would it lead to class segregation? Will it be good for Hong Kong?*

CHIEF EXECUTIVE (in Cantonese): Mr CHEUNG, I discussed the DSS with a person who had taken the lead to run DSS schools because I am very concerned about the issue. I asked him why the monthly (excuse me, the annual) school fee was as much as \$48,000. He gave me the following reasons: first, the school would have to increase the salaries of teachers; second, the class size would become smaller; third, a very important point was that parents might apply for students' loans if they were unable or financially unable to afford the school fees. In his school, 30% of the students borrowed students' loans. The school management has considered the issue and is willing to allow students who cannot afford the high school fees to study there. This is a very important arrangement.

Concerning elitism, I also wish to clarify one point. Many people have asked if elitism does not tally with the direction of our education reform. That is not the case. The direction of our education reform is to enable students to develop their potentials to the fullest and help under-achievers to build a sound foundation. There must be elites in the community to lead the community, enterprises and organizations. Yet, education has to be popularized so that everybody will have an opportunity to receive good education and become an elite, irrespective of his status and background. So everybody should have an equal opportunity to pursue further studies and strive for progress. This is the best arrangement and I believe this is the goal of Hong Kong.

MR CHEUNG MAN-KWONG (in Cantonese): *Mr TUNG, if many well-off students in a school have to raise funds to help poor students, many poor families may not choose this school at the very beginning because the school has shut their children out and their children may not wish to accompany "princes" on studying. A more crucial problem is that Mr Matthew CHEUNG has also said that government schools are prepared to switch to DSS schools. If grant schools, aided schools and even government schools in Hong Kong are prepared to switch to prestigious DSS schools, is that fair to students at large? Will it undermine their rights to choose to enter prestigious schools? Can education in Hong Kong follow the direction of nobility education and popular education at the same time? Is that the education reform envisaged by Mr TUNG?*

CHIEF EXECUTIVE (in Cantonese): We should definitely not talk about following the direction of nobility education or popular education. We should ensure that students who do not have the means could still enter DSS schools.

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong, I am very sorry. A Member who has asked a question can ask one short follow-up question only.

MR YEUNG YIU-CHUNG (in Cantonese): *Mr TUNG, the substantial commitments you have made to education over the past four years are clear to all. But we also notice that many middle-class families have gradually lost their*

confidence in the local education system. This is most obviously manifested by having their children enrolled at international schools, or to arrange overseas education for their tender children. Some middle-class people have even told me that if ever they want to emigrate to other countries, the most likely cause will be their dissatisfaction with the system of education in Hong Kong. May I ask the Chief Executive whether he has any methods to restore the middle-class people's confidence in the local education system?

CHIEF EXECUTIVE (in Cantonese): Mr YEUNG, well, let us focus our discussions on the past 10 years, that is, the 1990s. In the early 1990s, there were some 30 so-called elite schools in Hong Kong. As pointed out by the Honourable CHEUNG Man-kwong just now, the number of elite schools is still around 30 now. This means that the number of the so-called elite schools has so far remained at 30. But then, over the past 10 years, the size of the middle class has grown considerably, which is why it can be said that we simply do not have enough good schools. I hope that through the Direct Subsidy Scheme and other arrangements, we can establish as many good schools as possible. The Government really wishes to achieve this goal, because without such a development, it is only understandable that middle-class parents dissatisfied with the local education system would like to send their children to international schools or overseas for education. In this connection, Mr YEUNG, you are an educationalist, and I hope that you can join hands with us to think of ways to do a better job with this. The Government will certainly render its support.

MR YEUNG YIU-CHUNG (in Cantonese): *Mr TUNG, you have just said that the number of good schools in Hong Kong has remained largely unchanged over the past 10 years. But have you ever considered changing the way in which middle-class families define a good school, so that they can identify schools suitable for their children?*

CHIEF EXECUTIVE (in Cantonese): You have got a point there. Actually, I know that the Education and Manpower Bureau and the Education Department are right now working in this direction. I hope that everybody can do the same. This direction is certainly correct.

PRESIDENT (in Cantonese): Mr Chief Executive, two minutes later, this Question and Answer Session will have run on for an hour. But there are still 11 Members waiting for their turn.

Will Mr Chief Executive please give us 15 minutes more, so that several more Members can ask their questions?

CHIEF EXECUTIVE (in Cantonese): Yes, certainly.

