

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 14 November 2001

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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.

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

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

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.

THE CHIEF SECRETARY FOR ADMINISTRATION

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

THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.

THE SECRETARY FOR JUSTICE

MR MICHAEL SUEN MING-YEUNG, G.B.S., J.P.

SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR NICHOLAS NG WING-FUI, J.P.

SECRETARY FOR TRANSPORT

MR STEPHEN IP SHU-KWAN, G.B.S., J.P.

SECRETARY FOR FINANCIAL SERVICES

DR YEOH ENG-KIONG, J.P.

SECRETARY FOR HEALTH AND WELFARE

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

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

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

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

MS EVA CHENG, J.P.
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

MR RAYMOND YOUNG LAP-MOON, J.P.
SECRETARY FOR COMMERCE AND INDUSTRY

CLERKS IN ATTENDANCE:

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

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

The following papers were laid on the table pursuant to Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Maximum Amount of Election Expenses (Chief Executive Election) Regulation	232/2001
Electoral Procedure (Chief Executive Election) Regulation	233/2001
Air Navigation (Hong Kong) (Amendment of Schedule 16) Order 2001	234/2001
Dangerous Goods (Consignment by Air) (Safety) Regulations (Amendment of Schedule) Order 2001	235/2001
Animals and Plants (Protection of Endangered Species) (Exemption) (Amendment) Order 2001	236/2001
Animals and Plants (Protection of Endangered Species) Ordinance (Amendment of Schedules) Notice 2001	237/2001

Other Papers

No. 25 — Estate Agents Authority
Annual Report 2000/2001

Report of the Bills Committee on Massage Establishments (Amendment)
Bill 2001

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. Question time normally does not exceed one and a half hours, with each question being allocated about 12 to 15 minutes. The Member who asks a question has priority to ask the first supplementary. Supplementaries should be as concise as possible and Members should not make statements when asking supplementaries.

First question.

Assistance to Low-income Households

1. **MR LEE CHEUK-YAN** (in Cantonese): *Madam President, regarding the statistics on household income and assisting low-income households, will the Government:*

- (a) *provide statistics on household income presented in the following way: based on the data collected from the population censuses conducted in 1991 and this year and the 1996 Population By-census, and by ranking Hong Kong households by their income levels and then grouping them into 10 groups of equal numbers, provide the statistical breakdowns to show the highest, lowest, average and median monthly household incomes in each of such groups in these three censuses, together with the relevant figures for 1991 and 1996 adjusted according to the price levels in February this year; and*
- (b) *inform the Council of the measures in place to reduce the household income gaps and improve the financial position of low-income households?*

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

- (a) The statistical data requested is at the Annex. The following limitations in interpreting the statistics should be noted:

- (i) it does not take into account taxation and intangible income, such as publicly-funded programmes on housing, education, health and welfare which narrow the effective income disparity; and
 - (ii) it does not reflect upward social mobility, that is, those in the lower-income brackets may not be the same as in previous years.
- (b) The widening in income disparity in Hong Kong is mainly the consequence of structural changes in the economy arising from the shift from manufacturing-based to service-oriented activities, and further to a knowledge-based economy. This has led to a strong and increasing demand for professional, managerial, supervisory and technical personnel in the economy, and hence a faster increase in wages and salaries for those jobs than for jobs requiring a lower level of knowledge and skill. This widening in wage disparity during the transition to knowledge-based activities has also been seen in many other developed and developing economies.

Also, Hong Kong is a city economy, with a strong agglomeration of service sector activities which are highly developed and well diversified. As such, income disparity in Hong Kong tends to be greater than in those places which are national economies with a greater preponderance of manufacturing and agricultural activities with narrower income differentials.

Some countries have tried to tackle income disparity through welfarism and a high-tax policy. However, these income redistribution measures, involving changes in the structure of taxation and/or government expenditure, are likely to do more harm than good to the economy, in the longer term. Such measures could dampen the work incentive, especially amongst the higher paid and better-skilled workers. If taxation levels were to rise, this might undermine Hong Kong's competitiveness as a place to do

business, which in turn would discourage investment and lead to a reduction in job opportunities for workers at all income levels.

