

# OFFICIAL RECORD OF PROCEEDINGS

Thursday, 20 June 2002

The Council met at half-past Nine o'clock

## MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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 HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE 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 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

**MEMBER ABSENT:**

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

**PUBLIC OFFICERS ATTENDING:**

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

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

MR PAUL TANG KWOK-WAI, J.P.  
SECRETARY FOR TRANSPORT

**CLERKS IN ATTENDANCE:**

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

## MEMBERS' MOTIONS

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

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

**DR YEUNG SUM** (in Cantonese): Madam President, in introducing the so-called "accountability system", the Government will reorganize a number of Policy Bureaux, and the relevant statutory functions will be transferred to the principal officials responsible for the related policies after the accountability system is implemented. The Legislative Council Members belonging to the Democratic Party consider that better arrangements should be made in respect of the transfer of statutory functions. In regard to the general view of the accountability system, we commented quite a lot yesterday, and I am not going to repeat the comments today.

The existing Secretary for Constitutional Affairs is responsible for electoral affairs, the accountability system for principal officials and China-Hong Kong relations. With the implementation of the accountability system proposed by the Government, various Policy Bureaux will have different arrangements on the policy areas concerned. For instance, affairs on China-Hong Kong relations will be discussed with the corresponding officials in the Mainland directly or indirectly through the Beijing Office of the Special Administrative Region Government (Beijing Office) or the Hong Kong-Guangdong Co-operation Co-ordination Group. The functions of the Secretary for Constitutional Affairs on China-Hong Kong relations will be greatly reduced. The remaining duty of the Secretary for Constitutional Affairs will be to study with full strength the review of the political reform. On the other hand, the Chief Secretary for Administration will, apart from steering the Administration Wing and the Legal Aid Department, no longer need to steer the Efficiency Unit, the Beijing Office and the Hong Kong-Guangdong Co-operation Co-ordination Group. His functions will also be correspondingly reduced. Therefore, in order to streamline the structure, save public expenses and use public resources more effectively, the Democratic Party opines that with the assistance of the Permanent Secretary for Constitutional Affairs, the Chief Secretary for Administration should take command of the work of the Constitutional Affairs

Bureau, and be responsible for the important duty of studying and conducting the review of political reform. In that case, the establishment of the office of the Secretary for Constitutional Affairs as a principal official can be obviated, and the functions presently exercisable by the Secretary for Constitutional Affairs by virtue of the ordinances concerned can be transferred to the Chief Secretary for Administration.

Madam President, I move that the motion under my name be passed. In accordance with section 54A of the Interpretation and General Clauses Ordinance (Cap. 1), I move that the functions presently exercisable by the Secretary for Constitutional Affairs be transferred to the Chief Secretary for Administration. Most of the amendments are about substituting the reference to "Secretary for Constitutional Affairs" with "Chief Secretary for Administration" in the related ordinances. I hope that Honourable Members can support the motion. Thank you, Madam President.

**Dr YEUNG Sum moved the following motion:**

"That with effect from 1 July 2002 –

- (1) the functions exercisable by the Secretary for Constitutional Affairs by virtue of the Ordinances specified in column 2 of the Schedule be transferred to the Chief Secretary for Administration;
- (2) for the purpose of giving full effect to paragraph (1), the provisions specified in the Schedule be amended by repealing "Secretary for Constitutional Affairs" and substituting "Chief Secretary for Administration".

SCHEDULE

[paras. (1) & (2)]

AMENDMENTS RELATING TO TRANSFER OF FUNCTIONS OF  
SECRETARY FOR CONSTITUTIONAL AFFAIRS TO  
CHIEF SECRETARY FOR ADMINISTRATION

<i>Item</i>	<i>Ordinance</i>	<i>Provision</i>
1.	Federation of Hong Kong Industries Ordinance (Cap. 321)	Section 45(5).

<i>Item</i>	<i>Ordinance</i>	<i>Provision</i>
2.	Electoral Affairs Commission (Registration) (Electors for Legislative Council Functional Constituencies) (Voters for Election Committee Subsectors) (Members of Election Committee) Regulation (Cap. 541 sub. leg.)	Section 9(6A)(b).
3.	Electoral Affairs Commission (Electoral Procedure) (Legislative Council) Regulation (Cap. 541 sub. leg.)	Section 84(6)(b).
4.	Electoral Affairs Commission (Electoral Procedure) (District Councils) Regulation (Cap. 541 sub. leg.)	Section 82(4)(b).
5.	Electoral Affairs Commission (Electoral Procedure) (Election Committee) Regulation (Cap. 541 sub. leg.)	Section 81(4)(b).
6.	Electoral Procedure (Chief Executive Election) Regulation (Cap. 541 sub. leg.)	Section 55(b)(ii).
7.	Legislative Council Ordinance (Cap. 542)	Sections 3(2A)(a)(ii), 20U(2)(b)(ii), 67(4), (5) and (6), 71 and 75(4).
8.	Legislative Council (Election Petition) Rules (Cap. 542 sub. leg.)	Rules 5(3)(a), 10(4)(d) and (5), 13(2)(a) and (4), 15(2) and 19(3).
9.	District Councils Ordinance (Cap. 547)	Section 55(4), (5) and (6).
10.	District Councils (Election Petition) Rules (Cap. 547 sub. leg.)	Rules 5(2)(a), 10(4)(d), 13(2)(a), 15(2) and 19(3).

<i>Item</i>	<i>Ordinance</i>	<i>Provision</i>
11.	Chief Executive Election Ordinance (Cap. 569)	Schedule (Part 1, section 1(4)(a)(ii) and Part 6, section 44(4)).
12.	Chief Executive Election (Election Petition) Rules (Cap. 569 sub. leg.)	Sections 7(1)(c), 8(4)(d), 10(3)(c), 11(2)(a)(iii), 13(2)(c), 14(2)(a)(iv) and 17(3) (b) and Schedule."

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

**PRESIDENT** (in Cantonese): Mr Albert HO will move an amendment to this motion, as set out in the paper circularized to Members. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Albert HO to speak and move his amendment.

**MR ALBERT HO** (in Cantonese): Madam President, I move that Dr YEUNG Sum's motion be amended as set out in the paper circularized to Members.

Madam President, as far as the substance is concerned, the amendment to Dr YEUNG Sum's motion moved by me today is the same as the amendment to the Government's motion that I moved yesterday. It is mainly to require that when the motion comes into effect on 1 July by publication in the Gazette, the Code for Accountable Officials under the Accountability System (the Code) proposed by the Democratic Party should also be gazetted at the same time. As I said yesterday, the Code has added mainly a few important recommendations to the draft Code proposed by the Government. In fact, I already explained those recommendations in detail yesterday. They include the obligation of accountable officials to state the facts as they know to the Legislative Council and should not mislead it; the arrangements on their retirement from office; the participation of accountable officials in political activities. Although they are allowed to participate in such activities, they must act impartially. The reasons mentioned by me in proposing the amendment yesterday still apply to this amendment today, and so I do not intend to repeat them here. I hope

Honourable Members can support my amendment. Thank you, Madam President.

**Mr Albert HO moved the following amendment:**

"That the motion to be moved by Dr the Honourable YEUNG Sum under section 54A of the Interpretation and General Clauses Ordinance (Cap. 1) at the Legislative Council meeting of 19 June 2002 be amended by deleting "with effect from 1 July 2002" and substituting "with effect from 1 July 2002 and subject to the publication by the Chief Executive in the Gazette of the Code for Accountable Officials under the Accountability System as attached in the Annex"."

(For the content of the Annex to the amendment, see Annex III)

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

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

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, Dr YEUNG Sum has proposed to abolish the office of Secretary for Constitutional Affairs and transfer the relevant statutory functions concerned to the Chief Secretary for Administration. On behalf of the Hong Kong Progressive Alliance (HKPA), I oppose his proposal. The motion has been moved simply on the premise that the Constitutional Affairs Bureau has already got a Permanent Secretary at point D8 of the Directorate Pay Scale to administer the constitutional affairs of Hong Kong, and it is thus not necessary to have a Secretary for Constitutional Affairs. Some Honourable Members worry that under the accountability system, the Chief Secretary for Administration will become a commander without soldiers, and they therefore hope that he can take up more part-time duties.

The HKPA is of the view that the motion has not only underestimated the importance of constitutional affairs in the future, but also underestimated the role of the Chief Secretary for Administration under the accountability system. First of all, compared with the past five years, local constitutional affairs in the next

five years will constitute a far more heavier workload. There will be the District Council Elections in 2003, the Legislative Council Election in 2004, and also the Chief Executive Election in 2007. These constitutional affairs are not only of routine nature, but also involve political skills and time in lobbying the public, the Legislative Council and interested groups. These duties are indeed difficult to be taken up by the Chief Secretary for Administration concurrently.

Besides, the functions and responsibilities shouldered by the Chief Secretary for Administration under the accountability system are also very heavy. Not only will he have to monitor those work of the Policy Bureaux specified by the Chief Executive, ensure that the formulation and implementation of the policies concerned can be properly co-ordinated, he will also have to deal with those items with priority accorded in the course of decision-making by the Chief Executive. These items include managing Hong Kong-Guangdong co-operation affairs and co-ordinating cross-boundary infrastructural works. The urgency of these items will only increase in the coming few years. Moreover, the Chief Secretary for Administration has to embark on frequent official visits to the Mainland and overseas, briefing others on Hong Kong's latest development. How would he have enough time to stay in Hong Kong to specifically deal with constitutional work which requires his frequent presence before the public and the Legislative Council? In view of the above, the HKPA thinks that it is not suitable for the Chief Secretary for Administration to take over constitutional affairs concurrently. Madam President, I so submit.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Dr YEUNG Sum, you may now speak on Mr Albert HO's amendment.

**DR YEUNG SUM** (in Cantonese): Madam President, Mr Albert HO already presented a lot of views in regard to the amendment moved by himself yesterday, and thus I am not going to engage in a repetitive discussion. He mainly wishes to provide, through the Code for Accountable Officials under the Accountability System, for a certain degree of safeguard and regulation on the officials, and to establish a constitutional convention. I am personally in support of Mr Albert HO's amendment.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, the resolution moved by Dr YEUNG Sum seeks to transfer the present statutory functions exercisable by the Secretary for Constitutional Affairs to the Chief Secretary for Administration.

Resolutions proposed under section 54A of the Interpretation and General Clauses Ordinance (Cap. 1) to transfer the statutory functions vested in a public officer to another public officer. The resolution is proposed consequential to the reorganization of Policy Bureaux by the Government, not as legislation aiming at a reorganization of the Policy Bureaux.

Under this premise, if Dr YEUNG's resolution is passed, it does not mean the post of the Secretary for Constitutional Affairs will be abolished as from 1 July. The resolution will result in transferring the statutory functions exercisable by the Secretary for Constitutional Affairs to the Chief Secretary for Administration. In that eventuality, two problems will arise. Firstly, in future, the Secretary for Constitutional Affairs will be responsible for the relevant policy issues but he cannot exercise the relevant statutory functions. I do not think this is appropriate. Secondly, it would constitute an unnecessary burden on the Chief Secretary for Administration if the statutory functions originally exercisable by the Secretary for Constitutional Affairs were transferred to him.

For these reasons, the Government opposes Dr YEUNG's resolution. As regards the amendment proposed by Mr Albert HO, we have repeatedly explicated the reasons for our opposition and I do not wish to repeat them here. I implore Members to vote against Dr YEUNG Sum's resolution and Mr HO's amendment. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO to Dr YEUNG Sum's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Dr YEUNG Sum rose to claim a division.

**PRESIDENT** (in Cantonese): Dr YEUNG Sum has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong and Mr LAW Chi-kwong voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mrs Selina CHOW, Mr HUI Cheung-ching Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Mr LEUNG Fu-wah, Dr LO Wing-lok and Mr IP Kwok-him voted against the amendment.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Dr YEUNG Sum, Mr Andrew CHENG and Mr SZETO Wah voted for the amendment.

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Dr David CHU, Mr NG Leung-sing, 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, 18 were present, two were in favour of the amendment and 16 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 18 were present, six were in favour of the amendment and 11 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.

**PRESIDENT** (in Cantonese): Dr YEUNG Sum, you may now reply.

**DR YEUNG SUM** (in Cantonese): Madam President, an Honourable Member has just mentioned that it is necessary for the Secretary for Constitutional Affairs to be a principal official, as he has to be responsible for the imminent District Council Elections, Legislative Council Election and constitutional review. However, Madam President, as Honourable Members will know, the recent review by the Government of District Councils is, in fact, not making any progress or bringing any changes. Although the population of Hong Kong has increased by 250 000 people, the number of District Council members has not been increased or decreased. In regard to the constitutional review, the Government has basically not making any progress at all, and the mechanism of amending the Basic Law has remained unchanged. Therefore, it is basically not cost efficient or effective to spend so much public money on entrusting a principal official with such kind of work. Since the Chief Secretary for Administration does not have much work under the new structure, he can co-ordinate such matters, and this may render an even more formal impression to the others. Thus, considering from the perspective of use of public money and streamlining of structure, I hope that Honourable Members can support my motion.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Dr YEUNG Sum, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Dr YUENG Sum rose to claim a division.

**PRESIDENT** (in Cantonese): Dr YUENG Sum has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Mr LAW Chi-kwong voted for the motion.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mrs Selina CHOW, Mr HUI Cheung-ching, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted against the motion.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Dr YEUNG Sum and Mr SZETO Wah voted for the motion.

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr

Frederick FUNG, Dr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Mr MA Fung-kuok voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, three were in favour of the motion and 17 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 19 were present, five were in favour of the motion and 13 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

**PRESIDENT** (in Cantonese): The second proposed resolution moved by Member under the Interpretation and General Clauses Ordinance.

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

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed.

Madam President, insofar as the statutory functions of the Secretary for the Civil Service are concerned, the Democratic Party, after hearing the views expressed by civil servants and the community, thinks that the fewer changes the better and the more stability the better. Therefore, the Democratic Party is of the view that the statutory functions of the Secretary for the Civil Service should be transferred to the Chief Secretary for Administration.

As head of the Civil Service, the Chief Secretary for Administration has all along been the principal official who is responsible for the formulation of civil service policies, whereas the Secretary for the Civil Service is responsible for matters concerning the personnel management of the Civil Service. He also advises and assists the Chief Secretary for Administration on civil service issues and policies.

Since this arrangement is proven and accepted by civil servants, the Democratic Party thinks that there is no need to change because of the implementation of the accountability system for principal officials. Moreover, since the Chief Secretary for Administration is the most senior among the officials, he should be responsible for some important duties such as civil service affairs and constitutional reforms. Besides, as one of the directions of the implementation of the accountability system is to streamline the government structure, the tradition and structure under which the Chief Secretary for Administration is responsible for civil service policies should continue and stay.

Therefore, the Democratic Party has proposed a motion, suggesting that it is not necessary to create a principal official post of Secretary for the Civil Service. The Chief Secretary for Administration, assisted by the Permanent Secretary for the Civil Service, will be responsible for steering the Civil Service Bureau and formulating civil service policies. The functions conferred on the Secretary for the Civil Service and Deputy Secretary for the Civil Service under existing legislation should also be transferred to the Chief Secretary for Administration.

Madam President, civil servants constitute the Government. The stability of the Civil Service means stability of the Government. Five years after reunification, our civil service policies are in turmoil; the conflict between the Government and the civil servants deteriorates and the morale of civil servants is at an unprecedented low. Therefore, stability is the key in handling civil service policies. Unnecessary change should not be introduced so that civil servants can work with peace of mind.

The motion moved by the Democratic Party can best maintain the stability of the Civil Service, introduce the smallest change under the accountability system, and streamline the structure, while giving higher regard to civil servants. This motion is supported by civil servants and will not hinder the implementation of the accountability system. Therefore, this is a sound policy. I urge Members to support it.

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

**Mr CHEUNG Man-kwong moved the following motion:**

"That with effect from 1 July 2002 -

- (1) the functions exercisable by the Secretary for the Civil Service by virtue of the Ordinances specified in column 2 of the Schedule be transferred to the Chief Secretary for Administration;
- (2) for the purpose of giving full effect to paragraph (1) -
  - (a) the provisions specified in the Schedule be amended by repealing "Secretary for the Civil Service" wherever it appears and substituting "Chief Secretary for Administration";
  - (b) the Pensions Ordinance (Cap. 89) be amended -
    - (i) in section 2(1), by repealing the definition of "Secretary" and substituting -

" "Secretary" (政務司司長) means the Chief Secretary for Administration;"
    - (ii) in sections 17(7A) and (7B), 18(1AA), (1AB) and (3)(b) and 18A(1) and (4), by repealing "公務員事務局局長" wherever it appears and substituting "政務司司長";
  - (ba) the Pensions Regulations (Cap. 89 sub. leg.) be amended, in regulations 29 and 31, by repealing "公務員事務局局長" wherever it appears and substituting "政務司司長";
  - (c) the Public Service Commission Regulations (Cap. 93 sub. leg.) be amended, in regulation 2, by repealing the definition of "Secretary for the Civil Service" and substituting -

""Chief Secretary for Administration" (政務司司長)  
means the person holding the office of Chief

Secretary for Administration and also means any person holding a public office not below that of Senior Executive Officer who is authorized in writing by the Chief Secretary for Administration to perform specified duties on his behalf;"

- (d) the Acceptance of Advantages (Governor's Permission) Notice 1992 (Cap. 201 p. c) be amended -
  - (i) in paragraphs 1(a) and 9(4)(a), by repealing "or the Secretary for the Civil Service";
  - (ii) in paragraph 9(1)(a) and (b), by repealing ", the Secretary for the Civil Service";
- (3) the functions exercisable by the Secretary for the Civil Service or a Deputy Secretary for the Civil Service by virtue of the Pensions Ordinance (Cap. 89) be transferred to the Chief Secretary for Administration;
- (4) for the purpose of giving full effect to paragraph (3), the Pensions Ordinance (Cap. 89) be amended, in section 2B, by repealing "Secretary for the Civil Service or a Deputy Secretary for the Civil Service" and substituting "Chief Secretary for Administration";
- (5) the functions exercisable by the Secretary for the Civil Service or a Deputy Secretary for the Civil Service by virtue of the Pension Benefits Ordinance (Cap. 99) be transferred to the Chief Secretary for Administration;
- (6) for the purpose of giving full effect to paragraph (5), the Pension Benefits Ordinance (Cap. 99) be amended, in section 3A, by repealing "Secretary for the Civil Service or a Deputy Secretary for the Civil Service" and substituting "Chief Secretary for Administration".

## SCHEDULE

[paras. (1) &amp; (2)(a)]

AMENDMENTS RELATING TO TRANSFER OF FUNCTIONS OF  
SECRETARY FOR THE CIVIL SERVICE TO  
CHIEF SECRETARY FOR ADMINISTRATION

<i>Item</i>	<i>Ordinance</i>	<i>Provision</i>
1.	Surviving Spouses' and Children's Pensions Ordinance (Cap. 79)	Sections 3A(1) and 17(4) and (5).
2.	Pensions (Special Provisions) (Hospital Authority) Ordinance (Cap. 80)	Section 6(2)(c).
3.	Pensions Ordinance (Cap. 89)	Section 16(1) and (2).
4.	Pensions Regulations (Cap. 89 sub. leg.)	Regulation 17A(2)(a)(ii).
5.	Public Service Commission Regulations (Cap. 93 sub. leg.)	Regulations 3(1), 4 and 5.
6.	Widows and Orphans Pension Ordinance (Cap. 94)	Section 15A(1) and (4).
7.	Pension Benefits Ordinance (Cap. 99)	Sections 8(1) and (2)(a), (b)(i) and (ii) and (d), 10(2) and (3), 11(1)(j) and (3), 19(4A), (4B) and (7)(aa), 19A(1) and (4), 20(10A) and (10B), 22(1)(b), 30(1) and (2) and 35(1)(g).
8.	Pension Benefits Regulations (Cap. 99 sub. leg.)	Regulations 15A(2)(a)(ii), 16(6), 19(2), 23(1A) and (5) and 24.
9.	Prisons Ordinance (Cap. 234)	Section 25(3).
10.	Prison Rules (Cap. 234 sub. leg.)	Rule 255E(2).

<i>Item</i>	<i>Ordinance</i>	<i>Provision</i>
11.	Census and Statistics Ordinance (Cap. 316)	Section 5(2).
12.	Government Flying Service (Discipline) Regulation (Cap. 322 sub. leg.)	Section 21(2).
13.	Customs and Excise Service Ordinance (Cap. 342)	Section 16(2).
14.	Customs and Excise Service (Discipline) Rules (Cap. 342 sub. leg.)	Rule 21(2).
15.	Public Officers (Assignment of Emoluments) Ordinance (Cap. 363)	Sections 2(1)(the definition of "authorized officer") and 4(1) and (3).
16.	Declaration of Authorized Officers (Cap. 363 sub. leg.)	The paragraph.
17.	Pension Benefits (Judicial Officers) Ordinance (Cap. 401)	Sections 20(4A), (4B) and (7)(aa), 20A(1) and (4) and 21(10A) and (10B).
18.	Pension Benefits (Judicial Officers) Regulations (Cap. 401 sub. leg.)	Section 22(1A) and (5).
19.	Pensions (Special Provisions) (The Hong Kong Institute of Education) Ordinance (Cap. 477)	Sections 3(1)(c) and 7(4)."

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

**PRESIDENT** (in Cantonese): Mr Albert HO will move an amendment to this motion, as set out in the paper circularized to Members. The motion and the amendment will now be debated together in a joint debate.

**PRESIDENT** (in Cantonese): I now call upon Mr Albert HO to speak and move his amendment.

**MR ALBERT HO** (in Cantonese): Madam President, I move that Mr CHEUNG Man-kwong's motion be amended, as set out in the paper circularized to Members. Madam President, this amendment is the same as the amendment to the Government's resolution that I moved yesterday and the amendment to Dr YEUNG Sum's motion that I moved earlier. In simple terms, this motion will be effective on 1 July 2002, subject to the publication by the Chief Executive in the Gazette of the Code for Accountable Officials under the Accountability System (the Code). The Democratic Party has made some suggestions on the Code and the relevant copy has been given to the Government. In my speech yesterday, I explained in detail the reasons in support of the amendment. I will not repeat them here. I hope Members will support my amendment. Thank you, Madam President.

**Mr Albert HO moved the following amendment:**

"That the motion to be moved by the Honourable CHEUNG Man-kwong under section 54A of the Interpretation and General Clauses Ordinance (Cap. 1) at the Legislative Council meeting of 19 June 2002 be amended by deleting "with effect from 1 July 2002" and substituting "with effect from 1 July 2002 and subject to the publication by the Chief Executive in the Gazette of the Code for Accountable Officials under the Accountability System"."

(For the content of the Annex to the amendment, see Annex III)

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

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

**DR YEUNG SUM** (in Cantonese): Madam President, I speak in support of Mr CHEUNG Man-kwong's motion. Our major consideration is that the Secretary for the Civil Service does not have to be one of the principal officials.

Otherwise, the Secretary for the Civil Service will be politically appointed, thus rendering the Civil Service more politicized. The Secretary for the Civil Service is responsible for co-ordinating work in respect of the Civil Service. If he sits on the Executive Council, he has to act according to the practices of the Executive Council, which include undertaking collective responsibility and confidentiality. Whenever decisions concerning the Civil Service are made by the Executive Council, the official concerned must follow. He certainly can put forward his own view, but once a decision is made, he must follow. In many instances, the decision of the Executive Council may not necessarily allow civil servants to remain politically neutral. Sometimes its decision may even fail to look after the morale and interests of the civil servants. For example, in the case of the pay cut of 4.75% proposed by the Financial Secretary, or the decision of pay cut of 4.75% made by the Executive Council, the Secretary for the Civil Service has to tell the civil servants that he supports the pay cut of 4.75%. In fact, at the public hearing, we learnt that a lot of civil service organizations were strongly against making the Secretary for the Civil Service a political appointment. However, someone has to take over the duty in respect of matters concerning the Civil Service. Therefore, we propose that the Permanent Secretary for the Civil Service be put under the supervision of the Chief Secretary for Administration to assist in handling matters concerning the Civil Service. On the one hand, the government structure may be streamlined, and on the other, politicization of the Civil Service may be avoided. In introducing the accountability system for principal officials, the principal purpose of the Government is to maintain the political neutrality of the Civil Service. Now, it appears office of Secretary for the Civil Service is likely to be politicized. Is it not contradictory? Therefore, I speak in support of Mr CHEUNG Man-kwong's motion.

**MR HOWARD YOUNG** (in Cantonese): Madam President, under the accountability system for principal officials, the role of the civil servants is very important. In the day-to-day implementation of policies, in particular, the civil servants have to work in concert with the accountable officials. Some of the accountable officials do not come from the Civil Service. At the beginning, they may not be familiar with the operation of the Government, so civil servants have to assist them in implementing various government policies and enforcing government orders. The co-operation between civil servants and accountable officials is our main concern, as mentioned in many Members' speeches yesterday. Therefore, the Liberal Party agrees that the Secretary for the Civil Service should be one of the accountable officials so that the importance of his work will be highlighted at this stage.

Some think that once the Secretary for the Civil Service becomes an accountable official, the political neutrality of the Civil Service may be affected. The motion proposed by Mr CHEUNG Man-kwong today suggests that the functions of the Secretary for the Civil Service be transferred to the Chief Secretary for Administration. However, the Chief Secretary for Administration himself is also an accountable official on political appointment. Will such a transfer of functions enable the Civil Service to remain politically neutral? We should not forget that the Chief Secretary for Administration is also an accountable official on political appointment.