PRESIDENT (in Cantonese): Thank you, Mr Chief Executive. Those Members who have a chance to ask questions should make them as concise as possible. I have perhaps failed to chair this meeting satisfactorily and allowed you to dwell too long on your questions. (*Laughter*)

DR TANG SIU-TONG (in Cantonese): *Madam President, the supplemental payment incident of the Kowloon-Canton Railway Corporation (KCRC) has aroused widespread public concern, and recently, it has been speculated that the Equal Opportunities Commission has lengthened the period of employment for its "own people" — I mean, rumour has it that some of its top-level staff have been offered extended employment on reaching retirement age. May I ask the Chief Executive whether he has any methods to enhance the monitoring of public organizations in order to enhance their accountability and to ensure that public money is spent effectively? In addition, how can their appointment mechanisms be made more equitable and open, and more acceptable to the public?*

CHIEF EXECUTIVE (in Cantonese): Dr TANG, the money spent by the KCRC is public money, or the people's money, in other words. That is why we must make sure that there is no squandering, must enhance the monitoring of its operation. The Government is obligated to do so. Naturally, the most important responsibility of the Government should be to identify a good candidate to take charge of its operation; another responsibility of the Government is to keep a constant watch over its operation. But its Managing Board also plays an important role, because the Corporation is a well-established organization, and as such, there must be a Managing Board with specific responsibilities. The first step we have taken is to separate the responsibilities

of the Chairman and Chief Executive, in the hope that the Managing Board can step up its supervision. I am sure that this first step will lead to higher cost-effectiveness. To sum up, the Government is duty-bound to select the best candidates to fill the important posts in all public organizations. The Government will keep up its efforts in this respect. Incidentally, another point I wish to mention is that some people have expressed a lot of views about the salaries of public organization staff. We are in fact examining how we should tackle the problem of pay levels for these organizations. We will look at the issue from a holistic perspective.

DR TANG SIU-TONG (in Cantonese): *Madam President, I wish to follow up one point. Most members of the Managing Board work part-time instead of full-time for the Board, but administrative staff are all working full-time. How does the Government fully convey the messages of the administrative division to the Managing Board? I think it is very difficult to do so. Will the Government bring these organizations under the ambit of the Audit Commission, so as to check whether the money spent is really cost-effective?*

PRESIDENT (in Cantonese): Dr TANG, I suppose you are referring to "value for money".

CHIEF EXECUTIVE (in Cantonese): Dr TANG, at this stage, I have not considered the idea of asking the Audit Commission to audit the relevant books. But I wish to reiterate that the Managing Board has already invited some outsiders to investigate the relevant books. I call on Members not to make any speculations about the nature of the matter before there are any investigation results, because it is very unfair to do so. Let us defer making any conclusions until the investigation is completed.

MS MIRIAM LAU (in Cantonese): *Madam President, at the meeting just held in Beijing between Guangdong and Hong Kong officials and the Central Planning Commission, it was agreed that a regional express line connecting Guangzhou, Shenzhen and Hong Kong be constructed as soon as possible and the project would be co-ordinated by the central railway authorities. May I ask Mr TUNG if the consensus reached at the Hong Kong Guangdong Co-operation*

Joint Conference last year such as the joint development of the Nansha Port, the investment in the Zhuhai Airport and enhancing mutual co-ordination for the development of logistics services would embody central co-ordination to facilitate the expeditious development of other co-development projects between Guangzhou and Hong Kong and promote our economic development?

CHIEF EXECUTIVE (in Cantonese): Ms LAU, we have a few concerns in respect of the infrastructural projects in Hong Kong and the Pearl River Delta.

First of all, we do not wish to waste resources and we do not wish to see each party trying to outdo one another in construction or forcibly occupying territories under its control, for redevelopment, if required, would waste a lot of resources and none of the parties would benefit.

The second point is related to connection. We hope the development would benefit both Hong Kong and the Mainland, reap the greatest economic results and establish a closer economic relationship between Hong Kong and the Pearl River Delta.

In the future, we must ensure the dominant position of Hong Kong in respect of logistics services and the dominant position of Hong Kong as a logistics centre is also very important. Therefore, we have made a proposal targeted at omni-directional co-ordination between Hong Kong and the Pearl River Delta. In the past, the form of co-ordination was that Hong Kong carried out construction in one way while the Mainland carried out construction in another way, and it was not known if the two could be connected. Under the new mode of co-ordination, we would further consider the economic results of co-ordination and the effects of the relevant development on the Mainland and Hong Kong. We would also consider why the Mainland carries out construction this way while Hong Kong carries out construction that way, and whether both parties can do better. We would consider matters in holistic manner. The Central Authorities attach importance to the matter and have assigned the Planning Commission to take charge of co-ordination. Upon its request for holding a meeting with the Hong Kong party at the first instance, Secretary Donald TSANG travelled to Beijing last week and attended the first meeting on the matter. The relevant matters were discussed on the occasion, including matters related to the airport and container terminals as Ms LAU has

just mentioned. I think satisfactory progress has been made and I hope that the dominant position of our logistics services could continue to be maintained.