The Government's focus is on fostering an environment which encourages and provides opportunities for upward social mobility. Sustained economic growth is the key to elevating the overall standard of living, including for the lower income groups. Investment in human resources, including education, training and retraining, to raise the capability, productivity and competitiveness of the workforce, is the most effective means to propel economic growth as well as to reduce poverty and income disparity. At the same time, we believe that all members of our community should attain a reasonable standard of living. An adequate financial safety net together with heavily subsidized public housing, education, medical care and welfare services achieves this. In this way, we help the socially vulnerable, by enhancing, not impeding, their will to be self-reliant.

To take a few examples — our non-contributory social security system provides a safety net for the financially vulnerable to meet their basic and special needs. The Comprehensive Social Security Assistance (CSSA) Scheme provides financial assistance for those who, for various reasons (such as illness, disability, unemployment, low income, and so on) are unable to meet their basic needs. The Social Security Allowance Scheme provides assistance to the elderly and the severely disabled to meet special needs arising from old age or disability.

Apart from direct financial assistance, a wide range of heavily subsidized social services are available. For example:

- no one is denied access to adequate medical care because of a lack of means. Medical fees are waived in cases of genuine financial hardship;

- no student is denied access to education because of a lack of means. Nine years of free and universal basic education, and a heavily subsidized senior secondary education are provided. Financial assistance is available under various schemes to needy students at all levels; and
- public rental housing is provided to families in genuine need who cannot afford adequate accommodation of other types. Tenants in financial hardship are given rental assistance under the Rent Assistance Scheme or under the CSSA Scheme.

At present, over 900 000 people receive benefits from our social safety net, and more than 2 million people (around 31% of the population) live in public rental housing estates.

In addition, upper secondary and tertiary education are heavily subsidized. Training institutes, including the Vocational Training Council and the Employees Retraining Board, provide a wide range of programmes to upgrade our workforce in various sectors. We are also promoting continuing education to help people prepare for the knowledge-based economy. To this end, the Chief Executive announced in the 2001 policy address, the \$5 billion Continuing Education Programme to subsidize those with learning aspirations to pursue continuing education and training programmes.

We believe that the development of human capital, increasing social investment, as well as healthy economic growth over the longer term provide the best environment to enable people to move upwards and out of the poverty net. A healthy economic recovery and broadened economic base, plus a liberal and flexible market will increase the opportunities for such upward social mobility. Human and social investment will help those who are unable to benefit from the changing economy in the short term.

Monthly Household Income Range, Median Monthly Household Income and Mean Monthly Household Income
by Decile Groups of Domestic Households, 1991, 1996 and 2001
(at current prices)

<i>Decile Group</i>	<i>Monthly Household Income Range⁽¹⁾ (HK\$)</i>			<i>Median Monthly Household Income (HK\$)</i>			<i>Mean Monthly Household Income (HK\$)</i>		
	<i>1991</i>	<i>1996</i>	<i>2001</i>	<i>1991</i>	<i>1996</i>	<i>2001</i>	<i>1991</i>	<i>1996</i>	<i>2001</i>
First (lowest)	0 - 3,393	0 - 5,500	0 - 5,000	2,000	3,000	2,977	1,875	2,892	2,568
Second	3,393 - 5,000	5,500 - 8,595	5,000 - 8,460	4,300	7,395	6,750	4,330	7,220	6,699
Third	5,000 - 6,500	8,595 - 11,250	8,460 - 11,300	6,000	10,000	10,000	5,796	9,941	9,895
Fourth	6,500 - 8,000	11,250 - 14,115	11,300 - 15,000	7,200	12,500	13,000	7,261	12,734	13,071
Fifth	8,000 - 9,900	14,115 - 17,500	15,000 - 18,705	8,933	15,900	16,500	8,845	15,859	16,614
Sixth	9,900 - 12,000	17,500 - 21,000	18,705 - 23,000	10,700	19,500	20,500	10,740	19,276	20,678
Seventh	12,000 - 14,950	21,000 - 26,000	23,000 - 29,000	13,000	23,500	25,705	13,218	23,579	25,797
Eighth	14,950 - 19,000	26,000 - 33,690	29,000 - 37,670	16,623	29,758	32,560	16,689	29,577	32,807
Ninth	19,000 - 27,890	33,690 - 49,250	37,670 - 55,000	22,465	40,000	44,650	22,691	40,090	45,087
Tenth (highest)	≥ 27,890	≥ 49,250	≥ 55,000	40,000	70,000	80,000	54,780	116,022	121,407
Overall				9,964	17,500	18,705	14,558	27,719	29,460