The Government has already formulated a code of practice for civil servants, stating the basic values and standard of high integrity that must be upheld in the discharge of their official duties. Staff consultation is now underway to ensure civil servants will not be subject to political interference in the course of their work and they will advise the principal officials on every aspect of government policies in an honest and thorough manner.

For this reason, the role of the Secretary for the Civil Service is all the more important. In future, he may have to act as a mediator between the accountable officials and the civil servants to settle conflicts arising out of work. All along, the culture of the Government is that only officials of the same rank and equal status can communicate and deal with each other. Under the circumstances, if the Secretary for the Civil Service cannot enjoy the same status as the other accountable officials, he may not be able to act effectively as a mediator and reconciler.

It is also very important for the Secretary for the Civil Service to sit on the Executive Council as an accountable official because we believe this will better safeguard the existing interests of the Civil Service. The civil service pay policy and structure are now under review, and there is extensive discussion in the community. The implications will be profound and comprehensive. The implementation of the outcome of the review and future policies are also very important. For example, will civil service pay be pegged with that of the private market? Will it be continually pegged? If it is pegged, how will it be pegged? Before all these decisions are made, comprehensive consultation and exploration must be conducted among civil servants. This will involve complicated and detailed arrangements. Therefore, we think it is appropriate to have an accountable official to take charge of this duty at this stage.

The Liberal Party always supports and promotes the streamlining of government structure. As regards whether there should be as many as 11 Bureau Directors, we have stated that there is room for further streamlining. However, we find the present structure acceptable, especially when the Government has readily accepted good advice and introduced changes after listening outside comments. Although the number of Bureau Directors cannot be reduced to eight — an ideal set-up perceived by the Chairman of the Liberal Party, nor can the suggestion we put forward at the Subcommittee meeting that the Constitutional Affairs Bureau be merged with the Home Affairs Bureau be implemented so that one accountable official can be cut (though this is not the objective of this motion), we find the present arrangement of 11 Bureau Directors, which includes the Secretary for the Civil Service, acceptable. At least, we think it should be given a try and subject to further review. We object to any major redeployment to the present arrangement without careful consideration just for the sake of streamlining the government structure. Therefore, we stated yesterday that the Liberal Party would accept the present proposal. We hope that the system will be reviewed after one year to see if there is yet further room for streamlining.

We think the workload of the Chief Secretary for Administration will be very heavy in future. He has to participate in frequent "mini-cabinet" meetings with the Chief Executive, the Financial Secretary and the Secretary for Justice since there will probably be a "mini-cabinet" within the cabinet. He also has to supervise the work of the various policy groups under the Executive Council. If he has to be responsible for matters of all magnitude concerning the 180 000 civil servants, we are afraid that he will not be able to attend to everything at concurrently, resulting in many policies not being given full consideration. Therefore, we object to the motion moved by Mr CHEUNG Man-kwong today. At least, at this stage, we do not agree that the functions of the Secretary for the Civil Service should be transferred to the Chief Secretary for Administration.

With these remarks, Madam President, I object to the motion.

**MR FREDERICK FUNG** (in Cantonese): Madam President, with regard to this resolution, I would like to look at it as a matter of principle, and examine whether the functions of the Secretary for the Civil Service should be transferred to the Chief Secretary for Administration. In fact, whether or not the functions should be transferred to the Chief Secretary for Administration is not a significant matter to me; rather, I think the most important point is whether a civil servant should become an accountable principal official.

The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I are of the view that in 1997, we ceased to have any governor of the old era and began to have the Chief Executive of the Hong Kong Special Administrative Region (SAR), and the Chief Executive was returned by election (irrespective of whether we accept coterie election or are in favour of universal suffrage). The election of the Chief Executive gives the office a term, after which another election will return another person to replace the Chief Executive. Just take the three candidates of the First Chief Executive Election as an example. I believe no matter which of them was elected, he was sure to go ahead with his platform and I can see that the platforms of the three candidates were different. In other words, whichever candidate was elected, on assuming office, he might hold different views towards the implementation of certain policies.

Before 1997, a civil servant who became Secretary under the appointment and promotion system would enforce, assist to enforce or take part in promoting platforms or policies. Changes brought about by each term of the Chief Executive will very easily catch civil servants in embarrassment or contradiction. For example, the first Chief Executive may think that a certain thing should be done, but when the second Chief Executive assumes office, he may think completely otherwise. In other words, if the Secretary is promoted to that post under the civil service promotion system, what may possibly happen is: While the same civil servant advocates and promotes a certain policy during the office of Chief Executive A, when Chief Executive B assumes office and if he opposes such a policy, this civil servant will then have to ceaselessly push for opposition against the policy which he himself supported during the term of Chief Executive A. Actually, I have used Secretary Michael SUEN as an example. During the British rule, with the term of the last Governor in particular, he was all along advocating direct elections for all district board members. By the time the first Chief Executive Mr TUNG Chee-hwa assumed office, as there was a need to increase the number of appointed District Council members, he therefore had to go around to lobby us that appointment was in fact a good thing. This demonstrates a contradiction in policy.

Sparing civil servants from involvement in political disputes is immunizing future civil servants against effects brought about by changes of Chief Executives. Each Chief Executive has different political views and civil servants should not be involved. I think one of the major objectives of the accountability system for principal officials (the accountability system) is to make civil servants stay away from political swirls and political disputes, so that they can really take a politically neutral stance. By political neutrality, it means civil servants should

not be involved in political decisions, and more importantly, under the new system, civil servants should not take part in ruling.

In my opinion, any person who, in his capacity as a civil servant, maintains his civil servant status upon appointment as one of the principal officials, is unable to achieve political neutrality. This is because he is actually directly participating in ruling, which is politics. Politics is bound to contradict the accountability system (or the structure which we refer to as the ministerial system) which I said just now is to be implemented.

Of course, a more important point is that if the appointed principal official comes from the Civil Service and if he hopes to maintain his civil servant status, given such an arrangement, he can return to the Civil Service when he quits the office as a principal official. Under such circumstances, he has not in fact broken away from the civil service establishment. This will lead to another problem. Since the promotion of a civil servant to that post has involved no democratic process under a democratic system, the appointment itself is in violation of the spirit of democracy.

We can note two problems with this political appointment. When a civil servant is politically appointed as a principal official and becomes a Member of the Executive Council, first, this civil servant is directly participating in political decisions which means he is caught in politics. Second, as we all know, the Executive Council has to make a lot of policy decisions, and joining the Executive Council is in fact tantamount to getting involved in some political decisions and he will be subjected to the system of collective responsibility. Such problems reflect that the appointment of this Secretary is against the dogma that civil servants should be politically neutral. As to whether that civil servant, after joining the Executive Council, can safeguard the powers and responsibilities of civil servants and whether he could directly reflect these rights to the Executive Council is something that we do not know. Furthermore, if it is purely a matter of rights and interests of civil servants, it will become an issue between the employer and the employees; it is not necessary for a person who is politically appointed to that post to handle in the cabinet contradictions between the employer and the employees and problems of co-operation between the two parties. Thus, under such circumstances, I support today's motion.

Thank you, Madam President.

**DR DAVID CHU** (in Cantonese): Madam President, with regard to Mr CHEUNG Man-kwong's suggestion of abolishing the post of the Secretary for the Civil Service and putting the relevant functions under the Chief Secretary for Administration, I object to this motion on behalf of the Hong Kong Progressive Alliance (HKPA). The HKPA worries that such a suggestion is inimical to the implementation of the accountability system for principal officials (the accountability system).

One of the main reasons why the Chief Executive is determined to implement the accountability system is his hope to rectify the problems of inconsistent interpretations of policies, ambiguous responsibilities and insufficient co-ordination which happened in the past. Thus, when the Chief Executive made the proposal in respect of the accountability system, not only did he emphasize that under the Basic Law, the Chief Secretary for Administration might assume the duties of the Chief Executive where necessary, he even emphasized that the Chief Secretary for Administration would have to play a key role in assisting to implement the accountability system. As pointed out by the Chief Executive, the Chief Secretary for Administration will supervise the work of certain Policy Bureaux specified by the Chief Executive in order to ensure sound co-ordination of policy formulation and enforcement. In addition, he will be in charge of those specified items which have been accorded a priority on the policy agenda of the Chief Executive, and will in the meantime, perform his own statutory functions. Thus it can be seen that the Chief Secretary for Administration will, in fact, by virtue of his relatively aloof position and authority, instruct departments to attach importance to communication and co-operation, and to take safeguarding the interests of the people of Hong Kong as their responsibilities.

If the Chief Secretary for Administration is also to take charge of civil service matters concurrently, will he be queried by outsiders that he has more to his heart the interests of the 180 000 civil servants rather than the people of Hong Kong? Once disputes similar to those triggered by the present standoff between civil servants and the Government over the pay cut issue crop up, if the Chief Secretary for Administration also oversees civil service matters, the key effect of co-ordinating public interests and civil servants' aspirations will be lost, and there will be more disadvantages than advantages. In view of this, the HKPA considers that putting the Chief Secretary for Administration in charge of civil service matters is inappropriate.

Madam President, I so submit.

**MR JAMES TIEN** (in Cantonese): Madam President, Mr Howard YOUNG has already expressed the views of the Liberal Party on our behalf, still but I have a few points to add. I would like to comment on whether there is a need for the Civil Service Bureau to remain and whether the Secretary for the Civil Service should be a principal official under the Chief Secretary for Administration.

In fact, the Legislative Council is handling another issue, and that is whether the pay for the civil servants is too high, and the suggestions that civil service pay should be cut by a certain percentage. We can see that in the coming years, civil service matters will constitute a very heavy workload. If there is not a dedicated person to take charge of these matters, I would think that it is very inappropriate. However, how are we going to handle this? Should we require the Chief Secretary for Administration to also take charge of these duties and just create a Permanent Secretary under him? Or should we follow the Government's proposal that apart from the 10 accountability principal officials, an extra Secretary for the Civil Service be created?

Yet, this Secretary is somewhat different from the others. For the other Secretaries who will be transferred from the Civil Service to the accountability system, they will have to resign from the Civil Service to make or break with the Chief Executive, and they are barred from returning to the Civil Service in the future. However, in order to allay the worries of civil servants in general, and to enable this Secretary to continue to safeguard the interests of civil servants, pay attention to their opinions while balancing society's demand on civil servants — particularly their present demand on pay, benefits as well as the whole structure — this candidate for the office of Secretary for the Civil Service is given some flexibility. It is now suggested that he can resign from his civil service duties, receive his pension and then take up the post of the Secretary for the Civil Service, and remain as he is after retirement; or he can choose not to claim his pension and return to the Civil Service after working as the Secretary for the Civil Service for a few years. This can boost the confidence of civil servants, trusting the Secretary for the Civil Service will represent their interests.

In the debate on pay-cut legislation, the Democratic Party supported the pay cut but opposed legislation; a lot of their arguments were in support of the civil servants. However, they have reversed their views with regard to this post. On the contrary, the Government's proposal shows that it is bearing in mind the position of civil servants — civil servants are very keen on discussing this matter, and lay emphasis on the so-called "door-matching" theory. They will think that a Permanent Secretary is not on a par with a principal official when entering into

discussions; only a person with the same status as a principal official can represent them to discuss their affairs with other principal officials.

Recently, we have come into frequent contact with civil service unions, but I have not heard them say that they would like to have the Civil Service Bureau scrapped, nor have I heard them express the view that putting them under the Chief Secretary for Administration will be fine. It seems that I have not heard them mention this; of course, we also have not consulted them on this matter. I feel that civil servants on the whole may not agree with the suggestion of the Democratic Party, that is, scrapping the Civil Service Bureau and transferring its duties to the Chief Secretary for Administration.

In fact, under the accountability system for principal officials, the Chief Secretary for Administration will leave the Civil Service to assume the office, but the Secretary for the Civil Service and a Permanent Secretary will remain. Right now, there are a lot of problems relating to civil servants, in particular the review of the pay trend survey mechanism — the review which the Government said is effective but which I think otherwise. Should another review be conducted? In the view of the Democratic Party, the government establishment in the next few years should be top heavy, but the Liberal Party feels that both the top and the bottom are too fat. So, does it mean that the top, the middle and the bottom will all have to be downsized? I believe the accountability official for the post of the Secretary for the Civil Service can concentrate his efforts on tackling this issue.

Thus, on the whole, although the Liberal Party has all along have misgivings about whether it is necessary to increase the number of Bureau Directors from our original suggestion of eight to 10 or even 11, during this transitional period, we still think that this is acceptable. I hope that, particularly in the next five years, there can be detailed consultation and discussion on civil service issues so as to arrive at a permanent solution. Thus, the Liberal Party thinks that the proposal made by the Government currently is more desirable.

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

**MR MARTIN LEE** (in Cantonese): Madam President, I support Mr CHEUNG Man-kwong's resolution and the amendment moved by Mr Albert HO.

There is now a new culture in this Council, and that is, most of the times, some people will not speak out the truth; so since this motion of the Democratic Party will definitely be defeated, let me speak out on behalf of those opponents what is in their hearts.

In present-day society, a lot of companies are saying that they have to lay off staff but our Chief Executive chooses to create some senior posts in the government establishment which are the highest and the best, that is those principal officials. What in fact is his objective? The opinions expressed by Mr James TIEN on these new elites are almost the closest to the truth, that is, this accountability system for principal officials (the accountability system) requires a lot of manpower and the Secretary for the Civil Service also has some new work to do. For example, on this issue of pay cut, the civil service unions are saying that they will take to the streets, therefore a lot of manpower will be needed to curb their action.

Besides, members from the Democratic Party are all very single-minded. They always hope to maintain the tradition of political neutrality for civil servants, but as we all should know, the government of this present Chief Executive just holds the opposite attitude: they just want to wreck this tradition of political neutrality for civil servants, thereby aggrieving a lot of civil servants. When so many junior civil servants are aggrieved, it becomes necessary to take on extra manpower at the senior level to curb actions by civil servants and coordinate matters in relation to the politicization of the Civil Service. This is in fact the truth, but opponents to this motion of ours will not say it out. Thus, I somehow have to do so for them.

Similarly, we have just now discussed why the Constitutional Affairs Bureau needs so much manpower and why the Secretary for this Bureau has to be retained. Actually, his main task now is to delay the development of democracy or even sabotage it. Let us look back at what our Secretary for Constitutional Affairs has done during the five years under the rule of the Chief Executive. Everything done has been contrary to the progress of democratization. Of course, he also has to do a lot of other things. For example, he has to draft some questions to mislead the public when opinion polls are to be conducted, such as asking them if the Government is to establish the accountability system, do they think it is desirable to increase the Government's accountability to the people, and so on. Another example is encouraging the legislators to "scrape the two Municipal Councils" and promising them that after "scrapping the two Municipal Councils", the functions of the District Councils would be increased. However, has the Government honoured its promises?

In the future, these accountability officials will continue to do things in the same manner. They therefore need to have a lot of manpower and senior officials to handle these matters. Thus, I am now voicing out what is in their hearts for them. Nevertheless, I am still in favour of Mr CHEUNG Man-kwong's resolution and Mr Albert HO's amendment.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kwong, you may now speak on Mr Albert HO's amendment.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, I support Mr Albert HO's amendment because it runs through the three motions. I therefore do not have to repeat my views. Thank you, Madam President.

**SECRETARY FOR CONSTITUTIONAL AFFAIRS** (in Cantonese): Madam President, the motion moved by Mr CHEUNG Man-kwong proposes to transfer the present statutory functions exercisable by the Secretary for the Civil Service to the Chief Secretary for Administration. Resolutions proposed under section 54A of the Interpretation and General Clauses Ordinance (Cap. 1) should seek to transfer the statutory functions vested in a public officer to another public officer. The resolution is proposed consequential to the reorganization of Policy Bureaux by the Government, not as legislation aiming at a reorganization of the Policy Bureaux.

Under this premise, if Mr CHEUNG's motion is passed, it does not mean the post of the Secretary for the Civil Service will be abolished as from 1 July. The motion will result in transferring the statutory functions exercisable by the Secretary for the Civil Service to the Chief Secretary for Administration. In that eventuality, two problems will result. Firstly, in future, the Secretary for the Civil Service will be responsible for the relevant policy issues but he cannot exercise the relevant statutory functions. We do not think this is appropriate. Secondly, it would constitute an unnecessary burden on the Chief Secretary for Administration if the statutory functions originally exercisable by the Secretary for the Civil Service were transferred to him. For these reasons, the

Government opposes Mr CHEUNG's motion. As regards the amendment proposed by Mr Albert HO, we have repeatedly explicated the reasons for our opposition and I do not wish to repeat them here. I implore Members to vote against Mr CHEUNG's motion and Mr HO's amendment. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO to Mr CHEUNG Man-kwong's motion be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr CHEUNG Man-kwong rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kwong has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Mr LAW Chi-kwong voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN,

Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Mr Tommy CHEUNG, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted against the amendment.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr Andrew CHENG, Mr SZETO Wah, Mr WONG Sing-chi and Mr Frederick FUNG voted for the amendment.

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Dr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Mr MA Fung-kiok voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, three were in favour of the amendment and 22 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, nine were in favour of the amendment and 12 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.

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kiung, you may now reply.

**MR CHEUNG MAN-KWONG** (in Cantonese): Madam President, it was based on the following grounds that I proposed the transfer of the duties and powers of the Secretary for the Civil Service to the Chief Secretary for Administration. The Chief Secretary for Administration is the head of the Civil Service and has always been involved in work relating to civil service affairs. When civil service unions came before us to present their views, they made it very clear that

they wished to maintain the *status quo*. This explains why we believe that, on this very sensitive issue of civil service affairs, we should choose to maintain the *status quo*. This is also one of the reasons why we propose the transfer of the duties and powers of the Secretary for the Civil Service to the Chief Secretary for Administration.

Dr YEUNG Sum has further supplemented that civil servants feel concerned that their future political neutrality will be affected. At that time, a lot of civil service unions also relayed such a view. In spite of this, I also wish to add here a point which I have already mentioned a number of times, that is, the political neutrality of the Civil Service has already become a myth. Even the Permanent Secretary is in fact no longer politically neutral, since he has to be responsible for presenting and defending policies, canvassing support from the public and the Legislative Council, coming to the Legislative Council to answer questions, table bills and take part in motion debates. So let us stop wrangling over this issue. What fundamental protection will our political system offer civil servants in the future? By this I do not mean guarantee on their political neutrality, only protection prescribed by the Code for Accountable Officials under the Accountability System (the Code). According to the Code, when the Bureau Directors under the accountability system for principal officials (the accountability system) require civil servants to do anything immoral, illegal or against their conscience, civil servants can lodge complaints. Under the existing system, complaints are dealt with by the Secretary for the Civil Service. At that time, we also questioned whether the Secretary for the Civil Service is capable of discharging his duties in a way which civil servants would find authoritative, forceful, pragmatic and trustworthy, since his rank is the same as that of other accountable Bureau Directors? We had doubts about this. We believe that if the complaints are handled by the Chief Secretary for Administration, who is the highest-ranking official of all accountable officials, the confidence of civil servants will be somewhat boosted. Of course, it all depends on whether the whole accountability system, and the Code in particular, can be enforced with vigour.

Next I would like to respond to some comments of Honourable colleagues. Whether it is Mr Howard YOUNG or Mr James TIEN, what they have said most frequently regarding the entire directorate grade of the Government in the past can be summed up in one word, that is, "streamlining". However, in this discussion on the accountability system today, the word "streamlining" is like the Chinese story of the fabled YE Gong who claimed to love Chinese dragons. The gist of the story is like this: once upon a time there was a man called YE Gong who loved Chinese dragons so much that he painted Chinese dragons on

the walls and on everything in his home. The Chinese dragon in heaven was so moved that it decided to pay him a visit. However, when the Chinese dragon actually paid him a visit, he was so scared that he fainted. This story of YE Gong who professed to love Chinese dragons became a laughing stock for many years, just like "streamlining" is now. We have talked about streamlining for a long time, and when the largest government structure was tossed before us, we also proposed to streamline it from three Secretaries of Departments and 11 Policy Bureaux to three Secretaries of Departments and nine Policy Bureaux. The Liberal Party initially even proposed to modify it to three Secretaries of Departments and eight Policy Bureaux. However, I now figure that the Liberal Party is no longer in support of streamlining. Therefore, the Liberal Party appears to be somewhat like YE Gong who professed to love Chinese dragons. When streamlining actually comes before us, they are no longer in favour of it, but they have been telling other people that it is necessary to streamline.

Dr David CHU asked how the Chief Secretary for Administration could balance the interest of the public against that of civil servants if he had to take charge of the functions of the Secretary for the Civil Service concurrently. Sorry, he has to note that under the accountability system, it is in fact always necessary to balance the interest of the public against that of civil servants, be it the Secretary for the Civil Service or the Chief Secretary for Administration. I believe the point here is not that of rank, that is why I did not mention anything about this at all in my speech moving the motion. I did not mention political neutrality or the balance of interest because I had really given some thoughts to these two issues. I only said that the rank of the Chief Secretary for Administration would be a merit that would enable civil servants to enjoy stability, and that is all.

Mr James TIEN also put forth the view that if such significant changes were to be introduced, more thorough deliberation, more time for discussion and gauging views would be necessary. I do hope that this can be the spirit that characterizes the entire discussion on the accountability system. If it is said that a proposal aimed at stabilizing and maintaining the *status quo* proposed by civil servants requires detailed deliberation, whereas a dynastic change such as the accountability system, with its three Secretaries of Departments and 11 Policy Bureaux, does not require detailed deliberation and should come into effect on 1 July regardless, does it not appear to be contradictory? If one insists that detailed deliberation is required on this issue, then one has to be consistent throughout, instead of allowing one system to come into effect hastily on the one hand, and demanding that detailed deliberation is required on an existing and established system on the other. This is self-contradiction.

Furthermore, Secretary Michael SUEN is once again being unrepentant to the end. Why? In fact, yesterday I criticized the approach of dealing with the accountability system in the Legislative Council and questioned whether it is better to pass the resolution first or to approve the financial documents before passing the resolution. At that time, a number of Members said that even if the Government had grounds in jurisprudence, procedure and precedent to defend its actions, logically, it should respect the Legislative Council and wait until it has passed the resolution before seeking approval for the financial documents applying for funds to create the posts. This is the logical thing to do. If the Government respects the Legislative Council, it should assume that there is a possibility that the amendments may be passed and create the posts only afterwards. However, the present situation is very different. The Government has created the posts first, therefore, if the Legislative Council passed my resolution, there would be no one to assume the office on 1 July. Mr Andrew WONG has written me a slip and what he says is right. Let me read it out here, "Mr SUEN's claim that to transfer the duties and powers to the Chief Secretary for Administration is not tantamount to deleting the post of Secretary for the Civil Service is incorrect, because a post without duties will naturally be deleted." Mr Andrew WONG is very sober today. *(Laughter)* I have in fact voiced my criticism on this point yesterday, but Secretary Michael SUEN dwelt on the same viewpoint again today. Obviously, his assistant wrote his speech a few days ago and today he simply read from his script, so he is unrepentant to the very end.

In addition, Secretary Michael SUEN also mentioned that we should not increase the burden of the Chief Secretary for Administration. What the public is concerned about is that the Chief Secretary for Administration has no burden to bear — which is after all the heaviest burden. However, I will not propose to assign some duties to the Chief Secretary for Administration on account of this, so as to enable him to do something, to have a department to manage or bear some burden. This is not what I seek to do. I have already given several reasons and I do not have to repeat them.

In fact, the most amazing party of all is the Democratic Alliance for Betterment of Hong Kong (DAB) because they have said nothing on this matter. This deviates from its usual attitude of showing concern for civil service affairs. They have a lot of experts on civil service affairs who are more qualified and knowledgeable than I am. Therefore, I can only come to the following conclusion: To the DAB, silence is golden; the Liberal Party is like YE Gong who professed to love Chinese dragons and Secretary Michael SUEN of the Government is unrepentant to the very end.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHEUNG Man-kwong, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr CHEUNG Man-kwong rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHEUNG Man-kwong has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr LAW Chi-kwong and Miss LI Fung-ying voted for the motion.

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

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr Andrew CHENG, Mr SZETO Wah, Mr WONG Sing-chi and Mr Frederick FUNG voted for the motion.

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Dr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung, Mr Ambrose LAU and Mr MA Fung-kwok voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, four were in favour of the motion and 22 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, nine were in favour of the motion and 12 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

**PRESIDENT** (in Cantonese): Two motions with no legislative effect. The speaking time limits are set in accordance with the recommendations of the House Committee. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Determining the fares of new railways.

## **DETERMINING THE FARES OF NEW RAILWAYS**

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

The Mass Transit Railway (MTR) Tseung Kwan O Extension (TKE) will be formally commissioned this mid-August, and in next autumn, the construction of the West Rail (WR) will also be completed. By then, residents of the

Northwest New Territories will be able to travel to and from the urban area expeditiously by using railway services. With continuous improvement to railways in Hong Kong, our networks are now linked up, thus reducing the travelling time of the people of Hong Kong and promoting our economic growth. Hong Kong's achievement in railway planning is indisputable.