MS MIRIAM LAU (in Cantonese): *Madam President, the mainland ports have seen double-digit growth while the container terminals in Hong Kong only had single-digit growth in the past few years. The development of our container terminals even slowed down last year and the sector was very worried.*

Does Mr TUNG have a timetable for co-ordinating the development of ports and the airport? If so, the sector would know how they should plan for the future and they would be able to make more comprehensive plans.

CHIEF EXECUTIVE (in Cantonese): Ms LAU, there should be a timetable and I wish to say in passing that the Mainland did have a higher growth because it had a much smaller base, yet, we had a much bigger base. Therefore, it was anticipated that there would be double-digit growth in the Mainland and single-digit growth in Hong Kong.

After China's accession to the World Trade Organization, as Members have said, foreign trade would double and redouble within 10 years. If the Pearl River Delta already becomes the most famous production base in the world today and the production base is able to double its output, it would be advantageous to Hong Kong and the mainland ports. Everybody would be busy carrying on business and even the airport may not be able to meet the demand. This is the first point.

The second point is the most important. If the boundary crossing points in Hong Kong are always unimpeded, the costs would be lower and it would be advantageous to Hong Kong. The work is already in progress.

MR LAU KONG-WAH (in Cantonese): *Madam President, regarding the Kowloon-Canton Railway Corporation (KCRC), I still wish to say a few more words. The recent incidents surrounding the KCRC have roused a certain degree of public discontent. The focus has now been shifted to whether the tendering for the future Shatin-Central line is equitable, though. Therefore, we can ill-afford any further delay concerning issues of such a nature. I hope that*

Mr TUNG can pay attention to these issues. But when it comes to the membership of the Managing Board, what is involved is not limited to having two different persons to serve as Chairman and Chief Executive; rather, the issue of reorganization is involved, meaning that the existing composition is indeed lopsided somehow. Will Mr TUNG consider any drastic reorganization aimed at bringing in people who are more widely representative? Besides, following the implementation of the accountability system for principal government officials, what will be the relationship between such officials and these organizations?

CHIEF EXECUTIVE (in Cantonese): The KCRC is a statutory body with its own responsibilities; it must of course be accountable to the Government, though. Well, Mr LAU wishes to know whether there will be any further reform. I think we have already implemented the most important reform of creating two separate posts of Chief Executive and Chairman. This is really a major reform. But we must realize that the reform has been implemented for one or two months only. I think we must give the Chairman time to understand and study the operation of the KCRC. After that, he will make recommendations to the Government.

MR LAU KONG-WAH (in Cantonese): *Madam President, I hope that Mr TUNG can respond to my question on the Shatin-Central line. Actually, the authorities should have released the bidding results late last year according to the original schedule. The people also wish to know the results as soon as possible. When will the Government formally release the results?*

PRESIDENT (in Cantonese): Mr LAU, this is not part of the question you asked a moment ago.

MR LAU KONG-WAH (in Cantonese): *Madam President, but my question did mention this. (Laughter)*

CHIEF EXECUTIVE (in Cantonese): We will release the results as soon as possible. *(Laughter)*

MISS MARGARET NG (in Cantonese): *Madam President, may I ask the Chief Executive whether there is really a need to include the post of Secretary for Justice in the accountability system for principal government officials? What advantages, advantages which are not possible under the existing arrangement, can the inclusion bring about? The Bar Association has expressed many worries about this new arrangement. Basically, the Association thinks that it may reduce the credibility of this post, that is, the credibility associated with its independence; the Association also thinks that the new arrangement may affect people's confidence in judicial justice. My main concern is therefore this: What advantages can the proposal bring about — advantages which are not possible under the existing system, and which have made the Chief Executive consider it as such an absolute necessity?*

CHIEF EXECUTIVE (in Cantonese): As I mentioned just now, this arrangement is based on several considerations. The first consideration is that as we can notice, there is a similar arrangement in Western countries. There is nothing improper about this arrangement, and it is thus not improper for Hong Kong to adopt it as well. The third consideration is that we are in fact acting in strict accordance with the Basic Law.