Note: (1) Boundary of the decile groups may overlap. This is because each decile group is to cover exactly 10% of the households. Thus in forming the decile groups, households of the same income may be separately placed in two consecutive groups.

Monthly Household Income Range, Median Monthly Household Income and Mean Monthly Household Income
by Decile Groups of Domestic Households, 1991, 1996 and 2001
(at constant (February 2001) prices)

<i>Decile Group</i>	<i>Monthly Household Income Range⁽¹⁾ (HK\$)</i>			<i>Median Monthly Household Income (HK\$)</i>			<i>Mean Monthly Household Income (HK\$)</i>		
	<i>1991</i>	<i>1996</i>	<i>2001</i>	<i>1991</i>	<i>1996</i>	<i>2001</i>	<i>1991</i>	<i>1996</i>	<i>2001</i>
First (lowest)	0 - 5,232	0 - 5,577	0 - 5,000	3,084	3,042	2,977	2,891	2,932	2,568
Second	5,232 - 7,710	5,577 - 8,715	5,000 - 8,460	6,631	7,499	6,750	6,677	7,321	6,699
Third	7,710 - 10,023	8,715 - 11,408	8,460 - 11,300	9,252	10,140	10,000	8,937	10,081	9,895
Fourth	10,023 - 12,336	11,408 - 14,313	11,300 - 15,000	11,102	12,675	13,000	11,197	12,912	13,071
Fifth	12,336 - 15,266	14,313 - 17,745	15,000 - 18,705	13,775	16,123	16,500	13,640	16,081	16,614
Sixth	15,266 - 18,504	17,745 - 21,294	18,705 - 23,000	16,499	19,773	20,500	16,561	19,546	20,678
Seventh	18,504 - 23,053	21,294 - 26,364	23,000 - 29,000	20,046	23,829	25,705	20,383	23,909	25,797
Eighth	23,053 - 29,298	26,364 - 34,162	29,000 - 37,670	25,633	30,175	32,560	25,734	29,991	32,807
Ninth	29,298 - 43,006	34,162 - 49,940	37,670 - 55,000	34,641	40,560	44,650	34,990	40,652	45,087
Tenth (highest)	≥ 43,006	≥ 49,940	≥ 55,000	61,680	70,980	80,000	84,470	117,646	121,407
Overall				15,364	17,745	18,705	22,448	28,107	29,460

Note: (1) Boundary of the decile groups may overlap. This is because each decile group is to cover exactly 10% of the households. Thus in forming the decile groups, households of the same income may be separately placed in two consecutive groups.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the reply just made by the Secretary is familiar to the ear and is, so to speak, mere repetition. Does the Secretary have any new ideas or objectives? I would like to ask the Secretary to take a look at the table in the Annex based on constant (February 2001) prices. We can see from the table that in 2001, the average income of the 10% of the poorest households was less than that in 1997. Ten years ago in 1991, even the poorest households had a monthly income of \$2,891 but they only have a monthly income of \$2,568 in 2001, that is, almost 10% less than that 10 years ago. Having taken these figures into consideration, does the Secretary have any new ideas, objectives or measures to ensure that the income of these households would not be further reduced by 10% in four to five years' time, perpetuating the problem of the poor getting poorer? For instance, would the Secretary set an objective that the income of the 10% poorest households would not continue to decrease a few years later or would at least return to the 1996 level? Would the Secretary completely ignore these figures and the fact that Hong Kong people have become poorer and poorer?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): *Madam President, as I have just said, if we look back at the past data, we would notice that the low-income households 10 years ago were not the same as the low-income households based on the data today. Past surveys showed that there would be a change in 58% of the households with upward social mobility. Therefore, I have just said that the best measures are creating a good economic environment and investing in education, training and retraining. Of course, if there were better measures, the Government would take them into consideration.*