Nevertheless, Madam President, to the public, in particular those people who have to use such railway services frequently in the future, the early commissioning of trunk rail lines will give them more options of transport, without having to rely heavily on bus services, and they can arrive at their destinations quicker. However, their main concern is whether the future fares of new railways will be set at a level which is too high, thereby making it necessary for them to continue to shoulder heavy transport expenses.

In fact, when we refer to the Composite Consumer Price Index, we will find that in recent years, people's expenses on transport are actually far higher than other categories. From 1998 to March 2002, the index has dropped 10.9%, showing that household expenditure on clothing, food and housing has fallen. But during the same period, household expenditure on transport has increased by 1.2%. We think the reason for this big difference is that in face of the economic downturn, people are all keeping a tight rein on their expenditure on consumer products which they have a greater autonomy. However, although we can eat less and buy less clothes when the economy is poor, we just cannot cut on the number of journeys we have to make. Therefore, we are forced to make "expensive journeys". People have less autonomy on their transport expenditure. Particularly to those wage earners, in order to get to work on time, most of them will rely on a certain mode of transport, even if it means that they have to pay more. They can do nothing about it. Take residents living in areas like Tseung Kwan O as an example, they almost have no choice but to rely on bus services in getting to and from the urban area. Unfortunately, since there is a lack of competition, bus fares are higher than those routes in the other areas. Moreover, the criteria for determining the fares are extremely unreasonable. At present, the population of Tseung Kwan O has already reached 280 000. With continuous development, its population will keep on growing. However, since Tseung Kwan O has been classified as a "suburban" area, according to the fares charged per kilometre, bus fares for the Tseung Kwan O area are generally higher than those for the other areas. Let me cite a concrete example. To travel from Hong Sing Garden to Hong Kong-Macao Ferry Terminal in Central, people have to take the Route No. 690 bus, the journey of which is 20.9 km. Riding on an air-conditioned bus costs \$15.3, which on average is \$0.73 per km. However, if one takes the Route No. 680

bus from Ma On Shan to Central, the journey is 32.3 km but the fare for an air-conditioned bus is only \$18.2, which is on average \$0.56 per km. In other words, the fare for the former is about 30% higher than the latter running from Ma On Shan.

Madam President, the MTR TKE will be commissioned in mid-August, which is earlier than the end of 2002 as expected initially. This is undoubtedly something to be happy about, but with one joyful event comes a worry. So far, the MTR Corporation Limited (MTRCL) has not yet announced the fare structure. Although there has been a lot of hearsay, speculating that the fare for a journey from Tseung Kwan O to Central will cost about \$11, which is \$4 less than a cross-harbour bus journey, so long as the MTRCL has not made an announcement, we cannot take this to be true. Residents of Tseung Kwan O are still concerned that the fare could be too high. To residents of the area, the commissioning of the extension will not just give them one more way out, but an extra hope — the hope that they will not be subject to the mercy of bus companies on the fare issue. At present, they are waiting for inexpensive fares; besides, they have been waiting for a long time.

The Democratic Party thinks that this chance has come. Although the economic condition in the past few years has been poor and bleak, it has made it possible for some infrastructural contracts to be awarded at lower prices, resulting in enormous savings on construction costs.

According to the Tseung Kwan O project agreement entered into between the MTRCL and the Government in 1998, the then estimated construction cost for the extension was \$30.5 billion. At that time, the MTRCL referred to factors like the price level of tender in the international market, as well as the then estimate of the settlement cost of the Airport Express as its basis of calculation. Nevertheless, as the tender prices have kept on falling, the latest data show that the construction cost has dropped significantly to \$18 billion, 40% less than the original estimate. The significant drop in costs has developed sufficient conditions and room for the MTRCL to set fares for stations along the TKE at a relatively inexpensive level. The highest fare for the whole line should be below \$10 so as to reduce the suffering of Tseung Kwan O residents who have been putting up with exorbitant transport expenses for years.

In the Legislative Council meeting on 6 February 2002, I raised an oral question on the construction costs for the new railways. The then Secretary for Transport, Mr Nicholas NG, said in the main reply that the fall in costs was one

of the factors determining fares. Moreover, the operating costs, the range of distance travelled, the prevailing economic condition, passenger affordability, competition from other public transport modes and the corporations' financial situation are all factors in the determination of fares.

During the Question Time on that day, although the Government emphasized repeatedly that cost was only one of the factors in the determination of fares, since the cost for the TKE has fallen 40%, such an extent is sufficient to constitute a very important factor in fare determination. Besides, under the present situation, despite the other factors mentioned by the Secretary then, we should not neglect this fall in cost.

Madam President, take the distance travelled as an example, the Central to Tsuen Wan Line now passes through 16 stations, whereas the future Tseung Kwan O Po Lam terminus to Central has 13 stations. If we are to travel on the MTR from Tsuen Wan or Tseung Kwan O to Central, the former takes about 40 minutes and the latter about 30 minutes; an Octopus Card charges \$11.8 for a trip from Tsuen Wan to Central. In terms of distance travelled, if the future fare for the TKE turns out to be higher than this, I will be very much surprised. In fact, the Transport Department and the MTRCL have frequent contacts with Tseung Kwan O residents, and they are requesting that the fare for a trip from Po Lam to Central should not exceed \$10.

As regards the operating costs, the availability of manpower resources is one of the deciding factors. As far as I understand it, an internal deployment of 200 staff by the MTRCL will be sufficient to meet the extra manpower demand created by the new railway extension. Thus, this will not cause a big increase in the operating costs for the extension. Having read the annual report of the MTRCL, I discovered that the MTRCL has been very successful in cost control in recent years. Take its performance for 2001-02 as an example, the operating expenditure stood at \$3.533 billion, which is 3.54% less than the \$3.663 billion for 2000-01.

Madam President, the circumstances mentioned above are sufficient to warrant that fares be set at a level that is acceptable to Tseung Kwan O residents, or a level that will be acclaimed by them. There are still two months to go before the commissioning of the TKE, I hope that the Government and the MTRCL can bring good news to residents of the area soon, as the best pre-commission gift.

Madam President, I have talked about the situation for the TKE. Later on, Mr Albert HO of the Democratic Party will explain to Members the expectations of residents of the Northwest New Territories on the WR, and Mr WONG Sing-chi will express his opinions on the relationship between the fall in construction costs and the financial situation of the two railway corporations.

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

**Mr Andrew CHENG moved the following motion: (Translation)**

"That, as the construction costs of both the MTR Tseung Kwan O Extension and the West Rail, which will soon be commissioned, have decreased significantly from the original estimates of \$30.5 billion and \$64 billion to \$18 billion and \$46.4 billion respectively, this Council urges the Government to discuss with the two railway corporations to ensure that the decreased construction costs of these new railways are factored in the fares of the rail lines, so as to alleviate the burden of transport expenses on the public."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr Andrew CHENG's motion be passed.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, I rise to speak in support of Mr Andrew CHENG's motion.

Considering that the construction costs of the TKE and the WR have fallen significantly, the two railway corporations should correspondingly lower the fares for these two new extensions and the fares for rail service.

Apart from the factor of a significant drop in construction costs, I think another factor is that the Administration has long failed to implement its plan to use rail lines to provide service for residents of new towns such as Tseung Kwan O, Tuen Mun, Yuen Long, and so on. This renders the Government and the two railway corporations indebted to the residents of these new towns for years.

As early as the seventies of the last century, the northwest regions of the New Territories such as Tuen Mun and Yuen Long began to develop into new

towns. Today, Tuen Mun and Yuen Long have an overall population of over 900 000 but for a long time, residents have to put up with the inconvenience of not being served by mass transit carriers. Until recently, quite a number of wage earners living in Tuen Mun and Yuen Long still have to leave home in the dark "before dawn" to wait for buses to "get to work". For the "lucky" ones, they can manage to have a seat and barely "take a nap" on the bus; but for the "unlucky" ones, they not only have to "stay up" but are also "made to stand".

The new town of Tseung Kwan O also began to develop in the eighties of the last century. In 10 years, its population has jumped to over 200 000, but it has to all along rely on buses as its external transport link. Coupled with the fact that there are limited external access roads, the problems of traffic congestion and bus-waiting are very serious during rush hours. Tseung Kwan O residents mainly rely on buses as their mode of external transport. They think that bus fares are unreasonably high, thus deepening their discontent.

I believe the Government cannot deny that since these new town residents are deprived of a mass transit system as a mode of external transport over the years, not only do they have to spend more time on transport but also have to unnecessarily increase their transport expenses as most of the times, they have to change their modes of transport once and again. Thus, in order to pay back this "debt" to the residents of Tseung Kwan O, Tuen Mun and Yuen Long, and also do them justice, it is necessary to lower the fares correspondingly when determining the fares for the TKE and the WR.

Talking about the development of railways, my stance has all along been that new towns and all urban regions must be linked by mass transit systems. The Government cannot allow the population of a region to increase ceaselessly, and wait till it gets to the point of bursting before proceeding with the planning and construction of railway networks.

It is most disappointing to note that the Government has all along failed to learn from past lessons. With regard to the recent Sha Tin to Central Link directly linking East New Territories and Central in Hong Kong via Southeast Kowloon, the Government is still adopting its delaying tactic, not announcing whether the line will be operated by the MTRCL or the Kowloon-Canton Railway Corporation (KCRC). Here, I must again solemnly demand that the Government make a prompt decision and announce the tender result of the Sha Tin to Central Link, and require the successful railway corporation to widely

consult the opinion of the residents concerned, so as to decide on the final alignment and station positions as soon as possible. Moreover, the construction and commissioning of the rail link should be made as soon as possible.

Madam President, since the construction costs of the TKE and the WR are very much lower than originally expected, I believe in the foreseeable future, the expenditure on asset depreciation, dividends and financial expenses by the MTRCL and KCRC will see a substantial drop. As a result, the financial situation of the two railway corporations will become more satisfactory and stable. Under such circumstances, I think that apart from correspondingly lowering the fares of the new rail lines, it is necessary that the two railway corporations should also review the fares of the existing three rail lines so as to bring about an overall lowering of fare levels of all rail lines, thereby really lessening the traffic expenses burden of the people.

Some people may ask: What has the reduced construction costs of the new rail lines to do with the fares of the existing rail lines? I would like to explain a bit here.

In my opinion, be it the MTRCL or the KCRC, in considering the fare levels for the different rail lines, it should not and cannot single out individual rail line or even extension for consideration. Instead, the overall financial situation of the corporation should be factored into the consideration and review of the reasonable fare levels for the different rail lines.

Take the MTR as an example. With the exception of the Airport Express, the existing MTR Tsuen Wan Line, Kwun Tong Line, Island Line and Tung Chung Line form an integrated network. Therefore, the criteria for fare determination should be consistent. The future TKE is not an independent line of the MTR; rather, it is an extension. Thus, it is impossible that the criteria for determining the fare level of the TKE should be different from that of the original MTR network. As for the WR, upon commissioning next year, it will combine with the Light Rail to form a system. When the future Southern Link is completed, the East Rail, the Light Rail and the WR will be further integrated into a network. So, the same criteria should be employed when considering the reasonable fare levels.

Madam President, let me reiterate my views. The two railway corporations should not be pure commercial organizations with "profit-making as their sole objective". Instead, they should consider from time to time the needs

of the people, factors to improve the financial situation of the corporations, and alleviating the burden of the people by means of lowering fares. I hope that the Government and the two railway corporations can hear this extremely important aspiration of the people.

Madam President, I so submit.

**ABRAHAM SHEK:** Madam President, the Mass Transit Railway (MTR) Tseung Kwan O Extension (TKE) and the West Rail (WR) will be commissioned in 2002 and late 2003 respectively. These two new rail lines will greatly improve the accessibility for people living in the Northwest New Territories and Tseung Kwan O to the Metro area and are regarded as a milestone for the development of the two regions. The completion of these two new rail lines will significantly expand the existing public transport system.

The construction cost estimates for the TKE and the WR were \$30.5 billion and \$64 billion respectively. Due to a reduction of construction costs, the latest cost estimates for the TKE and the WR are below the original figures by \$12.5 billion and \$17.6 billion respectively. Some people might think that reduced construction costs imply relatively reduced operating costs and consequently lower fares for the TKE and the WR. However, this argument is incorrect. Operating costs entail daily expenses on delivery of safe, punctual and reliable services, refurbishment and maintenance of train cars, rail tracks and station facilities. These costs are fixed and irrelevant to construction costs. Moreover, construction costs are only one of the factors for the corporations to assess the future fares. There are a number of factors including the operating costs, the range of distance travelled, the prevailing economic condition, passenger affordability and competition from other transport modes. And the corporations' financial positions will also be taken into account when setting fares for the TKE and the WR.

Railways are mass transit carriers which account for one third of daily passenger journeys in public transport. I believe that both corporations would establish competitive fare structures to attract railway patronage. Although the existing two railway corporations are technically monopolies, they do face an intensive competition from other public transport modes. This is evident in the continuous patronage decline of the MTR. Its annual patronage is now declining by about 2.3% year over year, whereas passenger journeys for all

other forms of public transport are rising by about the same figure. Even with the addition of the Airport Express and other improvements, it now carries fewer passengers than it did eight years ago. In view of this, I believe that the two railway corporations would and have no alternatives but to consider the fares setting issue very carefully.

I understand that my colleagues have urged the two railway corporations to consider lowering fares for the TKE and the WR so as to alleviate the burden of transport expenses on the public. In this issue, I understand and acknowledge their good intention. However, I oppose this motion to urge the Government to liaise with the two railway corporations to set future fares, because this is an obvious move to intervene into the autonomous operation of the two railway corporations, especially the listed MTR Corporation Limited (MTRCL) which is not wholly owned by the Government. The outcome of any direct or indirect government pressure would be dangerous to Hong Kong as a commercial centre.

Among the two existing railway corporations, one is 100% government-owned and the other one is a listed company in which the Government holds the majority of shares. Although they are public organizations, they operate on prudent commercial principles and follow the market operation rules like their counterparts in the private sector. They should ensure operational efficiency and maintain a sound financial position for a good credit grading. If the Government intervenes into the commercial operation of these two corporations, who would want to invest into such non-autonomous corporations? What credit grading will they obtain? How would they compete with their counterparts?

In addition, railway network is a long-term investment with huge investment costs which requires a long time to recover. The railway operators cannot set unreasonable fares for a prompt recovery of investment costs. The Airport Express is an example. In order to attract railway patronage and maintain its competitiveness, concessionary fares have been offered for passengers proceeding to the airport since the commissioning of the rail line. If the MTRCL had wanted a prompt recovery of costs, the fares for the Airport Express will certainly not be at the current level.

Perhaps some of my Honourable colleagues hold a view that the two railway corporations are public organizations and should, therefore, take their social responsibility into account and alleviate the burden of transport expenses on the public by setting low fares during the present economic downturn.

However, those who accept this way of thinking favour the concept of a planned economy for Hong Kong. If the Government intervenes into the affairs of the two railway corporations like determining the future fares, it will affect the corporations' investment return and their credibility. If the two railway corporations are pressurized into setting unreasonably low fares, they will possibly have to reduce the provision of services and slow down their rail development plans to balance the net income.

Madam President, my opposition to this motion does not mean that I disagree with the fact that reduced construction costs should be taken into account when assessing future fares for the TKE and the WR. This should be considered by the railway corporations and it is their prerogative to do so. I think that it is unwise to move a motion to urge the Government to liaise with the two railway corporations to set "reasonable fares" for new rail lines. In fact, we cannot urge private organizations how to set their charges. If the two railway corporations are obliged to give undue weight to this social responsibility simply because they are public organizations, it will breach the principles of fair market competition and act in contrary to the ordinances which they should follow to operate under prudent commercial principles. Once they have an operational loss and require government assistance or fare increase, the general public will suffer.

Thank you.

**DR TANG SIU-TONG** (in Cantonese): Madam President, thanks to the fall in tender prices and cost savings achieved by the two railway corporations, the construction costs of the MTR TKE and the WR have seen substantial reductions of 40% and 28% respectively from their original estimates. Although the TKE will be commissioned soon in August and the WR next year, there have been no announcements on how the fares will be determined. In his reply to a Legislative Council question this February, the Secretary for Transport said that construction cost was only one of the factors of consideration in fare determination. Thus, future fares for the two new rail lines may not necessarily be revised downwards as a result. He also said that when determining fares, the two railway corporations would consider such factors as the construction and operating costs, the range of distance travelled, the prevailing economic

condition, passenger affordability, competition from other public transport modes and the corporations' financial situation.

I certainly understand that fare determination involves a number of factors, but given the present economic downturn, record unemployment rate and livelihood predicaments, the general public naturally hopes that public organizations can lower their charges as far as possible in order to alleviate their hardship. Transport expenses are an indispensable expenditure for the people, taking up a considerable percentage of household expenditure, particularly in the case of new town residents. If the railway corporations which are making reasonable profits can readily accept good advice, lower their fares or provide some concessions to the public and weather the hard times with them, it would be enormously helpful to improving the living of the people and in rousing their spirits. Besides, if the fall in construction costs ultimately leads to a reduction in finance charges or construction and operating costs for the railway corporations, they should have room for a fare cut. Although the two railway corporations enjoy autonomy in determining rail fares, they should however assume a certain degree of social responsibility as public transport operators. Today, deflation is already an undeniable fact in the Hong Kong economy, but there are still no signs of a reduction in transport fares. To the public, this is an extremely costly burden.

At present, the two railway corporations are making considerable profits, they are therefore in a position to better entertain people's expectations when determining fares. For example, the after-tax profit for the KCRC last year stood at \$2.436 billion, an increase of 6.5% compared to 2000. It was also the highest level in six years. Now that the construction cost has dropped significantly, the KCRC should disclose more information to the public on what impact this would have on its financial situation and the construction and operating costs of the WR, so that the public can make objective comments on the future fare determination. In view of the repeated disclosures on wastage of resources by the KCRC, the KCRC should carefully control its existing operating costs and costs of its new projects and manage its finance charges efficiently so that fares for the WR could be set at a reasonable level.

As for the MTRCL, its profit last year was \$4.284 billion, representing a 5.28% increase from the previous year. The MTRCL has stated that fares for the TKE will be comparable to those for the Kwun Tong Line and the Tsuen Wan Line, and it will also make corresponding consideration in the light of the

prevailing economic environment and the fares of other modes of transport. As its profit performance is pretty good, I hope that the MTRCL can tide over the hard times together with the public in its fare determination. Besides, if the fares can attract more people to use the TKE, I believe it will be more helpful to boosting revenue for the MTRCL.

Finally, just as the Government has said, fare determination is related to competition with the other modes of transport. With the commissioning of the two rail lines, there will be route reorganization or cuts in frequencies for regional public transport, including Light Rail and bus services. Although there is no cause for much criticism from the angle of resource allocation, from the standpoint of the public, route cutting possibly implies reduced competition among different modes of transport. Moreover, when reorganizing regional transport services, the Government should widely and carefully consult residents and people in the region, and accord priority to the interests of the residents when making decisions. While developing rail transport, the Government should also foster healthy competition among various public transport services within the region.

Madam President, I so submit.

**MS MIRIAM LAU** (in Cantonese): Madam President, the construction costs of the MTR TKE and the WR which are nearing completion and commissioning have fallen considerably. The construction cost for the TKE has dropped from the estimated \$30.5 billion to \$18 billion, yielding a saving of over 40%; and the construction cost for the WR has dropped from the original estimate of \$64 billion to \$46.4 billion, yielding a reduction of 27.5%.

With the fall in construction costs of the new rail lines, borrowing costs will fall correspondingly; fares for the new rail lines should of course reflect the factor of a fall in construction costs. To a larger or smaller extent, the general public, not just residents of Tseung Kwan O and New Territories West, all have expectations on this. However, it is in fact not that easy to reflect this factor because construction costs for the railways is not the only factor determining fares. When setting fares, the listed MTRCL and the KCRC which operate on prudent commercial principles also have to consider factors like daily operating costs, depreciation and reasonable returns on assets. Of course, as the major

public transport organizations, the two railway corporations also have to take into consideration the prevailing economic condition and passenger affordability, so as to provide the people with competitive fares as far as possible. If the railway fares are set at too high a level, not only will it fail to ease the present burden of road traffic but also fail to bring the effect of mass transit into full play, wasting huge amounts of investment on railway resources. However, if the railway corporations set their fares at such a low level that renders them unable to obtain sufficient resources to maintain and develop quality services, this will not do the public any good. This is because if the railway corporations fail to get sufficient resources, their safe and efficient services may be undermined.

We can thus see that railway corporations must balance factors in all respects before they can determine reasonable fares. As for individual railway corporations, there may be other considerations. In the case of the MTRCL, apart from the possible downward trend in its patronage as pointed out by the Honourable Abraham SHEK earlier, the development progress of Tseung Kwan O, in terms of the occupancy rate of residential flats and population growth, is slower than originally planned. It was expected then that when the rail line became operational in 2003, Tseung Kwan O would have a population of almost 420 000 but the figure stands at only 280 000 presently. In other words, the patronage of the TKE is expected to decrease correspondingly, affecting the revenue of the MTRCL.

Apart from facing a less than expected patronage, the MTRCL also has to face competition from other modes of transport. Recently, having listened to the opinions of people in the region and the residents, the Transport Department has reduced the number of bus routes to be cancelled from the originally planned 15 to 12, that is, cancelling only 12 routes, and shelved its plan to re-route four bus routes. In other words, the MTRCL is still facing a certain degree of competition. Therefore, although the construction cost for the TKE has fallen, I believe even if we gave the MTRCL backing, they dare not set the fares at too high a level because if they do so, they will lose a lot of passengers to the other modes of transport. I believe the same is true for the WR.

In addition, the MTR TKE is an extension of the existing MTR system, its fare structure should therefore be comparable to the existing MTR fares. In fact, in the past, the MTR only based on distance in setting the fares for the Tsuen Wan Line and Tung Chung Line. If it comes up with another fare

structure for the TKE, the overall fare structure will surely be disrupted, further affecting the fare structures of all modes of transport in the territory. This may lead to vicious competition among public transport carriers.

All in all, I think railway corporations should establish sound fare structures, and come up with reasonable fares after balancing factors in all respects. By so doing, they will be able to maintain quality railway service and sound operation, and provide value for money railway service to the people of Hong Kong.

Madam President, I so submit. The Liberal Party will support the motion.

**MR ALBERT HO** (in Cantonese): Madam President, after the scandal of the Siemens incident in which quite a number of works contracts are subject to supplemental agreements and additional funding has to be allocated in order to complete the works, the construction cost of the WR has not gone up drastically. On the contrary, it has been adjusted downwards significantly. According to the information provided by the Government, the construction cost of the WR was estimated at \$64 billion in 1998. However, the current cost estimate has already gone down to \$46.4 billion, representing a drop of 28%. The drastic reduction in cost can be attributed to the sluggish economy in recent years, which has pushed down markedly the tender prices for works projects in the construction industry.

With the drastic reduction in cost, the commission date of the WR by the end of 2003 can even be advanced a few months. In April this year, 73% of the entire WR project has already been completed. According to this progress, the WR can be expected to be formally commissioned by autumn next year. After it is commissioned, residents of the Northwest New Territories will have one more choice in terms of modes of transport, and will not have to rely solely on bus services for commuting to and from the urban area. Residents commuting between Tuen Mun and Yuen Long can even choose among the WR, the Light Rail Transit (LRT) and buses.

Notwithstanding the above, the commissioning of the WR does not mean that the time spent by residents of that district on travelling can be greatly

reduced. According to the information provided by the KCRC, it will take 40 minutes to travel from Tin Shui Wai to Central, 30 minutes from Tuen Mun to Sham Shui Po, and 20 minutes from Sham Shui Po to Yuen Long.

As a matter of fact, since at present most of the estate coaches or bus services from Tuen Mun and Tin Shui Wai to Central make use of Route 3, the journey time is only about 40 to 50 minutes. The residents concerned can travel to Central direct without having to change to other modes of transport enroute. However, in the future, residents using the WR to travel to Central or other destinations will have to change at Mei Foo or Nam Cheong Station in Sham Shui Po for the MTR. At present, the cost is between \$18 and \$20 for a bus trip to Central. If in the future, the fare level of the WR is on average higher than the bus fare level, and if there is no fare concession for changing to the MTR, I doubt very much if the WR can eventually attract passengers, especially residents of the Tuen Mun District. If by taking the WR, they have to make a detour north to Yuen Long and then change at Nam Cheong for the MTR in order to go to other destinations, while the fare level is not especially attractive, I believe the number of residents using this kind of service will be very small.

If the construction cost of the WR is maintained at \$64 billion or even higher, I believe there is no chance that the fare level of the WR will be low. However, the significant reduction in construction cost of the WR currently has already created a very favourable condition for the KCRC to set a more attractive fare level so as to compete with other modes of transport.

Madam President, the WR is a totally new trunk rail line. In regard to the future operating costs, since we do not have the data in that respect, it is naturally difficult for us to guess, and is thus not possible for us to assess accurately whether this will increase or decrease the pressure on the fare level. However, after looking at the history, we found that the KCRC has performed very remarkably in cost control in recent years. In 1998, the operating costs of the KCRC on passenger services provided by the East Rail and the LRT were some \$1.33 billion and \$450 million respectively. However, in 2001, the relevant operating costs have gone down to some \$1.22 billion and \$420 million respectively, having been reduced by 8% and 6%. The reduction in operating costs is also become one of the factors contributing to the dramatic increase in profits for the KCRC. In 1998, the net profit of the KCRC was \$1.6 billion.