MISS MARGARET NG (in Cantonese): *Madam President, my question is: What advantages, advantages which are not possible under the existing arrangement, can the inclusion bring about? The Chief Executive mentioned other countries, but in these countries, there are national assemblies and governments returned by universal suffrage. The situation in Hong Kong is different. What I basically wish to say is that some have expressed their worries, and that there are questions about what advantages the proposal can bring about. What major defects does the existing arrangement have, with the result that the post of Secretary for Justice must be included in the accountability system for principal government officials?*

CHIEF EXECUTIVE (in Cantonese): I cannot see anything wrong with this proposal either.

MR ABRAHAM SHEK (in Cantonese): *Madam President, I would like to raise a question concerning the housing policy. The Government's housing policy has been criticized by many for being unclear and indecisive. However, fewer and fewer voices of dissent have been heard since September 2001. Even today, no questions concerning this have been raised in this Council until this moment since I am going to raise this question. Starting from September 2001, Mr Donald TSANG, the Chief Secretary for Administration, made a tricky move named "Mr TSANG's only sword" (laughter). Since then, the property market began to stabilize. Although the prices of properties in the secondary market have not risen, they have not dropped either.*

PRESIDENT (in Cantonese): Mr SHEK, please come to your question.

MR ABRAHAM SHEK (in Cantonese): *the "sword" has cut off*

PRESIDENT (in Cantonese): Mr SHEK, what is your question?

MR ABRAHAM SHEK (in Cantonese): *the government intervention in the market, that is, suspension of the sales of Home Ownership Scheme (HOS) flats. May I ask the Chief Executive, since the property market has already stabilized and the prices of new flats have started rising, if the Government will extend the suspension of the sales of HOS flats in July? This is because there will be a great impact on the market.*

CHIEF EXECUTIVE (in Cantonese): Mr SHEK, you have given me a chance to say a few words on housing. I have been hoping Honourable Members will ask me questions about housing (*laughter*). I am very disappointed since the Honourable Frederick FUNG is not in the Chamber at this moment (*laughter*) — the Government's housing policy aims to provide decent and affordable housing for needy families. Following the clearance of all temporary housing and cottage areas last year, all the affected residents have been relocated to housing units with a better environment. While the number of overcrowded families living in public housing has reduced by more than half, many squatters have also been rehoused in newer public housing units. Since 1997, 220 000 families

have, through different channels, moved to public housing units, with the waiting period shortened from seven to 3.8 years, and from four to two years for elderly applicants. Judging from whatever angle, the Government has actually done a lot in the housing area. This is the first point.

Second, the "bubble economy" of Hong Kong burst and the property prices started to plummet subsequent to the outbreak of the Asian financial turmoil in 1998. Therefore, starting from 1998, the Government has only one goal, that is, to stabilize property prices. To this end, we have taken numerous measures. In 1998, the sales of land were suspended, followed by the reduction of the sales of HOS flats and the provision of housing loans as a substitute. Recently, the Government decided to suspend the sales of HOS flats. Why? Our sole objective is to stabilize property prices. Why do stabilized property prices mean so much to us? This is because it is of paramount importance to maintaining economic stability.

Just now, Mr SHEK asked what would happen to HOS flats in July. I know the Chief Secretary for Administration has indicated that he will give an explanation with respect to the housing framework and ways to address the housing problem in July. I understand that he is still studying the matter. So there is nothing I can tell Honourable Members at the moment. Nevertheless, I am convinced that he will study the matter very carefully and take into account the interests of various parties.

MR ABRAHAM SHEK (in Cantonese): *Madam President, may I ask the Chief Executive, if the 90 000 households on the Waiting List will be allocated HOS flats which are left vacant at the moment so that they can be rehoused expeditiously, thus obviating the need for the Government to sell HOS flats because some HOS flats are left vacant?*

CHIEF EXECUTIVE (in Cantonese): I think I cannot comment on the specific suggestion of an individual. Yet I believe the Chief Secretary for Administration will consider all the relevant factors. *(Laughter)*

PRESIDENT (in Cantonese): Honourable Members, I am afraid I might disappoint Members who have not been able to raise their questions today. I

would like to thank the Chief Executive for his answers to the questions raised by 18 Members in this meeting today.

I would like to take this opportunity to wish the Chief Executive, government officials and Honourable Members, who have been working so hard, a happy Spring Festival. I think it will be a great idea if all of you can take this opportunity to take a vacation or have a good rest. *(Laughter)*

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 27 February 2002. The Chief Executive will now leave the Chamber. Will Members please stand.

Adjourned accordingly at nineteen minutes past Four o'clock.