MR LEE CHEUK-YAN (in Cantonese): *Madam President, I am not asking the Secretary to draw a comparison between poor people this year and those 10 years ago and find out whether the situation has improved. I only wish to point out that poor people today are even more miserable than those 10 years ago. Does the Government has any objective, for instance, in allowing the average income of the 10% of poorest families to return to the 1996 level so that the poor would not be that miserable in the future? Would the Secretary set such an objective or remain indifferent and allow these people to sink into the abyss of degradation? This is the focus of my supplementary question.*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I have stated in my reply that the Government's measures are intended to provide low-income people with opportunities for upward social mobility, and these objectives and measures are the best and the most appropriate. Providing opportunities for training and retraining, investing in education and providing a social safety net, however, would only help low-income households.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Secretary has just said when he gave Mr LEE Cheuk-yan a reply that the Government would help low-income households in upward social mobility. With continuous economic growth for over 10 years in the past, these households could depend on their children for upward social mobility. However, under the present economic circumstances when the youth can hardly get a job, how can the Government estimate whether these households would have upward social mobility in the next decade or so? If the Government says it can do so, would the Secretary tell us what methods he has to help these households to attain upward social mobility?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I have replied that it is most important to consider the overall economic growth. Investing in training, retraining and education can provide people with low income and low knowledge level with opportunities for upward social mobility. I have also said that we have conducted a study and found that there are actually a lot of opportunities for upward social mobility in Hong Kong.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. The Secretary has based his reply on the basis of his experience in the past decade or so, but my supplementary is that, under the present economic circumstances, can low-income households attain upward social mobility in the next decade or so? What "new trick" does the Secretary have?*

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

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I have already given a reply just now. *(Laughter)* I have proposed many methods in my main reply, that is, investing in education, training and retraining as well as supporting low-income households and households in difficulty to provide them with opportunities for upward social mobility. Once the economic development resumes, everybody would have opportunities.

MR WONG SING-CHI (in Cantonese): *Madam President, I also wish to follow up the supplementary my colleague has just asked. In the fourth paragraph in part (b) of his main reply, the Secretary has stated that the Government has taken many measures. Despite this, the disparity between the rich and the poor in Hong Kong has actually aggravated as explicitly illustrated by the newly released Gini Coefficient. Now that the problem of the disparity between the rich and the poor has not been solved, does it mean that the methods that the Secretary has just mentioned are useless? I hope the Secretary would explain why the disparity between the rich and the poor is still so serious though all the useful measures that the Secretary mentioned have been implemented?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, it is impossible to solve the problem of increasing income disparity. I have just explained that there will be aggravating income disparity in association with economic restructuring. But our major objective is that those with the lowest income would be given opportunities for upward social mobility. This measure is the most appropriate for our economy as a whole and for individuals.

MR FREDERICK FUNG (in Cantonese): *Madam President, according to the data of the population census conducted by the Census and Statistics Department, the number of people at the four lowest income levels with monthly domestic household income of less than \$8,000 has increased by over 40 000. Besides, the number of people at the three highest income levels above the eighth level has increased by over 10 000. However, the number of middle class people at the intermediate level with monthly domestic household income from \$8,000 to \$30,000 has decreased. The question I would like to put to the Secretary is, has the Government considered how it would handle the situation when there is a reduction in the number of middle class people in our free economy which would cause social instability?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, the Government would certainly be concerned about low-income people in difficulty. In his policy address this year and the last, the Chief Executive proposed measures for helping the disadvantaged and low-income people to attain upward social mobility. As I have just said, we have to depend on economic development to create jobs and step up training, retraining and education. Other than these, the Government would make social investments to help those who have genuine difficulties.