In 2001, the net profit went up to \$2.4 billion, having increased 48%. With these achievements when the economy is in the doldrums, the performance of the KCRC management in cost control is beyond doubt. Therefore, I am confident that with the reduction in construction cost and the implementation of stringent cost control measures, the KCRC is able to provide a rather inexpensive level of fares to the public riding on the WR.

After the WR is commissioned, I would also expect a reorganization of the transport network in the Northwest New Territories, very much like what has happened with the commissioning of the TKE. Currently, the Government has started studying the deletion of certain bus routes. After autumn next year, residents of the Northwest New Territories may also have to face the same situation. Not only do the bus routes have to be reorganized, but the LRT services may also have to be reviewed. Nevertheless, I would like to remind the Government that it has to create a level playing field among the different modes of transport. At the time when the LRT was commissioned, bus companies were not allowed to provide transport services in the district concerned. This was finally proved to be unacceptable to the residents, and also a major blunder in transport policy. Any thinking that will encourage monopoly cannot exist nowadays. The last thing I would wish to see is the Government deliberately cutting certain bus routes to create a monopoly that would reduce the public right to choose for the sake of raising the patronage of the WR and fare revenue. This will not help in lowering the fare level of the WR, but will work to facilitate monopolization by the WR. Therefore, I sincerely hope that the Government will, at an early stage, take up the issue with the KCRC and examine how the burden of transport expenses on the public can be alleviated in the light of the reduced construction.

With these remarks, I support the motion.

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, from the standpoint of the business sector and the public, I certainly hope that the fares of the MTR TKE and the WR can be set at a lower level, so that the transport cost, which has long been on the high side, can be reduced as much as possible. As a matter of fact, the net profit of the MTRCL last year was close to \$4.3 billion, which has increased 5.3% from that of 2000. The net profit of the KCRC last

year was nearly \$2.5 billion, representing an increase of 6.5% from that of 2000, and it is also a record high in the past six years. The two railway corporations have the potential of expanding their market shares by means of lowering the fares. Besides, the MTRCL is not totally listed and is still subject to government influence, while the KCRC is a public organization which is wholly owned by the Government. The Government can, of course, on the grounds of public interest, reflect public expectations on the fare levels to the two railway corporations, and to influence the increase or decrease of fares when necessary. However, I reckon that since privatization is the direction of development of the two railway corporations, government intervention in fare determination by the two corporations should be avoided as far as possible. Even if the Government is willing to take up the issue with the two railway corporations, it should try to avoid giving an negative impression to investors (including those minor shareholders of the MTRCL) that the Government can exert pressure on the two railway corporations for a fare reduction through its political influence. After all, determination of fare levels is a commercial decision and fares should be adjusted by market forces.

Of course, costs will influence service charges. However, apart from construction and operating costs, when determining the fares for the new railways, consideration should also be given to the financial condition, public image, future financing needs and development plans of the corporations, the affordability of passengers, competitiveness of other modes of transport in the district and even the overall economic climate. Therefore, it will be far too simplistic if we just peg the cost level directly to the fare level. To the Legislative Council which safeguards public interest, the most important point is to urge the Government to negotiate with the two railway corporations and work out a fare pricing policy with a high degree of transparency, so that the public can understand how the rate of fare adjustment is calculated. Not only can this help to reduce the arguments on fare increase and the related lobbying work so that the management can concentrate their efforts on improving the business, it can also enable investors and credit rating agencies to see the ability of the two railway corporations in broadening sources of income and reducing expenditure. The good business performance obvious to all will naturally facilitate their financing and attracting more investors.

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

At the same time, the Government should keep on encouraging the MTRCL to be totally listed and assisting the listing of the KCRC. By means of market forces, it can drive the two railway corporations to pay more attention to the effectiveness of their operation and works construction. This can help to prevent the wastage of public money by the management and the recurrence of scandals concerning mismanagement and violation of public interest similar to the Siemens incident.

Therefore, in order to enhance Hong Kong's competitiveness, I urge the Government to actively promote a fair and reasonable competitive environment, so that all operators of transport, irrespective of their scale, can enjoy equal opportunities in participating in market competition. They can then make use of whatever strategies to fight for passengers, so that members of the public can choose the mode of transport which they think is the cheapest, the best and the most appropriate. This is naturally conducive to the reduction of fares to a level which is acceptable to the market. In fact, due to changes in the external environment and economic restructuring in recent years, the cost of business in Hong Kong is higher than that in neighbouring regions. Although the rental cost of industrial and commercial buildings has already been substantially reduced by 20% to 50%, the rate of reduction in wage cost is limited. This is mainly because the cost of living has only been slightly reduced, while among the four basic necessities of life (food, clothing, shelter and transport), the cost of transport alone has gone up without coming down. If the two railway corporations can exercise more practical, stringent and effective cost control in construction and long-term operation, the service charges of the corporations can be ultimately reduced, and so is the burden of transport expenses on the public. While this is beneficial to the people's livelihood, the competitiveness of businesses in Hong Kong can also be enhanced indirectly.

Madam Deputy, I so submit.

**DR RAYMOND HO** (in Cantonese): Madam Deputy, in the Asian region, the railway network of Hong Kong can be considered comprehensive. Compared with advanced cities in the world, although the coverage of the Hong Kong railway network is not wide enough, we are definitely second to none in terms of

railway management. However, we should not be complacent because of this. On the contrary, I think that we should strive for perfection by continuously improving Hong Kong's railway network and enhancing Hong Kong's competitiveness. The present railway development of Hong Kong is dependent on the support of the Hong Kong Government as well as the diligent contribution by the MTRCL and the KCRC. In terms of finance, these two railway corporations are independent institutions. In terms of *modus operandi*, they are basically no different from private corporations, practising the principle of fiscal prudence all along. In view of this, we should respect their independence and autonomy, so that they can continue to stride forward for the railway development of Hong Kong.

Due to the recent economic recession, the construction costs of works projects have been dropping continuously. The construction costs of the MTR TKE and the WR have decreased significantly by about 40% and 28% from the original estimates of \$30.5 billion and \$64 billion. In this connection, it is not unreasonable if the public should demand the two railway corporations to reduce accordingly the fare levels originally expected for the two railways. However, I opine that since these two railway corporations operate independently, they should operate according to the principle of free economy. Hence, fare levels should be adjusted according to market demands, and should not be subject to outside or government intervention. If the fares are set at too low a level, the corporations will be difficult to make ends meet, and this will have great impact on the MTRCL in particular. The MTRCL was listed a few years ago. Although the Government still owns some of the shares, basically speaking, the MTRCL has to resort to its own financing to a large extent if it wants to develop its railway network in the future. If the fare level for the MTR TKE is set at a level which is too low and if the MTRCL wants to extend its railway network in the future, it may have to finance the extension with bank loans. Then, the fare level for the railway will certainly be very high. After all, the fleece comes off the sheep's back. The KCRC should also prepare for listing as soon as possible, and adopt the *modus operandi* of the listed MTRCL.

Although both the MTRCL and the KCRC are subject to government supervision currently, they enjoy autonomy in determining the fare levels. I hope that the two railway corporations can, before determining the fare levels for

the MTR TKE and the WR, consult various sectors, including the Legislative Council, the Transport Advisory Committee and the public. I hope that reasonable fare levels can be determined through wide consultation.

In Hong Kong, railway development is the general trend. Railways are a convenient and speedy mode of transport which, to a certain extent, also facilitates environmental protection. I hope that the two railway corporations can continue to provide quality and reasonably priced railway services to Hong Kong, and contribute to the development of Hong Kong.

Madam Deputy, I so submit.

**MR LAU KONG-WAH** (in Cantonese): Madam Deputy, the Democratic Alliance for Betterment of Hong Kong (DAB) supports Mr Andrew CHENG's motion.

On the fares question, I feel that the motion is a continuation of another motion concerning the reduction of transport expenses I moved not long ago. In fact, since that motion was moved, wages of the public had been going down, not up. In view of the continual plummeting of wages, even if the fares remain unchanged, they will still account for an increased percentage of the people's income, therefore they will add to the burden on the public.

After the MTR TKE and the WR are commissioned, the pressure on traffic congestion will certainly be alleviated, but residents still have to face the pressure of increasing transport expenses. The public will consider it an added burden if the fares are set at an excessive level. Residents are on the one hand eager to see the commissioning of these rail lines, but on the other, they fear that the fares are too high for them to afford.

I asked the Secretary for Transport a question in last October on the issue of fares. He told this Council then there were four factors in the determination of fares; first, the prevailing economic condition; second, passenger affordability; third, fares charged by rivals; and fourth, the financial position of the public transport operator.

As far as the prevailing economic condition is concerned, Madam Deputy, I believe everybody knows clearly that the unemployment rate has been rising incessantly amidst pay cuts and layoffs. Under the prevailing economic climate, the financial position of the people has not improved. Recently, the Chief Executive also pointed out that the situation was unlikely to turn round in the short term.

Concerning the affordability of the people, Madam Deputy, something happened recently. That is, some new town residents are moving out into the urban areas because of the high transport expenses. Therefore they prefer moving to the neighborhood closer to their workplaces with a view to cutting the transport expenses. This is not a satisfactory situation. The objective of developing new towns is to improve the quality of living of the people, however, their quality of living is falling. The situation will deteriorate if everybody moves back to the urban areas.

Regarding fares charged by rivals, in fact, the two railway corporations have learnt the lesson. That is, when their fares are high, their market share will fall, because other modes of transport like buses and minibuses will compete with them and even offer some fares concessions.

As for the financial position, no matter in the past, at present or in future, the two railway operators are financially sound, and their revenues from properties are considerable. Let us look at the costs. The motion has mentioned that their costs have dropped significantly, therefore, I consider not only the fares of the two rail lines have to be reduced, just as I said in the last debate on my motion, the fares for the entire network have to be adjusted downwards as well.

Madam Deputy, July is the month of changes for Hong Kong, since new secretaries would assume office on 1 July. Of course, we do have expectations of them. In my capacity as the spokesman of the DAB on transport affairs, my counterpart in the Government would be the Secretary for the Environment, Transport and Works. The Government has pledged that the objective of implementing the accountability system for principal officials (the accountability system) is to gain public support, to improve efficiency of administration and to improve the relationship between the executive and the legislature. If that is true, then the fare determination in July will be a touchstone. There are government representatives on the boards of the two railway corporations and the new Secretary will become a member of the board. Moreover, the KCRC is

owned by the Government. Recently, some of the Secretary designates have said that one of their most important tasks is to listen to public opinions. This I agree very much. Today the press reported that there would probably be a brainstorming session for the new Secretaries. The next two months will be critical because they have to let the public feel that they care about the public. This I also agree. The new Secretary will assume office in July, while the fares of the MTR TKE will also be determined in July. So this is the best test, a test of whether or not the new Secretary will really win the support of the public. We will soon find out who is hero and how is zero.

My primary expectation of the Secretary is that "mere talking will do no good, concession is more practical". There is no need to say how they care about the public, since reducing the fares of the two rail lines is the most important concern, which is also the most practical. My first advice to the new Secretary is that I hope she can appreciate the hardships of the people and sympathize with their sentiments. Madam Deputy, the new Secretary will attend her first board meeting of the two railway corporations in July, so I hope she will listen, remember and keep to heart the advice and expectations offered by me today. Thank you, Madam Deputy.

**MR WONG SING-CHI** (in Cantonese): Madam Deputy, owing to the economic downturn in recent years, the performances of many sizeable listed companies are barely satisfactory. However, this is not the case with some listed public transport companies in Hong Kong. Instead of plummeting, their performance has been improving on a yearly basis, causing many people to envy. The MTRCL is one of these exceptional cases. By taking a closer look at the reason for that, we will learn that although fares have not been increased in recent years, employees of these companies have seen no pay rises, too. The reduction in the operational costs has contributed to the growing profits. In 1998, the net profit of the MTRCL was \$2.8 billion; by 2001, it was increased to \$4.28 billion, with a growth rate of 51%. Although the KCRC is not listed yet, its performance compares no less favourably with that of the MTRCL. In 1998, the net profit of the KCRC was \$1.6 billion; by 2001, it grew to \$2.4 billion, with a growth rate of 48%.

It is actually not too difficult to predict the future performance of the two railway corporations, because in the wake of the continuous expansion of the railway network and the completion of the properties along the rail lines, the two railway corporations are not only engaging in transport business, they are also

reputable property developers. Profits of the two companies will grow persistently as long as they can properly control their costs, as the property market has been stabilized after some shoring up by the Chief Executive.

Earlier in the debate, Mr Andrew CHENG cited the fact that the construction costs of the MTR TKE had dropped significantly, and among the existing projects of the MTRCL, the Penny's Bay Rail Link and Airport Railway Phase 2 projects are in a similar situation as that of the TKE. As for the KCRC, the WR and the Ma On Shan Rail projects have also seen a similar reduction in construction costs. Furthermore, it is estimated that the construction costs of the Lok Ma Chau Spur Line, the construction of which is due to start soon, would not increase much. The significant reduction of costs in various projects would only be beneficial to the two railway corporations as far as their financial position is concerned. I am optimistic that the financial status of the two railway corporations will be exceptionally sound and there is no significant pressure to increase fares.

Despite the Government's usual statement that the two railway corporations enjoy autonomy in the determination of fares, these companies have to bear certain social obligations as they are public transport operators. It goes without saying that the KCRC should have an unshirkable responsibility as it is a wholly-owned company of the Government; on the other hand, although the MTRCL is a listed company accountable to its shareholders, its performance in the past few years has not let its shareholders down, it should therefore also fulfil its obligation of weathering the hard times together with the public. The two railway corporations have frozen the fares at the current level for several years. Moreover, they offered a concession of "Ride 10 get 1 free" bonus scheme earlier this year, which had provided the public an incentive of using the railway network and slightly reduced the transport expenses of the public. We think that if the two railway corporations should determine the fares at a higher level regardless of the realistically limited affordability of the people, they should have no upright reasons to face the public and would be unable to meet the objective of fulfilling their social responsibility.

The aspiration of the public is very simple, they want the fares to be inexpensive, so that they do not have to spend \$50 or \$60 on transport expenses, as it is a hefty burden to them. On the contrary, if they only have to pay fares at a satisfactory level whenever they use the rail lines, they will be perfectly content since they will feel no substantial pressure. Therefore, I hope that the fares of

the MTR TKE as well as fares of other railway network will adjust downwards, in order to alleviate the pressure of the public.

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

**MR TAM YIU-CHUNG** (in Cantonese): Madam Deputy, West Rail (WR), the railway system which connects New Territories West and Kowloon, will be commissioned by the end of next year. The service area of the WR covers Tuen Mun, Yuen Long, Tsuen Wan and Sham Shui Po, which accommodate one third of Hong Kong's population. Therefore, the determination of its fares will affect the livelihood of 2 million residents.

In addition to the economic depression, incomes of the public are shrinking and the burden of transport expenses is getting heavier, which has been a problem to residents living in Yuen Long and Tuen Mun for many years. All along, residents in New Territories West have to rely on bus services whenever they need to travel to and from the urban area. Regardless of the sustained deflation in the past few years, bus fares have remained at a high level due to the absence of competition from mass carriers. Using \$10,000 as the median household income for calculation purposes, the bus fare for a daily round trip to and from the urban area is \$40, and the expenses on bus trips alone account for 10% of the income, not to mention that over 50% of the residents have a monthly income of a few thousand dollars only. Therefore, residents in New Territories West expect the completion of the WR will bring forth a chance of reducing their transport expenses.

Being one of the mass carriers, full consideration should be given to the affordability of the people in determining the fares of the WR. Since the beginning of this year, colleagues of the Democratic Alliance for Betterment of Hong Kong (DAB) in district have been discussing with the Transport Bureau and the KCRC on the issue of future fares of the WR, but no positive response has been received. The KCRC replied that they could only make the decision according to market condition and the competitiveness of other transport modes when the system is near commission. We cannot agree with this kind of attitude. As the present fares for bus services are quite high due to a number of reasons, the WR should not use bus fares as the basis for fare levels of the WR. In other

words, fares of the WR should not exceed the current level of bus fares. In the course of determining fares of the WR, the Government should seize this opportunity to review bus fares, in order to rebate the public the profit margins earned by bus companies in the past due to the lack of competition.

In the course of determining fares of the WR, the Government should also play another role, that is, an active enabler of market competition by introducing more options of public transport service. The Government should not protect the railway corporation by slashing inter-district bus routes, which would only end up in monopolization by the WR. However, the present situation is disturbing. At present, the Transport Department has already frozen the application for inter-district bus services, so applications for estate coaches are of course out of the question. Residents of these districts always complain to me that the Transport Department is strangling estate coaches. The present traffic management policy restricts the development of carriers such as estate coaches and minibuses, which makes their competition with major public transport operators difficult. However, estate coaches are generally welcomed by residents in Yuen Long and Tuen Mun as their fares are lower than those of franchised bus, the service is better and there are abundant seats. The Government should improve the situation by reducing the fares of the WR through the promotion of competition.

Besides the fares of the WR, before its commissioning, the Government should conduct a holistic examination of the matching transport facilities of the entire region. New Territories West is a vast region and the population is dispersed. Since the WR leads to the city centre, therefore there are keen demands for feeder bus services. In the light of the impact of the WR, some of the routes of the Light Rail may also have to reorganize. Therefore, the Government should consult residents early, plan the relevant matching transport facilities properly and urge the WR to set up a more comprehensive and fair feeding mechanism and interchange concession scheme.

I have to point out that there is a shortcoming with the present system, that is, the Government tends to reorganize district bus routes first before determining fares of the WR. This will give residents no point of reference, thus making their choice difficult. Besides, it will also rationalize the future

fare levels of the WR prematurely, which is unfair to the residents. Therefore, we urge the Government to maintain all of the existing transport services and to review them only after the WR has been commissioned for a period of time.

I so submit. Thank you, Madam Deputy.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam Deputy, we held a motion debate on "Reducing the fares of various public transport services" in November last year. During that debate, Mr Nicholas NG, the then Secretary for Transport said in determining their fares, public transport operators had to consider six factors, including operating costs, corporate revenue and financial status, competition in the market, economic conditions, affordability of the people and service quality. However, whether or not the two railway corporations had actually considered those factors when they reviewed their fares in the past and whether they will consider those factors when they determine new fares in the future is open to question.

As pointed out in the original motion, the construction costs of the MTR TKE has decreased from the original estimate of \$30.5 billion to \$18 billion and that of the WR has decreased from \$64 billion to \$46.4 billion. Since the construction costs of the two railways have been reduced by 27.5% and 41%, their new fares should also be reduced to reflect the drop in costs. However, so far, the fares of the two railways, in particular, that of the MTR TKE to be commissioned in August, have not yet been announced, thus the public are unable to express their opinions on the fares. I think this is a totally irresponsible attitude.

Furthermore, apart from the construction cost, the overall operating costs of the two railway corporations have also decreased significantly due to downward adjustments in prices and wages. Therefore, the overall fares of the two corporations should also be correspondingly reduced. Regrettably, the fares of the two railway corporations have only been frozen rather than being reduced since 1997-98 and this is incompatible with the actual situation. In the past, the two railway corporations insisted on their practice of no fare decrease or even proposed to increase fares on grounds of high operating costs. However, the KCRC scandal revealed that the so-called high operating costs actually involved a lot of wastage of public funds, whereas future increase in

operating costs were also overestimated and used as excuses for fare increases. The public must ask: Should this should be the appropriate conduct of a public organization? What exactly are the government representatives in the Managing Boards of the two railway corporations doing? What are their roles? Would you call that accountability? If that were really accountability, then could they account for what had happened? We strongly demand the two railway corporations to set new fares at lower levels to reflect the real situation and in particular, to rebate the public for having paid high fares in the past by setting fares at lower levels.

Moreover, from analysing the corporate revenue and the financial status of the two railway corporations, we can see that they should use their past profits appropriately to rebate passengers and set the fares of the new railway at a lower level, so as to alleviate the burden of the public. In times of economic downturn, many companies have suffered losses in the past years but we found that the two railway corporations have so far recorded surpluses. The KCRC had a surplus of \$2.288 billion last year while MTRCL had a profit of as much as \$4.284 billion, with a growth rate of 5.3%. They are definitely in a position to set the fares of the two new railways at a lower level, and they can certainly afford to adjust their fares downwards. This, they should do. But, regrettably, the two railway corporations do not seem to have any intention of riding out the storm together with the public and this runs counter to the government policy.

The KCRC is a corporation wholly owned by the Government and the Government still has absolute control over the MTRCL. Given that the two railway corporations have huge surpluses, the Government should show its sincerity by reducing the fares to alleviate the burden of the public. We should know that the greatest difference between public organizations and private enterprises is that private enterprises usually put profit in top priority, while public organizations regard public interest as the most important. If public organizations do not care at all about the fate of the public and just set their targets at reaping huge profits, then why should we need public organizations? They might as well be run as private organizations.

Another consideration of the Government is market competition. It could be said that the two railway corporations have an absolute edge over other competitors in this respect. The Third Comprehensive Transport Study Report published by the Government in 1999 railway development a priority target. It is envisaged that railways will play a more important role in the future

development of transport as a whole and it means that the leading position of railways will be even stronger in the market. Furthermore, after the commissioning of the two new railways, duplicating bus routes will be cancelled. The above situation fully reflects that railways will have an even greater edge in the future and their profits will be more stable. Therefore, they are in a better position to set the fares at a lower level. Moreover, we must emphasize that under the situation where railways have monopolized the market, the Government must establish a mechanism to monitor their fares so as to safeguard the interests and rights of passengers.

The other two major considerations are the economic condition and the affordability of the public. On Monday, the Government announced that the unemployment rate had reached 7.4% and 253 000 people were unemployed. Under such an economic condition, any fare determination should take into account the heavy burden of the public under the poor economic environment. In fact, according to government statistics, the accumulated deflation rate during the 42 months since 1998 has reached 12%. Among clothing, food, housing and transport, the costs of clothing, food and housing have been adjusted downwards, and the income of the public has also decreased significantly while transport costs alone have seen no reductions. The two railway corporations have only frozen their fares since 1997-98 and even proposed a fare increase last year. Their fares have only continued to be frozen because their proposals were fortunately turned down due to strong opposition from this Council. If the fares of the two new railways were kept at a high level, it would constitute a heavy burden on the public, or it could be said that the public would be dealt a further blow.

At present, the bus fare from Tseung Kwan O to Central is around \$13 while that from Tuen Mun and Yuen Long to Central is as much as \$20. The transport costs for residents in these areas range from \$800 to \$1,200 monthly. Take the example of a clerk who works in Central with a monthly income of only \$6,000 to \$7,000, his expenses on transport already constitute 10% to 20% of his income. So, the determination of fares actually has a close relation to the public, and it is very important. If the fares of the two railway corporations remain high, they are definitely ignoring the plight of the public and this is also in contravention of the six principles mentioned earlier.

Madam Deputy, after considering the factors of fare determination put forward by the Government in the past, I must stress that the two railway

corporations should certainly afford to set their fares at a lower level, so as to reflect the realistic situation, and they are also obliged to alleviate the burden of the public.

Madam Deputy, I so submit.

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

(No Member responded)

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam Deputy, I have listened very carefully to Members' suggestions about the determination of fares of the new railways by the MTRCL and the KCRC. I appreciate fully the concern of Members for fares.

When the MTRCL signed the project agreement for the Tseung Kwan O Extension (TKE) in 1998, it was estimated that the construction cost would stand at \$30.5 billion. The latest estimate is \$18 billion, which is about 40% lower than the original estimate. For the West Rail (WR), the estimated construction cost was \$64 billion when the KCRC signed the agreement for the project in 1998. The latest estimate is \$46.4 billion, which is about 28% lower than the original estimate. The costs have dropped mainly because the two railway corporations have managed to save costs and enhance efficiency, coupled with the fact that the economic condition in recent years has made it possible for the projects to be awarded at lower costs.

Earlier in the debate, several Members pointed out that the two railway corporations will consider many factors in determining the fares for the TKE and WR, including operating costs, the range of distance travelled, market conditions, passenger affordability, competition from other transport modes and the financial position of the railway corporations. We therefore believe that in determining the fares for the new railways, the drop in construction costs will be one of the considerations, but not the only one. The railway corporations must consider those other factors I have mentioned.

Take the example of the TKE. The MTRCL has indicated that the number of people moving into the Tseung Kwan O area has been less than

expected. Moreover, the property market has plummeted dramatically, resulting in a corresponding reduction in profits coming from property development, which reduction may be offset against the construction costs saved. Regarding the WR, due to a slowdown in the economy, the number of people living in areas along the railway has been smaller than expected. Furthermore, there is competition from other transport modes. So, the KCRC forecasts a possible lower rate of return than expected.

The MTRCL and the KCRC operate on commercial principles. We believe the corporations will set a competitive fare structure to attract passengers to use their new services as much as possible. The MTRCL has indicated that fares for the TKE will be set at a competitive level and the fare structure will be similar to the regional fares along other railway lines of the MTRCL. The KCRC will set a fare for the WR when the same nears completion, after taking into consideration of all factors.

Indeed, in each of their annual fare reviews in the past five years, the two railway corporations decided to freeze their fares, after carefully considering their own financial positions, passenger affordability and the overall economic situation. The MTRCL and the KCRC conducted their last fare review in February this year. They finally decided to further postpone their fare adjustment originally scheduled for April this year. The chairmen of the two railway corporations share the same views: they do not want to increase the burden of the people when the economy is poor.

The Government understands that the people are very much concerned about the issue of transport expenses. It has encouraged the MTRCL, the KCRC and other major public transport providers to provide fare concessions to their passengers as far as possible, taking into account of their operating conditions. At the moment, the two railway corporations have offered a number of concessions to their passengers, such as fare concessions to their Octopus card passengers who are the elderly, students or children; fare concessions to passengers of the Airport Express Line using the same-day return tickets, free feeder bus service for East Rail passengers and a bonus points system for Light Rail passengers. The two railway corporations have indicated that they will continue to look into other possibilities of offering concessions to their passengers to attract as far as possible and as many passengers as possible to use the railways and will continue providing value for money services to their patrons.

Again, concern was expressed by Members for the arrangements of other transport modes after the new railways have begun service. Where the TKE is concerned, we pointed out, in briefing the Panel on Transport in January this year, that the Government would, in the light of possible changes in the traffic pattern in the relevant districts, study the making of public transport service plans and co-ordinate all public transport modes to cater to the realistic needs of passengers and changes in service demands. In the past few months, the Transport Department has consulted the relevant District Councils a number of times and made careful reference to their opinions in order to draw up a suitable public transport service plan. We will report to the Panel on Transport on the 28th this month on the relevant plan. In respect of the WR, we have begun the research work. There is over a year before the WR comes into service; so we still have time for the research. Our aim is to strike a balance. On the one hand, we have to provide certain choices for the people and maintain a certain level of competition against railway services. On the other hand, however, an environment must be created for the new railways to bring the effectiveness of the investment into full play.

Members indicated earlier that they were concerned about the relationship between operating costs and the Composite Consumer Price Index. My view is that they are not directly related. For example, the operating costs of the KCRC and the MTRCL include mainly staff expenditure (about 30% to 40%), depreciation (about 20% to 30%), electricity and fuel (about 10%) and maintenance and repairs (about 10%). The two railway corporations would certainly not cut staff benefits and wages without any good reasons. Most of the costs relating to depreciation, electricity and fuel and maintenance and repairs are not entirely controlled by the two corporations. In addition, the two corporations have to retain a large amount of capital to carry out plans for new railway development and service improvement. So, the room for them to lower operating costs may be limited due to some external factors. Nevertheless, the two railway corporations would continue to prudently control their operating costs and employ every means possible to cut expenses to minimize the pressure to increase fares.

Lastly, I would like to explain the percentage of the expenses spent by the people on transport in their total expenditure. The Household Expenditure Survey released by the Census and Statistics Department shows that among their total expenditure, the amount spent by the people on transport includes other items than just domestic public transport expenses. Some examples of these

items are car purchases, petrol, licence fees, insurance premium and charges for inbound and outbound transport. When these items are discounted, according to the analysis made by the Census and Statistics Department, the ratio of expenses on domestic public transport as a share of the total expenditure shows an increase of only a small 0.31% over the last five years.

THE PRESIDENT resumed the Chair.

Madam President, I fully understand that the public is concerned about fares for public transport services under the prevailing economic condition. Therefore, I thank Members very much for the valuable opinions they have expressed on the fares of the two new railways. I firmly trust the two railway corporations will consider carefully the opinions of the Legislative Council and the public in determining the fares.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Andrew CHENG, you may now reply and you have up to six minutes 25 seconds.

**MR ANDREW CHENG** (in Cantonese): Madam President, I would like to thank the 11 Members who have spoken on today's motion. As Mr LAU Kong-wah said, this Council has endorsed motions in the past, to request major public organizations, in particular transport service operators to sympathize with the conditions of the people under the prevailing poor economic climate and to make comprehensive fare reductions in the light of their profits. As we had already discussed this question, so in deciding the subject of the debate, I hoped we could focus our discussions on the fare determination mechanism of the new railway. Therefore, I totally agree with Mr LAU Kong-wah and Mr LAU Chin-sek that it is necessary to review the pricing mechanism of other rail lines of the two existing railway corporations. Since the costs of the new railway have gone down, the two railway corporations should be in a profitable position, and that gives them more leeway to make comprehensive fare reductions.

Mr Abraham SHEK's opposition was mainly based on two principles. Firstly, commercial principles and this is an important criterion of Mr SHEK's opposition. However, I hope Members would understand that we are now talking about two railway systems that have a patronage of more than one million passenger/trips daily. The two railway corporations must indeed bear a social responsibility and look after public interest. In determining their fare levels, the two railway corporations would use commercial principles as a shield. But, in the case of the Siemens incident with the KCRC, some people used ossified excuses rather than commercial principles to defend their blunders and this is a very contradictory attitude. I hope Mr SHEK would understand that we are now talking about a mode of living, among the various needs of life, that has the most profound impact on the people.

Moreover, Mr SHEK referred to the issue of competition. In my introductory speech and the Secretary's earlier speech, we referred to competition from other modes of public transport within the same district. In the past, before the commissioning of the Light Rail Transit and other railway extensions, the Transport Department would often adopt a very cautious attitude in dealing with this problem. As regards competition between other modes of public transport in the same area and the railway, it seemed that the Transport Department had been even more cautious than the railway corporations. Now, the consultation exercise has been completed, and this issue would be referred to the Panel on Transport for discussion next week. According to my understanding, as in the case of Tseung Kwan O, though the residents have strong views on the four cross-harbour bus routes, I am convinced that the number of cross-harbour bus routes would be reduced. However, according to the findings of the consultation exercise, the decision will be temporarily shelved and the bus routes will not be cancelled yet. I believe the residents of Tseung Kwan O are sensible and they will also agree that competition in the market is very important, but this does not mean that all other services that compete with the railway should be abolished. They also think that not all cross-harbour bus routes should be maintained. I believe that the residents are now adopting a wait-and-see attitude in dealing with this problem. Of course, there is the environmental concern at the back. I hope Members would understand that the decision on cancelling 12 bus routes and shelving the cancellation of cross-harbour bus services would not become an obstacle to the competitiveness of the MTR in the district.

Some Members also mentioned market forces and Dr Raymond HO raised the issue of intervention. Madam President, actually, the wordings of the last few sentences of my motion are: "this Council urges the Government to discuss with the two railway corporations to ensure that the decreased construction costs of these new railways are factored in the fares of the rail lines (that is, the West Rail and the Tseung Kwan O Extension)". That means, I propose that the Government should conduct negotiations and not make interventions. Mr LAU Kong-wah mentioned that the new Directors of Bureaux could bring with them new hopes in July. I hope the Government will negotiate with the two railway corporations so that millions of residents in Tseung Kwan O and the Northwest New Territories could also have some hopes. I would like to stress once again that the public is free to cut their expenditure on clothing and food in the economic downturn, but as regards transport, they are forced to take expensive modes of transport and this is really a great financial pressure on them.

Madam President, my impression is that ever since the separate voting mechanism based on the manner in which Members are returned was introduced in this Council, my motions were seldom carried. Today, Members of the Liberal Party, the Democratic Alliance for Betterment of Hong Kong and the Hong Kong Progressive Alliance have all indicated their support for my motion. I hope other Members, such as Members of the Breakfast Group would also support my motion, so that my performance in terms of motion debates will not remain at zero. *(Laughter)*

Thank you, Madam President.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Andrew CHENG rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Andrew CHENG has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Tommy CHEUNG, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Dr Raymond HO, Mr Eric LI, Dr LUI ming-wah, Mr Abraham SHEK, Dr LO Wing-lok and Mr LAU Ping-cheung voted against the motion.

Dr Philip WONG, Mr Timothy FOK and Mr Henry WU abstained.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss Emily LAU, Miss Choy So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Dr David CHU, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted for the motion.

Mr NG Leung-sing voted against the motion.

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

The PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 15 were in favour of the motion, six against it and three abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 22 were in favour of the motion and one against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was carried.

**PRESIDENT** (in Cantonese): Second motion: Improving the imbalance in the utilization ratio between public and private medical services.

### **IMPROVING THE IMBALANCE IN THE UTILIZATION RATIO BETWEEN PUBLIC AND PRIVATE MEDICAL SERVICES**

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

First of all, I would like to thank Members for their enthusiasm and high spirits in preparing for the discussion about this motion after a lengthy meeting of nearly two days.

In recent years, with the continued improvement of our public medical services and the continual weak economy, the public dependence on public medical services has increased rather than decreasing. The utilization ratio between public and private medical services has reached a serious imbalance of 94 to 6. The Hospital Authority (HA) announced early this year a deficit of over \$250 million. It is estimated that the deficit will rise to over \$600 million next year.

According to the latest demographic projection by the Census and Statistics Department, our population is ageing and growing in size. In the coming three decades, our population is forecast to reach 8.72 million. The proportion of people at the age of 65 or over will increase from the present 11% to 24%. In fact, I will be one of them. It is estimated that they will put both the public and private sector health care systems under much greater pressure. If we do nothing about it now, our medical services will suffer from a decline of

quality, thus increasing the risk of incidence of medical blunders. The situation is like the pressure cooker on my desk. It will eventually be distorted or even explode because of the mounting pressure.

I have recently conducted a questionnaire survey. The target is the health care staff of the public and private medical institutions of Hong Kong. In the questionnaires that returned, which amount to over 600, nearly 65% of the respondents from the public sector stated that the workload was so heavy and the work pressure so great that their morale was affected. The situation is none the better in the private sector. 56% of the respondents worried about layoff and pay cut because of insufficient and withering patronage in their respective institutions. They also claimed that their morale had been affected. The present unsatisfactory situation is in dire need of improvement.

Therefore, I would like to explore different options to improve the imbalance in the utilization ratio between the public and private medical services.

First, I would like to look into the deployment of resources. Although the Government has repeatedly emphasized that resources are limited, implying there is little room for additional resources for public health care, the annual report of the HA in 1999 shows that the expenditure on medical and health in Hong Kong only accounts for 5.7% of the Gross Domestic Product. This ranks very low among the advanced countries. In the United States, the figure is 13% and in the United Kingdom, 6.9%. Hong Kong definitely lags far behind. Is it really impossible to increase our resources; or our Government just wants to have its cake and eat it?

Madam President, since I have become a Member of this Council, I have been visiting various public medical institutions. As far as I can observe, the accident and emergency departments, medical wards, surgical wards and psychiatric wards, as well as hospitals in densely-populated areas have become pressure points and disaster areas because of the inappropriate deployment of resources. According to the standard set by the HA, the average number of beds in a medical ward should be 36. However, the number of beds in most hospitals exceeds this standard by 20 beds. Such overcrowdedness is unacceptable. One of the solutions is, of course, to deploy resources appropriately so that the workload of the health care staff working in those wards and hospitals will be reduced and their work pressure alleviated.

I am sure that people who have visited public hospitals must have witnessed the very busy life of the front-line staff of the above-mentioned pressure points. This Council will most probably pass the bill on civil service pay cut at a later date and the HA staff will also be affected by the bill. I think the morale of my co-workers will suffer further.

Due to the shortage of nurses, up till now, some of my co-workers still cannot take compensatory leave for their Lunar New Year holidays. It is most likely that they are suffering from fatigue and exhaustion. Under the circumstances, how can they afford to have the spirit and energy to pursue continued training at leisure to keep abreast of the rapid advances in medical technologies and knowledge? Therefore, I very much hope that proper arrangements can be made for them to receive training so that their professional services for patients will be enhanced.

The occupancy rate of the private hospital beds has dropped from 65.2% in 1991 to 54.4% in 2000. The main reasons for this are twofold:

First, it is universally known that there is a huge price differential between the public and private medical institutions; and second, the private hospitals have all along been criticized for lacking transparency in their charging systems.

Madam President, I would like to share a case of charging with colleagues. Recently, a member of the public came to me for assistance. He had received a surgery on prostatic hyperplasia. At first, it was estimated that the surgical charge plus hospitalization fee would amount to over \$30,000. However, the bill ended up being \$50,000 to \$60,000, which was well over his budget. He asked me to request the attending doctor to reduce the fee or do something. Fortunately, I happen to know that famous doctor. In fact, he is well-known. He was willing to help and the man who came for help finally managed to meet the bill. This case shows that the charging systems of private medical institutions are plagued with problems. Therefore, I hope the Government will encourage the private medical institutions to enhance fee transparency, provide diversified services and assure service quality in order to improve its competitiveness. They should not regard patients as lambs awaiting to be slaughtered. The daily charges of the public hospitals are only \$68. People can enjoy the whole set of services, everything inclusive. In comparison, the private hospitals have to improve their service quality so that people who have the means will have confidence in their services.

If an independent, fair, open and credible complaints mechanism is put in place to facilitate effective monitoring and quality assurance, I think the patients' confidence in using private sector services will be boosted.

Inadequate exchange of information leads to poor interface between the public and private sectors. The Government should co-operate with relevant institutions to better develop a comprehensive electronic medical information system which provides a platform for the public and private medical institutions to share medical knowledge and information. Subject to individual patient's consent, medical records can be exchanged among institutions to facilitate the referral of patients.

I would like to point out that in recent years, the diet of the Hong Kong people has become increasingly out of balance, and coupled with the lack of exercise, obesity is a growing phenomenon that extends into the younger generation. This leads to a continuous increase in incidence of heart diseases, diabetes and stroke.

As the old saying goes: "Prevention is better than cure". Various government departments, for example, the Department of Health, the Food and Environmental Hygiene Department and the Labour Department should work together to proactively develop primary health care services, promote the prevention of common illnesses and occupational diseases and enhance people's knowledge of health education. In this way, chances of people getting sick will be smaller and our overall medical expenditure will be reduced in the long run.

In fact, in the past, the Government conducted a lot of studies in health care reform. For instance, the consultancy report on the Consultative Document on Health Care Reform prepared by the Harvard panel of experts from the United States was released in 1999 and a consultative document entitled "Lifelong Investment in Health" was released in 2000. Unfortunately, nothing much comes out of these studies.

This Council held a motion debate on the consultative document on health care reform last year. Many Members offered a lot of constructive advice for the reference of the authorities. Unfortunately, until today, the Secretary for Health and Welfare has not yet reached a conclusion on future health care financing to seek public support. Does he still believe that the Health Protection Accounts scheme is practicable? Or does he have another plan in

mind to increase public medical fees, such as introducing charges for accident and emergency services in order to improve the imbalance between the public and private medical institutions?

If the Secretary does intend to follow his calculated plan, he should make it known to the public as soon as possible. He should not scheme behind closed doors. I would like to remind him that if medical fees of the public sector are to be raised, a safety net should be put in place to take care of the impoverished and the chronically-ill so that they will not become victims of the new policy. They should not be left on tenterhooks to worry about their basic right to medical services being deprived.

If the Secretary is on the list of accountable officials to be announced tomorrow, he should pay more visits to various districts in future to advise people that there is no free lunch in this world. The public should be made to understand the concept of cost so that they will make plans for their medical expenses in advance.

Everyone has to go through the processes of birth, senility, sickness and death. I am sure all of us here will make use of medical services someday. I sincerely hope that Members will support my motion to urge all sectors of the community to endeavour to demand quality assurance of medical services so that the public may obtain the best protection for their health.

With these remarks, I beg to move.

**Mr Michael MAK moved the following motion: (Translation)**

"That, as currently the serious imbalance in the utilization ratio between public and private medical services has drastically increased the workload for and pressure on the staff providing public medical services, this Council urges the Government to actively face up to the problem and expeditiously adopt the following improvement measures to prevent a decline in the quality of public medical services, including:

- (a) deploying resources appropriately and strengthening professional training, so as to assist the staff providing public medical services in coping with the service demand;

- (b) strengthening co-operation between public and private medical institutions, and encouraging private medical institutions to provide a higher level of services and enhance the transparency of their charges, so as to attract more people who can afford such charges to use private medical services; and
- (c) strengthening the co-ordination among relevant departments, so as to formulate long-term goals and strategies for vigorously pursuing the promotion of primary health education and disease prevention."

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

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, this Council has discussed issues concerning public and private medical services on many occasions because there is a problem in the utilization ratio between the public and private medical services. The Government thinks that the current expenditure on public medical services is so high that funding is insufficient at present, and may be in future. Especially as our population is ageing, financing will become a problem. In the past few years, the above-mentioned issues have been frequently discussed both inside and outside this Chamber.

Madam President, both in the past and at present, medical services in Hong Kong are provided by a dual system, with the public and private sectors both playing a role. Under the circumstances, both the well-off and the poor, when they become sick, have access to public and private medical services at their own choice. This is a distinctive feature of our medical system. If we introduce any changes now to alter this edge, I think problems will arise.

Let me cite an overseas example as a comparison to illustrate my point. We visited Toronto in Canada last year and learnt that they also had to face problems in public medical services. The government there was prepared to implement some reforms and they had to face a lot of daunting challenges. This is the situation with a unitary system of medical services.

In the United States, a medical insurance system is in place, but it has nonetheless given rise to another serious problem. Under the system, many of

the poor are denied access to medical treatment, and even the insured cannot obtain proper medical care. Madam President, I had a car accident during my visit to the United States last year. As the Government of the United States was my host, it had taken out a heavy insurance policy for me. However, after I was sent to the hospital, I was casually discharged after a few X-rays were taken. When I had returned to Hong Kong, the injured area was painful for several months and I had to go to a chiropractor for treatment. A friend of mine asked me why I did not stay in the hospital in the United States for a rest. My only answer was that the doctor there did not admit me to the hospital. Therefore, I could do nothing but leave the hospital and continue my visit. I think this is really a very good example. Afterwards, the chiropractor in Hong Kong told me that if the hospital in the United States gave me a thorough examination, a lot of medical expenses would be incurred. That hospital might be expelled from the network of the insurance system if a lot of expenses were spent on the treatment of a patient like me. Thus it can be seen in this case that under the medical system of the United States, the poor are denied access to medical treatment, and the treatment received by the insured is restricted by the insurance system. Everyone who is familiar with the situation in the United States knows that there is a malignant tumour in the system. In the other countries where an insurance system is practised, they have other problems.

After we have seen the situation in other countries, when we look at Hong Kong, we find our system is very good. I recall at the residents' gathering on the discussion of the policy address held at Shun Tin Estate after the release of the policy address last year, I told the residents that the Government might introduce changes to our medical system. A resident spoke up and told us he had just returned from Canada. He was a Canadian resident, as well as a Hong Kong citizen. He was of the view that changes should not be introduced to the medical system of Hong Kong and there was a great difference between the medical system in Canada and in Hong Kong. The government was responsible for provision of all medical services in Canada. However, as expenses were involved, Canada was unlike Hong Kong where we can pour everything into rescuing the dying and healing the wound. In the process of treating a patient, the medical staff in Canada had to take a lot of factors into consideration. Under the existing medical system, the people of Hong Kong could obtain quality medical services. Therefore, he thought that our system had an edge over the Canadian system. He cited the experiences of his family member as an example and suggested that our system should absolutely remain intact.

In fact, numerous examples show that our existing medical system, which includes the public and private sectors, is good. The problem lies in the resources. The Government said that if the existing mode continues, especially as our population is ageing, it will become more and more impracticable. We have contemplated this problem for many years. The Government always says that an insurance system or any scheme of that nature should be put in place as soon as possible.

Madam President, when compared with the other countries, how much exactly do our medical expenses account for the total expenditure? I cannot deny that our medical expenses have increased from 3.7% in 1999 to the current 5.7%. There is certainly a rise. However, even if there is a rise, when compared with the other countries, for example, Japan, Australia, the United States, Canada and Sweden, our expenses are remarkably low. In Japan, the medical expenses account for 7.4% of the total expenditure; in Australia, 8.6%; in the United States, 12.9%; in Canada, 9.3% and in Sweden, 7.9%. Though our current medical expenses have risen to an unacceptably high level, they only account for 5.7% of the total expenditure.

I think it is not late for us to conduct a review on this issue now. We note that as our population ages, a lot of people at the grass-roots level will become even poorer. When they become sick, they will seek medical services from the public sector. However, they may not be able to do so in future, as stated in the Harvard Report. Nevertheless, I think it is not late for us to do something now. We should consider the way ahead of the public and private sectors if they continue to develop in the current direction. In fact, I think we do have problems now.

Since the establishment of the Hospital Authority (HA), the medical expenses of the public sector have significantly increased and the utilization ratio of the private sector considerably shrunk. Before the establishment of the HA, the public hospitals took 85% of the market share whereas the current figure is 94%. At the same time, there has been an obvious shrink of the market share of the private sector, which is at present only 6%. This is a fact reflected also in the utilization of hospital beds and other expenses. Facing this fact, I wish to query the HA and the Government about their promises made 10 years ago. For instance, currently, the Government intends to put the out-patient services of the Department of Health under the charge of the HA. This is similar to the proposal made by the Government at that time to increase the provision of B

Class wards. We all know that in the past, when patients were admitted to the public hospitals, most of them would stay in the C Class wards. However, at present, they can choose to stay in the B Class wards. Under the circumstances, I think the Government has to handle this issue carefully. If it develops along this trend, our existing system will eventually undergo a transformation.

Moreover, the private hospitals also fail to live up to our expectations with their high fees and low transparency. In the past, it was even worse. Patients were notified of the medical charges only after they had received treatment. Now, depending on the practice of individual hospitals, patients may know the charges before they undergo any surgery. In fact, private hospitals have their own problems. They should not blame public hospitals for their own inadequacies.

Now, I very much hope that the Government will refrain from addressing these problems by increasing medical fees and changing the structure. It should re-engineer our existing services. I would like to make several suggestions. I think in the area of medical services, focus should be on the strengthening of primary health education of a preventive nature instead of medical treatment; promotion of knowledge on health care and improvement of family medicine. At the same time, the private medical institutions should be urged to be more open so that people can have greater choice in medical services.

Madam President, I so submit.

**MRS SOPHIE LEUNG** (in Cantonese): Madam President, the Liberal Party has raised the issue of the serious imbalance between public and private medical services on many occasions in this Council. As regards the issue raised by the Honourable Michael MAK today, we will in fact move a similar motion every year. In view of the growing and ageing population, it is envisaged that public medical expenditure will continue to rise. This, in addition to the fact that the HA has indicated that it is facing a huge deficit, I believe Members, like the Liberal Party, will agree that the Government should monitor health care expenditure carefully.

In fact, the imbalance in the utilization ratio between public and private medical services is due to the fact that the charges for public medical services are too low and its quality is too high, thus attracting an influx of public demands for

public medical services. However, since private and public medical services are not competing on an equal footing, for example, the daily charge for an ordinary ward in public hospitals is \$68 and this is already all-inclusive, including "good soup" and "good meals". On the contrary, private hospitals are not subvented by the Government and all overheads must be met by the charges. Public hospitals also enjoy great advantages over their private counterparts in terms of investments on new medical facilities and medication procurement.

Recently, the HA has reached an agreement with the Hong Kong Medical Association on patient triage and referral, and exchange of information. The Liberal Party thinks that this is a very good start. We believe that by suitably diverting patients to private hospitals, they could share the workload of public hospitals effectively. However, the authorities must also guarantee that no people would be denied of proper health care because of financial difficulties.

The Liberal party thinks that in order to solve the problem effectively, both private and public medical services must be truly interconnected. In fact, since 1999, the Liberal Party has proposed that the Government should encourage private practitioners and specialists of different specialties or local professional medical groups to set up joint clinics in public housing estates or large private housing estates by offering various feasible concessions, such as rent concessions or relaxation of land grant conditions to provide the public with more comprehensive and more reasonably priced out-patient services.

The Government should also allow quality joint clinics to peg with public hospitals and continue to actively consider contracting out some medical services and train up more family doctors.

Furthermore, a more controversial recommendation is to introduce a financing scheme for public medical institutions. In fact, this was also recommended in the Harvard Report or mentioned by many people even before the release of the Report. Though Miss CHAN Yuen-han cited the example of the medical system of Canada earlier, that system is now plagued with problems. However, there was a time (actually it was only about 10 years ago) when many people migrated to Canada for one of its attractions — its medical system. However, if the price, that is, the financing problem cannot be controlled within a certain level, we would also soon "go through the ceiling". Therefore, in the long run, we should earnestly improve the imbalance in the public and private

medical services and the abuse and misuse of medical services. Under the prerequisite of keeping within the affordability of the public, we should also introduce our earlier proposals, namely charges on accident and emergency services, separation of medical and dispensary practices, choices for patients, charges on medications or even a certain level of medical insurance system. It was reported in *Ming Pao* today that 98% of the doctors were in support of imposing charges on accident and emergency services. And, one of the major issues under discussion in our motion debate today is the heavy workload of and great pressure on our front-line medical workers. I urge Members to listen to their heartfelt wishes. I believe the Secretary has the resolve to deal with this issue. However, when such subjects are raised for discussion in the Legislative Council, have Legislative Council Members really listened to the views of these front-line workers, or have they just discussed the issue without taking any actions?

The Liberal Party also thinks that as long as the existing quality of service is not affected, the proposals on cutting expenditure through networking or integration of services and more flexible use of resources also merit support. In fact, the Government has recently helped the HA to achieve enormous savings on administrative costs and reduced the duplication of resources by implementing the hospital networking programme. This shows that though there is not much room for productivity enhancement of the HA, there is still some room for manoeuvre and this can also serve as an example for other public organizations in Hong Kong. We hope to encourage the authorities to continue its efforts in this direction.

As regards the enhancement of training for health care workers, the Liberal Party also attaches a lot of importance to this issue for it is related to the quality of medical services and helps to upgrade the skills and efficiency of the staff. However, our enormous concern is that not only the skills of the staff have to be upgraded, the quality of people should also be upgraded. The Liberal Party thinks that the community of Hong Kong as a whole should also endeavour to upgrade the quality of our people.

Furthermore, we also strongly support the idea that we should do a good job on health education and disease prevention. This is the only way to make the public more concerned about their health and have a better grasp of their health condition instead of just doing what the doctors say. In fact, some people have also pointed out that the over prescription of drugs has caused many liver

and kidney diseases in Hong Kong. If we could effectively prevent diseases, then we could reduce the demand for medical services, and each member of the public could have a better understanding of medical and health care. We hope that there would be better co-ordination among different departments and a clearer long-term goal could be set for this would help policy implementation and reduce the duplication of resources.

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

**DR RAYMOND HO** (in Cantonese): Madam President, first of all, I have to declare that I have a younger brother and two sons working for the Government and the Hospital Authority (HA).

In recent years, the Government has injected a lot of resources into medical services and in particular, since the establishment of the HA in 1990, there have been marked improvements in the quality of our local public medical services. The people of Hong Kong, the rich and the poor alike, can also receive primary medical service. Though the waiting time is long, many people, in particular the chronically-ill, will choose to use public medical services, so as to reduce their medical expenses. Given the economic downturn in recent years, more and more people have switched from private medical institutions to public institutions in seeking medical treatment, thus creating an imbalance in the utilization ratio between public and private medical services.

With more people choosing public medical services, it will undoubtedly increase the pressure on public medical expenditure, in particular the HA, thus imposing an even greater pressure on the Government for the Government itself is also suffering from a deficit. However, since medical services have a direct bearing on public health and life, the relevant authorities must strive to maintain the quality of services.

As regards the existing resources, the relevant authorities should focus on more flexible deployment of resources and also employ more effective measures to prevent some people from abusing the public medical service, such as obtaining medicine through improper means or deception or treating accident and emergency departments as out-patient clinics. For people who do not abuse the medical service intentionally, the Government should give them a correct message by means of appropriate publicity campaigns. To upgrade the standard

of medical service, the Government must also enhance the professional training for health care workers, because their professional standard will directly affect the quality of medical service received by the public.

In order to improve the current imbalance in the utilization ratio between public and private medical services, the Government should strengthen co-operation between public and private medical institutions. According to my understanding, the public and private medical institutions have already embarked on some co-operative programmes. For example, when those members of the public who seek treatment from public medical institutions have to undergo certain medical procedures like C.T. scan, they can ask for referral to private medical institutions and have those procedures conducted at such institutions at their own expenses if they do not wish to wait for a long time at public medical institutions but still wish to continue to receive treatment at public medical institutions.

Circumstances permitting, the scope of co-operation between public and private medical institutions should be expanded. On the one hand, the resources of private medical institutions could be more fully utilized and on the other hand, patients who could afford the expenses could receive treatment more expeditiously. More importantly, such arrangements could undoubtedly alleviate the pressure on public medical institutions, so that people who have no alternative but to rely on public medical institutions could also be benefitted.

In the long run, the alleviation of pressure on public medical institutions could be achieved only through the prevention of diseases. Many chronic diseases that impose heavy pressure on the local medical institutions are attributable to the living habits of the people. If the people can have a profound awareness of such diseases and take preventive measures, then their chances of suffering from such diseases could be reduced. Therefore, it is necessary for the Government to enhance primary health care education. It could also start doing so by educating the students and enhancing their knowledge on healthy diets and lifestyles. Madam President, I so submit.

**MR ABRAHAM SHEK:** Madam President, high quality, efficiency and affordability are the distinctive features of our public health care system. Our public hospitals are one of Hong Kong's most enviable achievements in Asia, if

not in the world. And for this, we should express our thanks and appreciation to Dr YEOH and his team of merry men. But they have become the victims of their own success. Our low-fee, high-quality public health care system is not without its problems. It is an expensive system to maintain. In the long term, it may become a burden beyond our capability to afford.

Currently, public hospital care is provided at a price so low that many in the community have seen it as "free meals". And these "free meals", I must say, are also very lavish. Public hospital patients are paying a nominal fee for internationally comparable medical facilities and treatment.

It is not surprising that both the well-off and the poor, when they become sick, prefer public hospitals to private hospitals. For years, the balance has been heavily weighted on the public providers' side, which now takes 94% of the market share. Public hospitals have virtually monopolized the hospital care market, substantially eroding the survival space for private providers.

But we know that there are no such things as "free meals". When the patients do not pay the full cost, the public has to pick up the remainder of the price tag. Public hospitals have subsidized nearly the full cost of their services, as fee income from patients now covers less than 3% of hospital expenses. The financial burden has become so heavy that the Hospital Authority (HA) failed to make ends meet for the first time last year. The HA expects that the deficit will worsen this year and extend into the next year. This is an alarming signal. As far as I can see, the HA might run into deeper economic problems if the present imbalance remains uncorrected.

The imbalance has stretched public hospitals beyond their capacity in more than one way. During the prosperous days of the '90s, the HA strengthened its influence in the health care market through rapid expansion in services. Its success is not only confined to quality, but also in quantity. It opened more and more new beds, thus multiplying the number of patients and bed days significantly.

But the expansion is not supported by a corresponding increase in front-line hospital staff. The same pool of staff has been serving an increasing number of beds and patients. Many of the staff have become exhausted by mounting workload and pressure, which adversely affect service quality and efficiency.

Even the HA has admitted that public providers are handling more than they can cope with. This imbalance between the public and the private sectors has become increasingly unacceptable. The HA has actively explored ways to cut cost and increase income, such as by raising user fees. These measures may slow down the overall increase in costs, but they may not be effective enough to restore the HA's financial sustainability. The private sector should not be deterred from taking greater participation any longer. Their participation will ease the pressure from maldistribution of both use of available health resources and workload.

Yet, I fail to see how the HA will fulfil its promise of opening up the hospital care market. Despite a widening deficit, the HA still plans to open 366 new beds this year. It is reluctant to reduce any services, since service reduction implies a funding reduction. It seems that the HA is only playing lip service to promote public-private collaboration. In fact, it still hopes to meet the ever-increasing service demand with its limited resources.

It is obvious that the HA has to change its mentality. It has to readjust and reposition its role in the market. It has to overcome its reluctance to share its responsibilities with the private sector. This will mean greater collaboration and communication, for example, in the form of transfer of patients at different stages of treatment and exchange of clinical and patients' information.

So far, the Government has commissioned two individual reviews on health care reform, one in 1997 and another in 2000. Both reviews confirmed the need for the Government to devise a coherent overall policy for health care financing, in particular the setting up of a sort of health insurance scheme. The "money following patients" principle behind such a scheme will provide an economic level playing field between public and private providers. It is important that neither the public nor the private sector should be given financial advantage, thus promoting fair competition between the two sectors.

I agree with the broad aims of long-term health care insurance. But I would like to remind the Government that such a scheme should not reduce its commitment to the financial vulnerable part of the community. It must always be the Government's responsibility to maintain a safety net in the health care system. The less fortunate in our community should have equal access to quality medical care. I urge the Government to conduct more in-depth studies

on the subject in a prompt and open manner, before recommending how to take the matter further.

Madam President, we should not blame the HA and the Government for their efficiency. Private providers have to look into themselves to improve their service quality, too. With both improvements, Hong Kong will stand the winner. With these words, I support today's motion. Thank you.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, I now begin to understand why the Government and the public sector have often been criticized as inefficient and not doing as well as private institutions. This is not due to any economic theory, but rather if the Government or the public sector performs well, they will be criticized as competing for profits with the people. I believe Secretary YEOH Eng-kiong will also fully appreciate this argument, for at a City Forum in March this year, he was bitterly accused by a private medical practitioner in the audience as a profligate son of the rich who abuses the use of public funds and squanders money wantonly, thus resulting in excessive expansion of the public medical service and monopolization of health care services.

Madam President, I understand that the economic recession has made the operation of some private medical practitioners very difficult and some of them may even be saddled with the problem of negative assets. They are subject to heavy financial pressure and their pressure will not be lower than that of the general public. Therefore, unlike what the Government said about "CSSA nurtures lazybones", I would not smear dirt on the aggrieved private medical practitioners by saying that they are only being jealous and rub salt into their wounds. However, as regards the problem of imbalance between the public and private medical services, if some people should put all the blame on the high efficiency of public medical services and the fact that people could enjoy the services of high class hotels at the price of food stalls, and if some people should try to find a solution by steering in the direction of suppressing the development of the public medical system, lowering the quality of the public medical service and returning to the era of camp beds, then we must speak out at once and call a halt to it.

Since medical services are related to human life and safety, it should not be treated as an ordinary commodity. Every government has the responsibility

of providing all citizens with affordable medical services — I stress, it is irrespective of the financial means of all citizens. It should provide all citizens with affordable medical services. In our discussion on how to solve the problem of imbalance between public and private medical services, we must not deviate from this most fundamental principle. Some people may criticize this as a "communal pot" socialist system, which is inconsistent with the fine tradition of Hong Kong that stresses market logic. However, I must point out that the medical system of Hong Kong is not there to meet the conviction of disciples of the free market school and many studies have shown that this kind of "communal pot" system operates better than a market system. For example, in all countries that adopt "communal pot" systems, their medical expenditure constitutes a less percentage of their Gross National Product than the highly commercialized United States, while their patients are more satisfied with their medical services than patients in the United States. The United Kingdom is one of the most successful examples that adopt the "communal pot" system. Its per capita medical expenditure is only one third of that of the United States, while there is no discernible difference between the health conditions of the people in those two countries. In the eighties, the growth rate of the medical expenditure of the United States was 2.4 times that of its economic growth while that of Sweden, France, the United Kingdom and West Germany, which adopted a "communal pot" system was 1.2 times, 1.6 times, 1.7 times and 1.8 times respectively of their economic growth. On average, Americans spend the most money on medical services, but the number of their hospital beds per capita, hospital admission rate and hospitalization rate is the lowest among the above countries. This is not because Americans are healthier and thus do not have to be hospitalized but rather hospital charges are so expensive that hospitalization is not affordable to some people or that insurance companies are unwilling to pay the fees.

In view of the lesson of the United States, we insist on continuing to implement a subsidized and universal medical system in Hong Kong.

In Hong Kong, we do not have any evidence to show that the public medical institutions are less efficient than their private sector counterparts, and we can even say that public medical institutions are more cost-effective. However, having said that, I do not mean the public medical institutions of Hong Kong are completely problem-free. For example, the waiting time is too long and the workload of their health care workers is too heavy. Mr Michael MAK made an analogy to a pressure cooker earlier. In fact, we should also start

dealing with the problem of the excessive work pressure of front-line staff, but the Government has not faced up squarely to the problems of the quality of medical service and the pressure on the staff. On the contrary, it only concentrates on one problem at the moment, and that is, how to "cut back on funding", but this will make the problem worse. However, apart from "cut back on funding", the Government does not care about anything else. I believe in the long run, the financing and charges of public medical services is a difficult issue that must be addressed, but we must first deal with the issue of serious uneven distribution of wealth in Hong Kong. Frankly speaking, if the charge for a hospital bed in the ordinary ward is raised from the existing \$68 to \$100, I think it is still affordable to many people, but this will constitute a very heavy burden to some low-income families. If the Government is not willing to seriously address the problem of the disparity between the rich and the poor, many government charges, including medical charges can only remain at a low level.

Therefore, we hope that the future Director of Bureau will consider one more aspect. Instead of just focusing on increasing medical charges, he should consider how to offer subsidies for low-income families, so that they could maintain a living of such quality and standard that will allow them to afford living expenses at the market rate. This is the low-income families subvention system that has been advocated by us. If these low-income families are offered subsidies, then even if the charges are increased, they could still cope with the increase because of the subsidies.

Madam President, I agree that private hospitals have an existence value, but we should certainly not be so counter-productive as to artificially lower the quality of public medical services or require the public sector to turn patients away through various methods. In order to reverse the imbalance between public and private medical services, the fundamental solution lies in increasing the competitiveness of private medical services. Dr LEONG Che-hung, a former Member of the Legislative Council, said in a newspaper commentary last month that if private hospitals could improve their inadequacies, then they could certainly attract patients of their own. He was the opinion that private hospitals did not understand the needs of their patients. The patients ask for high transparency in charges, high quality and stable medical services, and a healthy monitoring mechanism, and they require that private hospitals should also have a highly efficient team effect like public hospitals. And, private hospitals have lost their market share because of their failure to meet the demands of the public in these areas.

Dr LEONG also said the weakest aspect of private hospitals is the absence of a team work medical force. Each resident doctor is just working on his or her own and the family members of the patients will worry that no doctor will be available in private hospitals to provide timely and high quality rescue service if there is any relapse in the conditions of the patients. I believe that private hospitals can win back its market share by building up a team system in private hospitals.

In solving the problem of the imbalance between public and private medical services, we hope to see that it is being done through speedy improvement of private medical services, rather than suppression of public medical services. We also hope that the Government will continue to invest in public medical services rather than "cut back on funding", like what it is doing presently. After making investments, the Government can improve the quality of medical services, and at the same time, alleviate the pressure on its staff and boost their morale. I believe it can also promote service quality improvements. With these remarks, Madam President, I support the motion.

**MR NG LEUNG-SING** (in Cantonese): Madam President, it is the ultimate policy objective of any health care system to reduce wastage of medical resources, to utilize medical resources reasonably and to provide quality services. However, government statistics show that in 2001, there was a severe imbalance in the utilization ratio between public and private medical services, the proportions being 93.4% and 6.6% respectively. In view of this, it is imperative that the Government addresses the imbalance so that the growth in expenditure on public medical services may be brought under control on the one hand, and the competitiveness of private medical services may be restored on the other.

In its mission statement, the Hospital Authority (HA) states that a medical policy objective is to ensure that "no one is deprived of the opportunity to receive appropriate care because of lack of means." The statement should be construed by the public as the Government having undertaken to provide appropriate health care services to people who are in financial difficulty rather than to provide luxurious health care services to people without limit. What happens now is that public health care services are provided to all indiscriminately at low charges, irrespective of their affordability. Thus, people are attracted to providers of public health care which charge very competitive fares. In the past, I stated that

in Hong Kong, a low-tax region, people who have the means should invest in their health for the eventual receipt of various medical services, so that more public resources should be reserved for those who are in genuine need. It has been reported that the Government will probably announce reforms in medical charges in the second half of this year. By that time, accident and emergency departments will be charging their patients and fares for general out-patient departments and specialist out-patient departments will be increased, too. I believe this will, to a certain extent, help to ameliorate the HA's financial crisis and minimize the said imbalance. My view is that a more radical direction is for the Government to reconsider and look into the possibility of working together with the insurance industry to encourage some families which are better off and have higher income to use private health care services as far as possible in order to achieve a more reasonable balance in the utilization ratio between public and private medical services. In the long run, public and private providers of health care services should maintain a complementary working relationship. We should establish a classification system of service quality and charges. This may ensure the grassroots can receive basic health care services and encourage people who have the means to choose to use a variety of medical services of different quality and charges.

I think the Government, when faced with the imbalance aforementioned, which has led to increased pressure and decreased morale for health care personnel, should implement the measures mentioned above. In addition, it should deploy resources in a reasonable manner, encourage continuing professional education and training. On the other hand, medical personnel should better equip themselves to continuously raise their sense of crisis and keep abreast of medical reforms to satisfy the demands of the people for medical services. Moreover, the Government should recruit more nurses and other medical professionals as appropriate to solve the problem of manpower shortage so that the medical profession in Hong Kong may be maintained at international standard.

Lastly, in addition to formulating long-term service goals and strategies for the provision of health care services, the Government should also assume an active role to launch a health education programme for all to enhance the people's awareness of their health and their ability to prevent diseases. In this regard, the Government must work together with various departments and institutions and even service units at the district level. It may even need the

help of the media to give publicity greater punch and breadth, so that health care knowledge may be spread to all. In this way, the goal of "prevention is better than cure" may be achieved.

Madam President, I so submit.

**MR LAW CHI-KWONG** (in Cantonese): Madam President, I would also like to talk about the issue of the victim of success: this time the victims are private medical institutions, not public ones. The personnel providing public medical services are having a hard time as more members of the public patronize public hospitals. However, they are rewarded for their efforts with the prospects of promotion and are free from the risk of being laid off. Members of the public also stand to gain. The improvements in public medical services have won praises from many members of the public. I hope that we can refrain from mentioning the term "victim of success" too often, since the victim in this case is definitely not public medical institutions, moreover, there is in fact more praise than criticism in this description. Too much praise for the victim of success will only make it go on making itself the victim because it will gloat over its success, congratulating itself. Therefore, this is not at all a description.

The motion mentioned the problem of imbalance and the heavy workload of health care personnel. Of course, whenever heavy workload is mentioned, the mention of increase in resources and manpower will then follow. However, Mr Michael MAK's motion only proposes to deploy resources, not allocating additional resources. From the point of view of a political party, there is no reason not to support allocating additional resources, improving services and reducing the workload, but we must understand that the heavy workload itself is not the cause of the problem, but merely a symptom. If we treat the symptom but not the cause of the illness, we are putting the cart before the horse. Evidently, any additional resources and manpower will only bring about further imbalance and will make more people flow into public medical institutions, which will result in further imbalance and heavier workload. Eventually, it would be necessary to keep increasing the manpower until private medical services collapse. It would then be no longer necessary to recruit any more staff and everybody has to queue up. Is this a desirable approach?

The imbalance worthy of our examination should instead be the role of public medical institutions and the priorities they should serve. Some of the

criteria for determining priorities are obvious. For example, the first and foremost consideration for public medical institutions is to safeguard lives, and the effectiveness of treatment is also a fairly important consideration — can public medical institutions prevent the conditions of patients from deteriorating? Can further medical expenses be prevented from being incurred in the future? Can diseases be prevented from further developing, for example from hepatitis to liver cancer, from cervicitis to cervical cancer? Do the medical services provided serve any preventive purpose and will public health risks be reduced? In determining the so-called priorities of public medical services, these areas may be given higher priorities, whereas some others may be accorded lower priorities. For example, health care services that purely provide comfort, or problems relating to treatment: some symptoms will improve naturally and there is hardly any use in treating them, for example, it makes little difference in consulting a doctor in 99% of sore throat cases. In view of this, is it necessary for the Government to spend money on treating illnesses that will cure on their own? Some treatments should obviously be accorded very low priority, an obvious example being treatment relating to appearance, that is, those carried out for cosmetic reasons. These issues obviously require more discussion.

Many Honourable colleagues also mentioned the issue of charges. The Democratic Party does not support adopting cost recovery as the objective of the policy on medical charges. However, if the policy on charges is used as a demand-side management tool and the charges reflect the priority of society in allocating medical resources, then I think the issue merits discussion. In other words, if we think that it is necessary to recover the cost of items which are accorded lower priority, even though it is considered that a high proportion of the cost should be recovered, I think there is still room for discussion. This is a management tool, not a way to recover the cost or solve the problem of deficit. I believe medical charges should not be considered one of the solutions.

The motion proposes to strengthen the co-operation between public and private medical institutions, and I definitely agree with it. Nevertheless, I think it is necessary to take into account the problem of patients being referred by private medical institutions but having none referred to them. Often, members of the public who seek treatment in the private medical structure will only be referred to public medical institutions, but once they are referred to these institutions, they will not be referred out of them again. The emphasis is on the process of referring them out of public medical institutions, but I think the crux of the problem does not lie in how many patients are referred out of public

medical institutions but in patients being referred into public medical institutions. If better arrangements can be made on referring patients to public medical institutions and there is better co-ordination in referring patients to public medical institutions, then there will be a greater chance of patients being referred back to private medical institutions. Therefore, in referring patients to and out of public medical institutions, the emphasis should be placed on the ability to refer patients back to private medical institutions after they have been referred to public medical institutions. This is a matter of priority.

The motion also mentioned encouraging private medical institutions to upgrade the level of service and increase the transparency of charges. I think for public or private medical institutions alike, it is highly desirable for them to raise the standard of service. This is beyond any doubt. In order for the market to attain a balance, if the standard of private medical services is raised significantly as opposed to public medical services, naturally more people will be attracted to private medical services. However, from the public's point of view, doubtless the higher the standard of both sectors, the better it is. As regards the transparency of the charges, the relevant panel of the Legislative Council has in fact discussed the low transparency of fees charged by private doctors on a number of occasions. Often private doctors are reluctant to disclose the structure of their charges, for example, the amount of consultation fee and the medicine fee in the charges because they worry that patients may wonder why such high a fee is charged when the fee for medicine is so low. This is a problem that has to be addressed. We have to educate the public to let them know that when they consult a doctor, most of the fees they pay are for professional expertise, diagnosis and professional advice, which are actually the most important and valuable part.

To enhance transparency, I believe a process of education is required and private medical institutions have to be more open in letting patients know what the charge structure is. At present, private hospitals offer some packages at fixed charges, but the present system is rather curious because most of these charges are founded on the principle of those with the means pay or paying more. If patients want to stay in a two-bed ward, they have to pay 50% more, and 100% more for staying in a private ward. However, the services offered are in fact entirely the same, it is only the ward that is different. In addition, the fee for the operation theatre will also double. I really do not understand the rationale behind this. Therefore, I believe it is necessary to do more so that the entire private medical system can be rationalized to inspire greater confidence in users

and let them know in advance how much they have to pay. Otherwise, the public would still prefer to play safe and go to public hospitals. With these remarks, I support the motion.

**DR TANG SIU-TONG** (in Cantonese): Madam President, the imbalance between the supply and demand of public and private medical services is long-standing. Since the establishment of the Hospital Authority (HA), the imbalance has become even more extreme. At present, the number of patient days of the HA accounts for about 94% of the patient days in Hong Kong. This imbalance has not only constituted pressure on public finance, but also exerted pressure on the front-line staff in public hospitals. The Harvard panel of experts pointed out in 1999 that the imbalance in the utilization of public and private medical systems is attributable to the "compartmentalization" of the whole medical system and the lack of co-ordination and continuity between public and private services. In 2001, the Consultation Document on Health Care Reform further pointed out that there were three major obstacles between public and private medical services: barriers relating to professionals practising in different sectors, information gaps and price barriers.

To give the matter its fair deal, it is unrealistic to try to close the gap in charges between public and private medical services, otherwise, there will not be any difference between them. Without this difference, the situation in which patients who have the means can choose their doctors freely and seek services of better quality, whereas patients of the lower class can seek services of reasonable quality at a lower cost will no longer exist. Therefore, the emphasis of the authorities' work should focus as far as possible on removing obstacles in professional and information exchanges between public and private medical services.

What I wish to point out is that even if the obstacles in professional and information exchanges between public and private medical services can be removed, an intermediary with adequate training has to serve as an intermediary between the two to refer and stream patients, and this intermediary is no other than family doctors who have received professional training.

At present, patients are not well-informed about the services provided by private hospitals, but the public's idea that the charges are many and expensive is deeply entrenched. Therefore, without the referral made by trustworthy professionals with relevant knowledge, even if a patient has taken out a medical

insurance policy to avoid incurring unexpected expenses, the great majority of patients would still eventually seek the services provided by the HA.

I note that the HA has introduced a patient referral service in the Nethersole Hospital to provide and explain to patients information concerning the services and charge structures of private hospitals, and the service is provided by health care professionals who understand their patients' conditions, in order to encourage patients to seek treatment in private hospitals. However, since the patients have after all entered the public medical system and are awaiting treatment, I believe not many will leave the system midway because the services will soon be available to them. The success rate of the referral programme in the Nethersole Hospital is only 30%, and this has already discounted patients who are not suitable. If the total number of people seeking treatment is used as the basis, the success rate of referral is only 6%. However, if the referral service is provided at the primary care level before the patients enter the public medical system, the effect will be more evident and patients will also find it more readily acceptable. At least the problem of "*fait accompli*" will not occur.

As far as primary health care is concerned, at present 80% of members of the public consult private doctors. If they can assume the task of referring patients, I believe the task will be made a lot easier. Regrettably, although as high as 80% of the members of the public consult private doctors, they frequently switch doctors and members of the same family also consult different doctors, so it is difficult for the concept of family doctors to take root. Moreover, practising general practitioners also lack opportunities to receive professional training on family medicine, thus hampering the development of the concept of family doctors. Without any concept of family doctors, the relationship between patient and doctor seems to be rather distant and it is difficult to foster mutual trust. Under such circumstances, doctors have difficulty in obtaining information on patients and make correct referrals; whereas patients may not have full confidence in the referrals made by their doctors and may even suspect that a conflict of interest exists on the part of the doctor.

Madam President, apart from acute cases, patients normally do not go to hospitals direct to seek treatment. Therefore, the referral service has to start at the level of out-patient service in order for it to lead to primary care and in-patient services and straight to the public and private medical systems so as to rectify the shortcoming of compartmentalization. Therefore, I hope the

authorities will spare no effort in promoting the concept of family doctors and educate the public on its merits, as well as providing more training on family medicine to practising doctors who pursue further studies. To start at the level of primary care, connecting it to the public and private medical systems so that patients will follow their doctors' directions, will help alleviate the problem of imbalance in the utilization of public and private medical services.

Madam President, I so submit.

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

**MR CHAN KWOK-KEUNG** (in Cantonese): Madam President, the deficit of the HA has aroused concern in many sectors, and drawn the attention of many people to the imbalance in the utilization of public and private medical services. After the establishment of the HA, the quality of public medical services in Hong Kong has been upgraded enormously and the demand of the public for public medical services has also been on the increase. Prior to the establishment of the HA, public in-patient service accounted for only about 85% of the market share but it has now increased to 94%. The situation is totally lopsided. With regard to general out-patient service, the situation is quite the reverse, with the market being led by the private sector and the public sector accounts for only about 23% of the market share. The imbalance in the utilization of public and private medical services and the substantial increase in the people's demand for public medical services, in addition to the authorities' failure to put in place a suitable financing proposal, have created a heavy burden on expenditure on public medical services.

In order to alleviate the imbalance in the utilization of public and private medical services, a lot of people have made various proposals. Many people believe that the dominant position of the public medical sector, in terms of its charges and services, has induced members of the public, rich or poor, to patronize public medical services, and this is the main reason for the imbalance in the utilization of public and private medical services. Some people thus think that only by narrowing the gap between the charges of the public and private medical sectors can some people be attracted to make use of private medical services. However, this is not a proper long-term approach to solving the problem. The increase in the pressure on public medical services cannot

merely be attributed to the low charges of public medical services. The main reason is that the growth in population and its ageing have given rise to an overall increase in demand for medical services. Therefore, to increase the charges for public medical services will only shift the burden of medical expenses to members of the public, without truly solving the imbalance in the utilization of public and private medical services.

Apart from the proposal that the charges for public medical services be increased, some suggestions even alluded to deliberately arresting the progress in the qualitative and quantitative improvement of public medical services, such as lengthening the waiting time in public hospitals, providing medical services at a lower standard, and so on, in order to expand the vitality of private medical services. Such approaches are actually putting the cart before the horse, not something which the public would like to see.

It is true that the difference in charges between public and private medical services are one of the reasons why the people opt for public rather than private services, but this is not the only reason. We can see that the quality of public medical services has improved significantly in the past 10 years, and we should be glad about this. But during the same period, the impression given by private medical services has been one of stagnation. To alleviate the problem of imbalance in the utilization of public and private medical services, I believe the private medical services also have to carry out some reforms to enhance their competitiveness. One of the criticisms levelled at private medical services is that there is no uniform standards on charges and the transparency is low. Compared with public medical services, the charges of private medical services always give the impression that they are not standardized, as though people would be charged more if they could afford more. Since the charges are not standardized and their transparency is low, people will easily get the impression that there are no standards on the charges and they may even be overcharged, feeling that there is no protection for them. So even some of the people who can afford private medical services also switch to public hospitals. Private medical services should remedy this problem by enhancing the transparency of the standards on charges to attract more members of the public with the means to use private medical services. In addition, private hospitals should also try to upgrade their quality of service to enhance their competitiveness in the market. With rapid advances in technology, including developments in medicine, health care personnel should pursue further studies more often to enhance their abilities and keep abreast of the advances and developments in society.

In fact, it is also possible for public medical services to implement some measures to alleviate the imbalance in the utilization of public and private medical services. For example, health care personnel in public medical institutions can provide information on private hospitals to insured patients of non-acute illnesses to let them decide if they wish to be referred to private hospitals. All these are proposals that can alleviate the imbalance in the utilization of public and private medical services.

Madam President, the public's demand for public medical services is on the increase and the imbalance in the utilization of public and private medical services is also deteriorating, resulting in a heavy burden on medical expenditure. I hope the Administration will take appropriate measures as soon as possible to improve the present situation.

I so submit.

**MISS CYD HO** (in Cantonese): Madam President, I rise to speak in support of the motion moved by Mr Michael MAK. In fact, the issue of medical services has been discussed in this Council for a long time. It has been four years since the publication of the Harvard Report in 1998. Even though it has taken us a long time to discuss this matter, some of the administrative measures have already been implemented, so no one should keep saying that we hold discussions without making decisions. However, some of the problems are really very difficult. For example, an imbalance has indeed emerged in the utilization of public and private medical services. Since a lot of different interests and demands are involved in this issue, the resistance is also particularly great.

In the past, public medical services provided about 86% of all services, but the ratio has now shot up to about 95%. Despite the rapid increase in the demand for services, it seems there has been no increase in manpower. At present, it is certainly not the case that the staff in public hospitals have nothing to do. Though the number of patients has increased, there is no corresponding increase in manpower, so many doctors in public medical institutions are having a very hard time and complaining about the long working hours. Patients have nothing to gain from this either. If accountants or Members of the Legislative Council work overtime, this may not be much of a problem because the voting can be deferred a little. However, if health care personnel work overtime, but at the same time, it is not possible for patients in critical conditions to wait any

longer, in the long run, this will only increase the incidence of medical mishaps to the detriment of the public.

Given the imbalance in the utilization of public and private medical services and it is impossible to redeploy resources, in the short term we will note the problem just mentioned by me, but what about in the long run? The problem of deficit in public medical expenditure will of course occur. Prof Peter YUEN Pok-man of the Hong Kong Polytechnic University, who specializes in the study of medical economics, has pointed out that as long as Hong Kong maintains an economic growth rate of 2%, it is possible to cope with the problems forecast to emerge, such as an ageing population and rising medical costs. However, the 2% economic growth rate has not taken into account the continual flow of people who need private medical services into public medical services. In fact, with an increase of 1% in the number of patients who flow into public medical services, the cost will increase substantially. This is something that Prof YUEN is not in a position to forecast. Therefore, an economic growth of 2% may not be able to help us solve the problem of deficit in public medical expenditure.

What options are then open to us? Of course, we hope that the number of patients in public and private medical institutions can reach a balance. In fact, the situation will be vastly improved with an 1% reduction in the number of patients. Many Honourable colleagues keep saying that private hospitals lack competitiveness because there is a lack transparency in their charges and patients who are hospitalized cannot estimate the expenses their stay will incur. They may be able to cope if they suffer from minor illnesses because they can estimate how long they are going to stay in hospital, but it is very difficult to guarantee that no further complications will arise in the meantime, and should this happen, the patients will become gravely worried. Due to such worries, the patient may choose to stay in a public hospital right from the start. Private hospitals have now introduced some packages, however, when people of our age make use of the services provided by private hospitals, our experience is that these packages are limited mainly to body checkups. It takes at most two days to carry out a body checkup, therefore everybody can have a good idea of the expenses. However, should any illness be detected during the checkup, what would the patient do? Would the patient remain in the private hospital to receive treatment, or would more patients switch to public hospitals when a greater number of patients are detected by private hospitals to have certain symptoms, thereby increasing the demand for services in public hospitals?

In addition, the charges of public hospitals are also a problem. Madam President, the present charges of public hospitals cover only a little more than 2% of the cost. Even if a patient stays in a semi-private ward, for which he has to pay higher charges, the number of such beds is limited. Therefore, once a member of the public enters the public medical system, he has only two choices, and that is, either to accept a 98% subsidy, or not to accept any subsidy at all and shoulder 100% of the medical cost. We all know how to choose between 2% and 100%. Even if someone can shoulder 10% or even 20% of the medical cost, but for fear of not being able to meet the remaining 80% or 90% of the charges in private hospitals, all patients will choose to make use of public hospitals. This is one reason why the number of patients in public hospitals has kept increasing, when referral back to private hospitals is impossible.

The Frontier has always agreed that the charges should be reviewed so that those who can afford can pay more. However, the present structure of charges does not allow those who have the means to do so. Mr LEE Cheuk-yan also said just now that he was not opposed to a review, but those who lack the means must be subsidized. We have always said that when reviewing the charges, four groups of people must be exempted: families on Comprehensive Social Security Assistance, the elderly, patients suffering from chronic diseases and low-income families which are very difficult to define. It is indeed necessary for the executive to develop an acceptable method to define low-income families so that they too will be able to afford the charges of public medical services, instead of making a lot of people in genuine need pay 50% more in charges after the charges are increased.

Madam President, next I would now like to talk about the operation of the insurance industry. In fact, we hope that the insurance industry can introduce more innovative insurance services to provide comprehensive medical services to the insured rather than welcoming healthy clients to take out policies while rejecting people of a more advanced age to do so, as is the case at present. The new accountable Bureau Director responsible for health care should liaise more often with the Bureau Director responsible for economic affairs if he is to solve this problem. In the final analysis, what matters most is the health of the public and the imbalance in the utilization of public and private medical services is only a manifestation of the problem that we have to solve.

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

**DR LO WING-LOK** (in Cantonese): Madam President, as regards the imbalance between private and public medical services, I have talked about this issue for almost two years despite running the risk of being long-winded. It has been gratifying that from the comments made by Honourable colleagues on this issue today, we can see that they have already acquired a more in-depth understanding of the problem. In fact, this understanding is beneficial to the substantive discussion on medical reform in the future. I certainly very much agree with Mr LAW Chi-kwong that the solution to the problem may not lie in investing more resources and I also fully agree with Mr Abraham SHEK that what is being done at the moment is only paying lip service.

The motion proposed by Mr Michael MAK today shows that the front-line staff of public medical institutions, be they doctors, nurses and other fellow workers in the health care sector are all affected by the imbalance in the service. They are almost stretched to the limits in terms of the workload and work pressure they could bear. This rightly reflects that the current situation is not the unique problem of any particular medical profession, rather it reflects that the whole medical system is seriously sick.

I have talked about the various causes for the imbalance between public and private medical services and the practical long-term solutions to such problems countless times on different occasions, so I am not going to repeat them here. However, such rational discussions have unexpectedly caused sparks to fly and some people even distorted my proposal on "positioning public medical service" by saying I have advocated that "only those who are on the verge of death should receive medical care" and that I have forced public medical services to go backwards. Some people have distorted my views. In view of the situation where public medical institutions have more work than they are able to cope with while private medical institutions got nothing to do, they said I have attributed the problem of private medical institutions failing to attract patients to its lack of quality control and transparency in charges. In fact, I only wish to remind the Government with every good intention that it should make judicious use of its limited resources to provide the most appropriate service to the public. I have also been reminding all policy-makers of health care policies not to make any more empty promises against its limited resources and then forced front-line workers to honour the promises. However, what has the Government done? On the one hand, the Secretary said "private hospitals can be totally wiped out in one night" and yet on the other, the so-called "public and private medical services joint working group" was set up. However, the working group has

evaded the core of the problem and the key issue by simplifying the issue and introduced piecemeal solutions like adjusting charges, outsourcing services and employing private medical practitioners to take up part-time jobs in public institutions. Such solutions can only defer the bursting of the medical bubble, they cannot help solve the problem.

In order to discuss the imbalance between private and public medical services in a rational manner, one of the key factors is to let the public have a clear picture of the cost of public medical service. Unfortunately, the policy-makers and the HA management have never given an account on the actual costs of public medical service, so the public has no basis to make comparisons between the costs of public and private medical services to determine which is more cost-effective. Not only has it failed to give any account, it has also employed a diversion tactic by levelling continuous criticisms at the lack of transparency in private hospital charges, pointing out that patients cannot have a clear idea of the medical charges they have to pay upon discharge from the hospitals. However, I dare to ask whether the HA can make an accurate calculation on the total examination and treatment costs of the patient before starting treatment. Has the HA ever informed the patients of the cost of individual medical items in public medical institutions in advance? Are Members aware that the real difference between private and public medical services is that though the costs of public medical service may be to the tune of millions of dollars, 97% is paid by taxpayers? On the contrary, the user pays every cent of the costs of private medical service. This diversion and hoodwink tactic have created a "rumor" that "public medical services are cheap and private medical services are expensive." Such a rumor is not helpful to discussions about medical reform.

Here, I would like to talk about the cause of the problem again. The imbalance between public and private medical services is definitely not caused by poor private medical services or lack of transparency in charges. The main cause is, during the 10 golden years of Hong Kong, the policy-makers for health care policies were determined to build up a huge medical kingdom, victimizing the private medical service. However, what is most absurd and laughable is that as the medical bubble grows bigger and bigger and stretches to the point of bursting, the policy-makers came up with a scheme under the pretext of effecting co-operation between the public and private sector to cover up the fact that the public medical service is already on the brink of collapse and desperately in need

of help. However, this act of first monopolizing the whole medical market to control all patients and then channel some patients back to the private medical sector is not really helping the private medical service, and this is also unfair to the patients. On the contrary, it clearly reflects that the authorities are still trying to control the whole medical market at a time when public resources are inadequate, and further expand the spirit of "big government". I believe that such excuses of turning the cause into the consequence will soon be exposed with the disclosure of the unit cost of public medical items. Therefore, I think that the disclosure of the unit cost of public medical care is the first step towards genuinely solving the imbalance between public and private medical services.

The private medical sector has never asked for the Government's assistance. It has only asked for a proper and level playing field, so that corresponding measures could be introduced flexibly in accordance with the market conditions so as to strive for survival.

Finally, I wish to remind the policy-makers that they must not adopt tactics like outsourcing its services or employing private medical practitioners on a selective basis to create chaos in the market, for this will only pose unnecessary obstacles in the way of medical reforms.

Thank you, Madam President.

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

(No Member responded)

**SECRETARY FOR HEALTH AND WELFARE:** Madam President, first, I would like to thank Honourable Members for their views expressed on this very important subject. But before I respond specifically to the various points that Honourable Members have made, allow me, for the benefit of a more informed discussion, to put our deliberations of the respective roles of the public and private sectors in a broader context.

There are a number of very unique features about health and health care. For instance, health is an inalienable asset that every individual desires and needs, and yet it is subject to unpredictable risks and cannot be accumulated, as

knowledge and skills can. Unlike other goods and services, the need for health and protection from the risks of ill health applies equally to every citizen in a community, regardless of one's age, gender, social status and income level. These basic differences between health and other assets exaggerate forms of market failure such as moral hazard and imperfect and asymmetric information. Another unique feature is that the maintenance and enhancement of health cannot be achieved by isolated episodes of care, however good they are. A health care system that can fulfil this role needs to have policies, programmes and services which protect the health of the population, prevent disease and disability, promote lifelong wellness and provide treatment, care and rehabilitation to the sick, injured and disabled. This has to be organized and provided to individuals in a contiguous manner over an individual's life time and requires sustained collaboration of health care providers and purchasers, both private and public. The efficiency and effectiveness of health system is, therefore, contingent not only on the individual episode of care, but also on the organization and continuity of care delivered by different health care providers, both private and public. It is in recognition of these facts that most governments have an active and complicated role in the financing and provision of health care, in order to ensure that it benefits society as a whole, not just those who are willing or able to pay. Thus one cannot depend on the markets to provide that. Talking about market share is very irrelevant to our discussion. This also helps explain why even a country like the United States, where the main financing driver is voluntary health insurance, public expenditure on health care still accounts for 44% of its total health care expenditure. In Hong Kong, our recurrent figure is 46%. It is, therefore, essential that health care is organized and provided to benefit society as a whole and not just those who are willing to pay for themselves. This is reflected in our long held policy that "no one will be denied adequate medical treatment for lack of means".

Bringing back the discussion to the context of Hong Kong, we have, in the Consultation Document on Health Care Reform, set out proposals for reforming the system of health care service delivery. These include strengthening preventive care, reorganizing primary medical care, providing training for family medicine as proposed by Dr the Honourable TANG Siu-tong, developing a community-focused, patient-centred and knowledge-based integrated health care service, and improving public/private interface. These proposals would facilitate a more efficient and effective distribution of work between the various levels and sectors of health care provision. We are committed to maintaining a viable dual system of health care, with the public and private sectors playing a

role complementing each other. As I said, the public sector does not respond to the market, but the private sector does. A viable dual system not only permits patients to enjoy different choices of care based on individual needs, but also permits cross fertilization between the public and private health care sectors which leads to improvement in quality and standard of care, and more efficient use of health care resources and medical talents.

We fully appreciate the valuable role being played by the private sector. At present, half of our registered medical practitioners practise in the private sector, providing a wide range of primary and specialist out-patient as well as in-patient services. The private sector offers patients a choice of doctors and is more flexible in responding to individual patient's needs and requests. Many private doctors have built up continuing long-term relationships with their patients and the patients' families and are respected and trusted by them. A considerable number of patients rely primarily on the private sector for many of the primary care encounters, although many also receive care from the public sector, particularly for specialists care, at the same time. Better interface, communication and collaboration between the public and private sectors and among different health care providers will enhance the continuity of care, facilitate consistency in care practices, and reduce unnecessary duplication of services and abortive expenses. So we should be looking at the total health care resources and not just those in the public or private sector. If we are talking in economic terms, this is called allocative efficiency. There are several barriers giving rise to the lack of effective interface between the public and private sectors. Firstly, there are barriers relating to professional practices in different sectors. Doctors practise differently. Doctors in different sectors have their own preference for clinical practices and have dissimilar perspectives on outcome evaluation. Secondly, there are the information gaps. There is no effective mechanism for doctors to exchange health and patient information between the public and private sectors. Thirdly, there are the price barriers. The significant price differences between the public and the private sectors have been regarded by many as another reason for the compartmentalization between the two sectors.

From the latest statistics which have been quoted by Members, it appears that the public and private sectors play a predominant role in a distinct type of health care service in Hong Kong. I wish to correct some of the figures that have been quoted by Members. For in-patient service, the public sector now

handles over 94% of all hospital in-patient days. The comparative figure in 1990 was 90.5%, not 85%. So the changes have been from 90.5% in 1990 to 94% in 2001. For patient admissions, the public sector accounted for 79% of all admissions in 1990 and 86% of all hospital admissions in 2001. At the same time, the private sector plays a major role in the provision of out-patient care for the community, taking about 85% of the total out-patient service. I must point out that new models of health care are moving more and more away from hospitals and into the community. This is enabled by technology. So one should not focus only on hospitalization. We should be talking about the relevance of health care and it does not need to be provided in hospitals.

In order to achieve a closer collaboration and better interface between the public and private sectors, we have adopted a three-prong approach involving the Government, the Hospital Authority (HA) and the private sector.

As I have said previously, I am chairing two dedicated working groups as forums for exchange of ideas and exploration of options to improve this public/private interface. One working group involves private medical practitioners and the other involves private hospitals. So far, a number of constructive and feasible proposals have been identified at the meetings.

In the context of the deliberations of the working group and discussions with the private sector, the HA has already included in its latest Annual Plan a number of initiatives in enhancing collaboration with its private sector counterparts. So this is simply not lip service. The proposals include developing collaborative service models, devising clearer referral protocols between the private and public sectors and enhancing information linkage between the two sectors. Some of the programmes have also included the different specialist colleges of the Hong Kong Academy of Medicine, private sector associations as well as the Hong Kong Medical Association. Furthermore, individual hospitals are discussing viable shared care programmes with the private sector providers. The objectives are twofold. While the shared care programmes give patients not only greater flexibility and choices in their treatment, but also better quality of care as this will improve communications between the two sectors and better co-ordination in the provision of care. These shared care programmes will also facilitate better two-way flow of patients and lead to better use of the resources and talents in the private sector.

In addition to the deliberations taking place within the context of the two working groups, we are also contemplating other measures to enhance collaboration with our private sector. These include the development, in the longer term, of a computer-based Health Information Infrastructure to facilitate sharing of patient information between the public and private health sectors, and a comprehensive revamping of our public sector fees structure with a view to reducing inappropriate use of medical resources. And as suggested by the Honourable LAW Chi-kwong, we would provide price signals as to the priorities of care. This will create more scope for closer co-operation with our private medical sector and the insurance industry.

In order to bring about a better interface between the public and private sectors, we also need the full participation and the creativeness of the private sector. I completely agree with the Honourable Michael MAK and many Members who have given their views that assurance of service quality is a prerequisite for the private sector to attract more patients. In this connection, I am delighted to note that all private hospitals have implemented a system of accreditation to improve their service quality. This is obviously a step in the right direction. I am also aware that private hospitals are examining new measures to further enhance the quality of service provided to their patients. As I have pledged at the Working Group meetings, the Government stands ready to render assistance to complement these worthy initiatives taken by the private sector so that the public have a greater assurance of the quality and have a greater choice.

Another area which has been brought up for the private sector to consider in and out of this debate is the price factor. It has been commented that price differential between the private sector and the public sector deters patients from selecting the private sector. This may be part of the reason, but it does not represent the entire picture. A contributory factor as has been discussed in this debate is the issue of fee transparency. While there are many patients who are willing to pay for more speedy, convenient and personalized services in the private sector, they may be deterred by the uncertainty over fees and charges. The experience in one public hospital was that 30% of the patients are willing to use private sector services if they were given information about the assurance of fees that they could expect in the private sector. So given the advantages of the private sector, I believe that there is a much bigger role that the private sector can play. I understand that the issue of fee transparency has been a subject of discussion by Hong Kong medical practitioners and that private hospitals are also

actively examining the issue. We all await with great interest the emergence of new proposals to enhance fee transparency so that patients will have another choice.

Turning to deployment of resources to cope with service demand in the public sector, the HA has been implementing various measures to ensure that its resources are deployed effectively and efficiently through productivity enhancement initiatives and demand management measures.

To cope with the increase in service demand arising from ageing and increasing population, as well as to maintain the existing level and quality of service, contrary to what Members have been saying, the HA has, in fact, been increasing the number of staff in the professional areas in terms of qualified doctors and nurses since 1991 by approximately 50%. The HA plans to recruit about 270 doctors, 400 additional qualified nurses and 135 allied health professionals in 2002-03. The intention is to continue to recruit these additional doctors, nurses and allied health professionals to meet the demand for services. The provision of health care services in the HA is also being re-engineered to develop the more cost-effective ambulatory and community-based services, thereby reducing the demand on the more expensive in-patient services. Through the intake of these additional clinical staff and re-engineering and re-configuration of health services, work pressure on the staff working in the public sector should be alleviated.

As I have said earlier, the reform proposals for the system of health care service delivery will facilitate a more efficient and effective distribution of work between the different levels and sectors of health care provision.

At the same time, both the HA and the Department of Health (DH) place considerable emphasis on the professional training and development of staff to maintain and enhance staff competency for the provision of high quality health care services. The public sector has been promoting continuous professional education and development of all its doctors, nurses, and allied health staff. A variety of training programmes and development activities are being organized to improve health administration and to enhance skills in effective service delivery. The HA has also recently implemented a core competency model to train and develop its staff. This new model provides a systematic framework to link professional training and development directly with enhancing job performance

and improving service delivery. Core competency sets have been developed for doctors, nurses and a number of allied health grades. The HA has also established an e-Learning Centre, a web-based training and development centre in July 2001 to facilitate self-initiated learning for all HA staff.

In Hong Kong, our fundamental policy objective is to develop and maintain a health care system which protects and promotes the health of the population. It goes without saying that a healthy population will go a long way in alleviating the demand on our health care system. In this regard, the DH provides a wide range of disease prevention and health promotion programmes. It also offers advice to other government departments and bureaux on health matters, and works closely with them in supporting health-promoting public policies and environments for people to make healthy personal choices.

Disease prevention is carried out through various health services covering different age groups, from birth to old age, targeted at both communicable and non-communicable diseases. At present, we have already put in place a well-established system, such as childhood and school immunization programmes and disease surveillance system, to prevent and control communicable diseases.

The proposal in the Health Care Reform Consultation Document for the DH to adopt the role of an advocate for health and to strengthen preventive care has received wide community support. As a health advocate and health advisor, the DH will identify priority health issues and set strategic directions for health promotion programmes carried out by various providers. In the 2001 Policy Objective Booklet, we have already committed to developing a living environment conducive to health and ensure the availability of a lifelong preventive programme promoting health, wellness and self-responsibility. A number of new initiatives will be implemented by the DH with the involvement of health services providers in both private and public sectors, as well as the education and welfare sectors, such as the Adolescent Health Programme, the pilot Men's Health Programme and the Cervical Screening Programme.

In line with the approach proposed in the Consultation Document, the DH will be planning and implementing the programmes in an inter-sectoral manner, involving all relevant government departments, non-governmental organizations and the community, so that their input can be duly incorporated during their formulation stage, and their implementation will be supported. This participation will optimize the effectiveness of the strategies and initiatives.

Madam President, I would like to say a few words on financing of health care in particular. Let us quickly revisit the current methods of financing health care. In Hong Kong, our health care system has all along been financed primarily by tax revenue. It has the merits of being relatively simple to administer. It is simple to manage, both in terms of budgetary control and quality assurance. However, we recognize the shortcomings on relying on tax revenue as the main means of financing health care, especially in Hong Kong where our tax base is narrow and the tax rates are low. We have, therefore, proposed three strategic measures in the context of the health care reform to ensure the long-term financial sustainability of our health care system. In our proposals, we have examined the three primary sources of financing health systems, and there are no more than these three. Because all over the world, it is a mix of these three and how one designs them is what matters. They are tax revenue, mandatory contributions (which can be contributed either in the form of social insurance or individual savings accounts) and individual savings and voluntary contributions, either through private insurance or out-of-pocket expenses.

We have reviewed these three primary sources and our current system, and considered the views of the public, and the values espoused. The three measures that we have proposed are familiar to Members. They include vigorous cost containment and productivity enhancement programmes that would be undertaken and continue to be undertaken by the HA, because I do not believe that productivity has a stop or an end. We will also be looking at the productivity of our entire health care system, or in economic term, the total allocative efficiency of health care financing in Hong Kong. The second measure that we have talked about is a revamp of our current public fees structure. And the third measure would be some form of mandatory savings, and the proposal is the introduction of individual medical saving schemes, namely, the Health Protection Account. The first two proposals are intended to be implemented in the short term while the Health Protection Account is a longer-term proposal. These, in fact, represent the minimum changes needed for a sustainable system. We believe that we should start with the minimum.

On the cost containment and productivity enhancement measures, we are acutely aware of the need to first look within the system to identify savings and improvements, and effectiveness and efficiency before looking for new revenue sources. Therefore, the HA has been implementing a series of measures to

achieve these objectives of doing more with the same, of doing better with the same, without compromising the quality and the standard of care.

According to the Harvard Report, it was projected that there would need to be an increase of 4% in public health care expenditure in future years. But in fact, government subvention to the HA is now at the level of about 2.2% per annum. And this is to meet the needs of our population growth and changing demographic structure.

On the subject of fees restructuring, our study on this important subject has been completed, and I would like to take this opportunity to reinstate the objective of this exercise. The key objective of revamping our public fees structure is to better target our finite resources, because resources would always be finite in whatever situation and in whatever economic environment. We would always need to better target our finite resources to help the poor and the needy, and to medical services which carry major financial risks, even to the middle income individuals, for when there are catastrophic instances, they would not be able to afford market prices and market fees. We should also be able to reflect the priority of targeting the services. Through the revision of our current fees structure, we will be able to better influence patients' health seeking behaviour and decisions, hence enabling the reduction of inappropriate use of public medical services. Furthermore, the revised fees structure will create more opportunities for participation by the insurance industry and for collaboration with the private sector.

We shall present our recommended package to the Legislative Council for discussion in the later part of this year as I have said earlier. I can assure Honourable Members that in finalizing our proposals, we shall give due regard to the affordability of the general public and there will continue to be a safety net for those who lack the means to pay for their medical needs. It has also been suggested by some of the Honourable Members that we need to cover the lower income individuals and the chronically-ill who have limited means, the elderly and the disabled who need frequent medical care and also with limited means. I think that we should not include all the disabled and the elderly as necessarily in need of support, because there are many older persons who are much wealthier than many of us here. And our resources should really be targeted to those who need assistance. We should not just lump everyone in one category and say that they all need help. I am sure that some of the older persons in Hong Kong have

much more than our total resources put together in this Chamber, and would not like to be considered as persons in need of public assistance. Contrary to the concern expressed by some Members, the fees restructuring would, in fact, be beneficial to the low-income individuals and the chronically-ill who have limited income in the longer term.

Madam President, before I end, I would like to say that the Government is very amenable. It accepts criticisms and any constructive proposals. But there are some Honourable Members who have been giving us unnecessary criticisms and unworkable solutions. I think that those are not very constructive. They do not help the Government, they do not help the community, they do not help the sector that they represent. This debate can only be helpful and useful if all of us engage in a rational discussion, look at the total health care resources in Hong Kong and look at the strengths and weaknesses of this sector. Because I do not believe that there is any one sector which we can say that it has got it right. Certainly, the Government has not said that we have got it right. We know that we have not got it right. We are about to implement a series of changes. We think that some of the changes have got the support of the community in general, but maybe not everyone. We are very happy to continue the discussions or even to revisit some of the values and philosophies, but we need to have constructive and viable proposals and alternatives. We cannot continue the debate that nothing will go on because not everyone will agree to it and, of course, there are people who have their own vested interests.

Madam President, our health care system, like all health care systems in the world, and the Honourable CHAN Yuen-han has mentioned some of them, is facing daunting challenges. I do not think that there is any single health care system in the world which we can say that it has got it right. No health care system has got it right. No health care system in the world can get it right, because of the very nature of health care and the challenges that we are facing. What we need is something that is workable and that we can work together as a community to address the issues. Because of the demographic changes in the coming years, the envisaged increase in demand and expectations for better quality and the rapid advances in medical technologies are expected and will continue to exert further pressure on our system. Some are afraid that our health care professionals have got to work in this environment, but that does not mean that we do not have solutions to alleviate their work pressure. We have to look at the system in totality. I can assure Members that the health care

consultation document and the reforms that we have proposed to address the fundamental parts of our health care system, that is, the way that we deliver our services, the way that we assure quality and the financing of the health care system, go a long way in addressing those issues.

I am happy to continue to debate these issues and to see whether Members have any viable alternative proposals. The only viable proposal which I have seen in the horizon is that proposed by the Harvard Report but that was chucked out by the community. If Members are willing to engage in that debate again, the Government is very open to that discussion. But other than a viable solution, I think we need to make up our mind and proceed along the lines that the community has agreed with, and that is, the reforms that we proposed in the 2000 document, because we have the majority support from the community in carrying forward those proposals with the exception of some qualifications in terms of longer-term financing proposals.

Madam President, we have to view the health sector in totality, including both public and private sectors, in order to meet the challenges ahead. We fully recognize the value, talents and resources of the private sector and the creativity which could be generated to tackle the challenges ahead. Today's motion debate has been a timely opportunity for us to discuss these areas, and I am most grateful to Mr Michael MAK for bringing up this issue for discussion and to Honourable Members for their constructive proposals and criticisms. I stand ready to discuss this important issue with Honourable Members on a regular basis, either in this Chamber or in other forums.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr Michael MAK, you may now reply and you have up to three minutes 55 seconds.

**MR MICHAEL MAK** (in Cantonese): Madam President, I would like to thank Members who have spoken for their support.

Members seemed to be in favour of the motion when they spoke. In fact, I have forgotten to declare my interest. Many Members have sung high praises of the Hospital Authority (HA), as though it were unparalleled on earth. As an

employee of the HA, I am quite gratified to see this because I have also contributed a little bit to the improvement of the present medical services. I feel that many Members are farsighted and understand the situation well. I am glad that some Members also understand the problems that my co-workers are facing, in particular, the pressure that has left them short of breath. I do not know if all co-workers will be able to restore their strength, however, I believe it is not possible to reduce the pressure.

I hope we can pause and think — it is not just the Government that has to make an effort; in fact, the Government is willing to make improvements — think about several questions. Has the public misused or abused medical services? Are patients willing to meet medical expenses out of their own pockets? What I mean is that there is no free lunch and the charges are in fact borne by everyone. What in fact are the views of the public at large? Are some pressure groups in favour of appropriately increasing charges? Putting aside the issue of mandatory medical insurance, I believe there are some problems with this, and the problems are related to the moral hazard. Moral hazard exists with every insurance system. Let us look at the United States, where the situation in this aspect is very bad. I believe this is because medical insurance or HMO (I cannot remember its Chinese translation or whether it is called the Health Maintenance Organization) is available in that country. I believe we must be careful with the provision of medical services. But is it unacceptable even if the charges are slightly increased? This is hard to say. Therefore, in the past I did put forward clearly the concept of costs.

In fact, at present the public's concept of cost is really weak. They do not know that to seek treatment once can in fact incur a cost of a thousand or several hundred dollars. According to my observation in accident and emergency (A&E) departments on a number of occasions, some members of the public go to A&E departments to seek treatment even for minor complaints such as colds or stuffy noses, as a result they are classified as patients of the fourth or fifth category. Can they be considered to have misused or abused the services provided by A&E departments? However, indeed there are no other medical services available at night. Therefore, we hope that Dr LO Wing-lok can, through his role in the Hong Kong Medical Association, enhance work in this aspect and encourage members of his profession to provide more inexpensive quality medical services in the evening to the public, so as to make it possible for patients not to choose A&E departments, thus eliminating the abuse of this service.

Some Honourable colleagues also mentioned that if the imbalance in the utilization of public and private medical services persists, medical mishaps will recur. However, even if there is a chance that they may recur, I can still assure you all that as professional health care personnel, we will definitely provide quality medical services to everyone, and there is no need to worry about a lack of quality assurance in our service because of the heavy workload of health care personnel. The public can continue to use public medical services with peace of mind. Moreover, I will continue to contribute, small as it may be, to the medical services sector, but I wish everybody will bear in mind that health is wealth.

A great part of the Secretary's speech was devoted to provision of medical services in the short and medium terms, but it seems no consideration has been given to the long term. As regards the purview of medical and health services, I believe the post of the new accountable Bureau Director will definitely go to Dr YEOH. I hope Dr YEOH will enhance co-ordination with various sectors, in particular with the departments under his charge.

Thank you for your support.

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

(Members raised their hands)

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

(No hands raised)

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

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 26 June 2002.

*Adjourned accordingly at five minutes past Two o'clock.*

**Annex III****CODE FOR ACCOUNTABLE OFFICIALS  
UNDER THE ACCOUNTABILITY SYSTEM**

<b>CHAPTER 1: INTRODUCTION</b>	<b>2</b>
<b>CHAPTER 2: RESPONSIBILITIES</b>	<b>4</b>
Responsibility in relation to the Legislative Council	4
Responsibility in relation to civil servants	5
The role of the Controlling Officer	6
<b>CHAPTER 3: OFFICIAL SECRETS AND SECURITY</b>	<b>8</b>
On stepping down from office	8
Evidence in court	9
<b>CHAPTER 4: INVOLVEMENT IN POLITICAL ACTIVITIES</b>	<b>10</b>
<b>CHAPTER 5: PREVENTION OF CONFLICT OF INTEREST</b>	<b>11</b>
Declaration and handling of investments/interests	11
Acceptance of advantages	12
Sponsored visits	13
Register of gifts etc.	13
On stepping down from office	14
<b>CHAPTER 6: OTHERS</b>	<b>15</b>
Reporting of criminal offences and attempted bribes	15
Legal proceedings	15

**CHAPTER1: INTRODUCTION**

- 1.1. This Code applies to the Secretaries of Departments, Directors of Bureaux, and the Director of Chief Executive's Office under the accountability system (hereinafter referred to as "accountable officials").
- 1.2. The basic principles which accountable officials shall follow in the performance of their duties include the following:
- (1) Accountable officials must swear to uphold the Basic Law and swear allegiance to the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China.
  - (2) Accountable officials shall be dedicated to their duties and be responsible to the Government of the HKSAR.
  - (3) Accountable officials must uphold the rule of law, abide by the law, and protect the integrity of public office.
  - (4) Accountable officials shall act in the best interests of the HKSAR as a whole.
  - (5) Accountable officials shall be as open as possible about the decisions that they make and the actions that they take. They shall be accountable for their decisions.
  - (6) Accountable officials shall observe the highest standards of personal conduct and integrity at all times.
  - (7) Accountable officials shall ensure that no actual or potential conflict arises between their public duties and their private interests.
  - (8) Accountable officials shall at all times uphold and promote a permanent, honest, meritocratic, professional and politically neutral civil service.
  - (9) Accountable officials shall promote and support the above principles by leadership and example.
- 1.3. This Code does not specify every potential act or behaviour expected of accountable officials. Rather, it provides rules and principles for appropriate conduct under

certain circumstances. Where the circumstances are not prescribed, it is the responsibility of accountable officials to judge in accordance with the principles set out in this Code, how best to act in order to uphold the highest standards. In case of doubt, accountable officials shall seek the advice of the Chief Executive.

- 1.4. This Code shall be read in conjunction with legislation applicable to accountable officials. These include the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and the Official Secrets Ordinance (Chapter 521 of the Laws of Hong Kong).

**CHAPTER 2: RESPONSIBILITIES**

- 2.1. Accountable officials shall devote the whole of their time and attention to the discharge of their duties as accountable officials of the Government, and shall use their best endeavours to promote the interests of the Government.
- 2.2. Accountable officials are responsible for their respective portfolios designated to them by the Chief Executive and lead the executive departments within their respective portfolios. Accountable officials are responsible for formulating, explaining and defending government policies as well as canvassing support from the public and the Legislative Council. They are accountable to the Chief Executive for the success or failure of their policies.
- 2.3. Accountable officials shall be bound by and collectively responsible for the decisions taken by the Chief Executive in Council.

**Responsibility in relation to the Legislative Council**

- 2.4. Accountable officials shall note that under Article 64 of the Basic Law, the Government must abide by the law and be accountable to the Legislative Council: it shall implement laws passed by the Legislative Council and already in force; it shall present regular policy addresses to the Legislative Council; it shall answer questions raised by members of the Legislative Council; and it shall obtain approval from the Legislative Council for taxation and public expenditure.
  - 2.4.1 After the Legislative Council passes a motion of no confidence in relation to an accountable official, the accountable official concerned will be expected to offer his or her resignation to the Chief Executive.
- 2.5. Accountable officials shall give accurate and truthful information to the Legislative Council and correct any error at the earliest opportunity. Accountable officials who knowingly mislead the Legislative Council will be expected to offer their resignation to the Chief Executive.
- 2.6. Accountable officials will be designated under Article 62(6) of the Basic Law to attend meetings of the Legislative Council, its committees, subcommittees and panels and to speak on behalf of the Government. The immunities and privileges provided for in sections 3, 4, 5 and 6(2) of the Legislative Council (Powers and Privileges) Ordinance

(Chapter 382 of the Laws of Hong Kong) are extended to accountable officials when they attend meetings of the Legislative Council, its committees, subcommittees and panels.

- 2.7. Accountable officials have a duty to represent the Government and to transact business at meetings of the Legislative Council, and its committees, subcommittees and panels, e.g. to introduce bills or motions, address the Legislative Council, present papers, make statements, answer questions and take part in debates in respect of matters relating to their respective portfolios.
- 2.8. Accountable officials shall make arrangements to ensure that they would be available to attend meetings of the Legislative Council when matters relating to their respective portfolios are discussed.

### **Responsibility in relation to civil servants**

- 2.9. Accountable officials shall at all times uphold and promote a permanent, honest, meritocratic, professional and politically neutral civil service. In particular, accountable officials shall uphold and promote the core values of the civil service:
  - (a) commitment to the rule of law;
  - (b) honesty and integrity;
  - (c) accountability in government decisions and actions;
  - (d) political neutrality;
  - (e) impartiality in the execution of public functions; and
  - (f) dedication, professionalism and diligence in serving the community.
- 2.10. Accountable officials shall give fair consideration and due weight to honest and impartial advice from civil servants.
- 2.11. Accountable officials shall not require or influence civil servants directly or indirectly to act in any way which:
  - (a) is illegal, improper or in conflict with the core values of the civil service;
  - (b) is in breach of any Government Regulation including Civil Service Regulations;
  - (c) may involve possible maladministration;
  - (d) would conflict with their role as civil servants; or

- (e) would conflict with the principle of political neutrality.
- 2.12. The Chief Secretary for Administration is responsible to the Chief Executive for civil service policy and the management of the civil service. Accountable officials shall note that one of the major tasks of the Chief Secretary for Administration is to safeguard the core values of the civil service.
- 2.13. Accountable officials shall note that civil servants are appointed, managed and promoted in accordance with the principle of openness and fairness and with the prevailing rules and regulations applicable to the civil service.
- 2.14. Accountable officials shall note that civil servants are subject to the prevailing civil service disciplinary system, under which allegations of misconduct against individual civil servants are determined through an impartial process based on consideration of factual evidence.
- 2.15. Accountable officials shall note the independent role of the Public Service Commission in advising the Government on the appointment, promotion and discipline of civil servants.
- 2.16. Accountable officials shall cooperate fully with the Chief Secretary for Administration to follow up on complaints from civil servants that they have been asked to act in a manner which conflicts with their role as civil servants or with the core values of the civil service.

### **The role of the Controlling Officer**

- 2.17. Accountable officials shall note that, subject to the regulations made and directions or instructions given by the Financial Secretary, controlling officers designated under the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong) are responsible and accountable for the expenditure of the bureaux and departments falling within their purview.
- 2.18. Accountable officials shall note that controlling officers are responsible for tendering appropriate advice to them on the safety, economy and advantage of public moneys and Government property. Accountable officials have a duty to give fair consideration and due weight to informed and impartial advice from the controlling officers.

- 2.19 Accountable officials shall note that controlling officers, if necessary, are responsible for submitting written report to the Director of Audit on the safety, economy and advantage of public moneys and Government property.

**CHAPTER 3: OFFICIAL SECRETS AND SECURITY**

- 3.1. Accountable officials shall note that they fall within the definition of "public servants" in the Official Secrets Ordinance (Chapter 521 of the Laws of Hong Kong) and must therefore abide by the provisions stated therein applicable to a "public servant".
- 3.2. Accountable officials shall not reveal the agenda, papers or proceedings of the Executive Council, or any document communicated to them or any matter coming to their knowledge in their capacities as members of the Executive Council. Discussion and deliberation at the Executive Council shall be kept in strict confidence. The internal process through which a decision has been made shall not be disclosed.
- 3.3. Accountable officials are required to take due care in the safe keeping of classified information entrusted to them. They shall bear in mind the general principle that dissemination of classified information shall be no wider than is required for the efficient conduct of the business at hand and shall be restricted to those who are authorised to have access to such information.

**On stepping down from office**

- 3.4. On stepping down from office, accountable officials shall hand over government documents in their possession and ensure that all drafts and personal copies of such documents have been properly disposed of.
- 3.5. Accountable officials shall note that all classified information, documents or other articles protected against disclosure by the Official Secrets Ordinance (Chapter 521 of the Laws of Hong Kong) which had come into their possession as a result of their appointment in the Government, remain covered by the Ordinance after their stepping down from office and may not be disclosed.
- 3.6. Accountable officials shall note that they are liable to be prosecuted under the Official Secrets Ordinance (Chapter 521 of the Laws of Hong Kong) if, either in Hong Kong or abroad, they communicate, either orally or in writing, including publication in a speech, lecture, radio or television broadcast or in the press or in book form or otherwise, to any unauthorised person any information falling within the purview of the Official Secrets Ordinance (Chapter 521 of the Laws of Hong Kong). The relevant provisions of the Official Secrets Ordinance continue to apply to accountable officials after they have stepped down from office.

**Evidence in court**

- 3.7. Accountable officials may be called upon to answer to subpoenas to give oral evidence and/or to produce official documents in Court relating to their official duties. In cases where oral evidence or the production of official document is involved, the accountable official concerned shall assess whether there are any grounds for suggesting that the giving of such evidence or the production of the documents would cause damage to the proper functioning of the public service or would in any way be contrary to the public interest. The accountable official concerned shall seek advice from the Secretary for Justice in all such cases.

**CHAPTER 4: INVOLVEMENT IN POLITICAL ACTIVITIES**

- 4.1. Accountable officials shall note that as prescribed public officers defined in the Legislative Council Ordinance (Chapter 542 of the Laws of Hong Kong) and District Councils Ordinance (Chapter 547 of the Laws of Hong Kong), they are disqualified from being nominated as a candidate at an election of the Legislative Council or of a District Council, and from being elected as an elected member.
- 4.2. Accountable officials may participate in political organisations or bodies as members. Accountable officials, when taking part in activities organised by political organizations or bodies, shall observe the following rules and principles:
- (a) No actual or potential conflict of interest with the business of the Government and/or the official duties of the accountable officials shall arise in their participation in such activities.
  - (b) Accountable officials shall not sign or procure signatures to any public petition regarding the actions or proposals of the Government.
- 4.3. In case of doubt, accountable officials shall seek advice from the Chief Executive.

**CHAPTER 5: PREVENTION OF CONFLICT OF INTEREST**

- 5.1. Accountable officials shall avoid putting themselves in a position where they might arouse any suspicion of dishonesty, unfairness or conflict of interest.
- 5.2. Accountable officials shall observe the principles of fairness and impartiality in discharging their duties in their dealings with members of the public and with their staff.
- 5.3. Accountable officials shall refrain from handling cases with actual or potential conflict of interest.
- 5.4. Accountable officials shall report to the Chief Executive any private interests that might influence, or appear to influence, their judgment in the performance of their duties.

**Declaration and handling of investments/interests**

- 5.5 Given that the accountable officials will have access to highly sensitive information including commercially sensitive information, they shall declare any investments and interests for the purpose of securing public trust and confidence. The declaration requirement covers not only investments and interests held in the name of the accountable official, but also those held in the name of the accountable official's spouse, children and any other persons or companies but are actually acquired on the accountable official's account or in which the accountable official has a beneficial interest. The declaration will be made available for public inspection on request.
  - 5.5.1 Fresh declarations would have to be made annually. Between annual declarations, they would have to declare any investment transactions involving more than \$200,000.
- 5.6. If it appears to the Chief Executive at any time that there is or may be a conflict of interest between an accountable official's investments or interests and his official duties, the Chief Executive may require the accountable official to take any one or more of the following measures:
  - (a) to divest himself of all or any of the investments or interests;
  - (b) to refrain from acquiring or disposing of the investments or interests;
  - (c) to freeze any investment transaction for a specified period;

- (d) to place the investments or interests in a "blind trust";
- (e) to refrain from handling cases with actual or potential conflict of interest; and
- (f) to take other actions as directed by the Chief Executive.

### **Acceptance of advantages**

- 5.7. Accountable officials shall note that as public servants employed by the Government, they are subject to the relevant provisions in the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and the Independent Commission Against Corruption Ordinance (Chapter 204 of the Laws of Hong Kong), and shall if necessary seek guidance from the Chief Executive as to the acceptance and retention of gifts, advantages or other benefits.
- 5.8. As a general rule, accountable officials shall avoid accepting any gift or hospitality which might or might reasonably appear to compromise their judgement or place them under an improper obligation. Although the acceptance of hospitality or free service is not prohibited, accountable officials shall take note of the following before accepting any such offer:
- (a) whether the acceptance of the hospitality or free service will lead to a conflict of interest with their official duties or place them in a position of obligation to the donor;
  - (b) whether the acceptance of the hospitality or free service will lead to embarrassment in the discharge of their functions; and
  - (c) whether the acceptance of the hospitality or free service will bring them or the public service into disrepute.
- 5.9. An accountable official shall not accept entertainment from any person if the entertainment is likely, for example by reason of its excessive nature, or of the relationship between the accountable official and the other person, or of the character of that person:
- (a) to lead to embarrassment of the accountable official in the discharge of his functions; or
  - (b) to bring the accountable official or the public service into disrepute.

**Sponsored visits**

- 5.10. An accountable official may receive an invitation from a foreign government to make a sponsored visit in his official capacity. If the accountable official considers it to be in the public interest to take up the invitation, the visit may be regarded as official and the accountable official should notify the secretariat of the Executive Council.
- 5.11. An accountable official may receive an invitation from an outside organization to make a sponsored visit in his official capacity. If he wishes to accept the invitation, he shall seek approval from the Chief Executive. If the Chief Executive considers this to be in the public interest and approval is given, there is no need for the accountable official to take leave to make the sponsored visit.
- 5.12. An accountable official may receive an invitation from a foreign government or an outside organization to make a sponsored visit in his private capacity and this may include free hotel accommodation, free passages or both. If he wishes to accept the invitation, he must seek approval from the Chief Executive.
- 5.13. If an accountable official wishes to accept a sponsored visit for his spouse, he must seek the approval of the Chief Executive.

**Register of gifts etc.**

- 5.14. Accountable officials shall note that they are to abide by the provisions of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and shall if necessary seek guidance from the Chief Executive as to the acceptance and retention of gifts, advantages or other benefits. In addition, accountable officials are required to keep a register of any gift, advantage, payment, sponsorship (including financial sponsorships and sponsored visits) or any material benefit received by them or their spouses from any organization, person or government other than the Government which in any way relates to their office as accountable officials. The register will be made available for public inspection.

**On stepping down from office**

- 5.15. Within one year after stepping down from office, accountable officials shall seek the approval of a committee appointed for this purpose by the Chief Executive before taking up any employment or going into any business.
- 5.16. Within one year after stepping down from office, accountable officials are barred from representing any person in connection with any claim or negotiation with the Government and from lobbying the Government.

**CHAPTER 6: OTHERS****Reporting of criminal offences and attempted bribes**

- 6.1. Accountable officials shall report to the appropriate authority all instances of crime, alleged crime including attempted bribery which they may come across in either their official or personal capacities. The appropriate authority is the Commissioner Against Corruption in the case of offences or alleged offences under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Independent Commission Against Corruption Ordinance (Chapter 204 of the Laws of Hong Kong) and the Elections (Corrupt and Illegal Conduct) Ordinance (Chapter 554 of the Laws of Hong Kong), and the Commissioner of Police in the case of other criminal offences.
- 6.2. Accountable officials are reminded that they have no discretion in deciding which cases to report.

**Legal proceedings**

- 6.3. Accountable officials may institute legal proceedings for defamation in connection with matters arising out of their official duties. They are required to notify the Chief Executive beforehand and must seek prior permission from the Chief Executive for the use of any Government information and the involvement of other officers to give evidence in the legal proceedings. Accountable officials instituting legal proceedings for defamation shall observe that the proposed legal action shall not bring the Government service into disrepute.
- 6.4. When an accountable official is served with a writ, or receives a letter threatening civil proceedings in which he or she may be named as a party in relation to any matters arising out of his employment or official duties, he must immediately inform the Chief Executive and the Secretary for Justice.
- 6.5. When an accountable official is involved in any criminal proceedings (whether arising out of his employment or official duties or otherwise), he must immediately inform the Chief Executive.
- 6.6. It is open to an accountable official injured by the wrongful act of a third party to institute proceedings against the third party.

- 6.7. In certain circumstances, the Government may provide legal representation to accountable officials. Each case will be considered on its merits by the Chief Executive but in general, assistance will be provided only if the matter arises out of or in the course of the performance by the accountable official of his official duties.
- 6.8. An accountable official who has been granted legal assistance and has subsequently been awarded costs is required to refund to the Government all or part of the costs awarded to offset the legal expenses incurred by the Government.