MR FREDERICK FUNG (in Cantonese): *Madam President, perhaps the Secretary's "engine" has not started turning on yet. I am talking about the middle class, but not the middle and lower classes, that is, the grassroots that Mr LEE Cheuk-yan has just mentioned. By middle class, I am referring to households with an income between \$8,000 and \$30,000. While the number of such households has decreased, the number of households at both ends has increased. According to an academic study, such a phenomenon will usually increase social instability. What does the Government think about this issue? What measures does the Government have if it also agrees that social instability may increase?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I am very clear about the supplementary raised by Mr FUNG. The number of middle class households has decreased. While some of them have attained upward social mobility, some others have resulted in downward social mobility. We do not have to worry if they have upward social mobility and we should give them encouragement. Yet, we should encourage those who have resulted in downward social mobility to attain upward social mobility. The measures for upward social mobility implemented by the Government would be able to tackle the problem. *(Laughter)*

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary has just said that the Government has put safety nets in place to take care of the lower class. But as compared with the past, some phenomena have continued to deteriorate. For example, the Government is briefing out a lot of work but it used to brief out relatively less work in the past. On this basis, the number of low-income people will continue to increase. Has the Government assessed how many existing policies would make the poor even poorer? How would the Government solve this problem?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I believe I would not be able to suggest other measures. Unless Members have any ideas about better alternatives, we believe the existing measures are the most appropriate.

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

Quality of Fresh Water

2. **MISS CHOY SO-YUK** (in Cantonese): *Madam President, it has been reported that the problem of corrosion in roof tanks and fresh water pipes in domestic buildings is quite serious. Laboratory tests revealed that the rust content in the relevant water samples exceeded the relevant standard stipulated by the World Health Organization (WHO). In this connection, will the Government inform this Council:*

- (a) *whether the Water Supplies Department (WSD) will collect more fresh water samples from household water taps for laboratory tests, and how it will tackle the problem of sub-standard quality of fresh water;*
- (b) *whether the Housing Department (HD) plans to enhance the maintenance and repair of water supply systems in its estates; if so, of the details; if not, the reasons for that; and*
- (c) *of the measures in place to encourage owners of private buildings to arrange for regular cleaning and maintenance of their water supply systems, so as to ensure that the fresh water supplied complies with international health standards?*

SECRETARY FOR WORKS (in Cantonese): Madam President,

- (a) Hong Kong is one of the regions in the world where one can enjoy safe drinking water. The WSD monitors and assesses the quality of drinking water in Hong Kong in accordance with the Guidelines for

Drinking Water Quality of the WHO. The WHO Guidelines are authoritative guidelines because they have been drawn up by experts from various countries, including European and American countries, on the basis of scientific and medical data collected from all over the world. At present, the drinking water in Hong Kong fully complies with the WHO standards and is suitable for long-term consumption.

The WSD conducts regular water quality sampling and testing throughout the entire distribution network, that is, at treatment works, service reservoirs, distribution mains and consumers' taps, to ensure that the water quality conforms with the stringent standards of the WHO Guidelines. Every year, about 25 000 drinking water samples are taken and tested by the WSD, which far exceeds the number of samples as stipulated in the WHO standards, and the test results show that the water quality fully complies with the WHO standards. Therefore, existing effort in water quality monitoring is adequate. Nevertheless, the WSD will step up the monitoring of the quality of drinking water and collect more samples from consumers' taps to ensure the quality of the water supplied, when necessary.

Although the drinking water supplied by the WSD conforms with the WHO standards, it may turn yellow while it is distributed to the consumers through the water tanks and pipes inside their buildings. The discolouring of water is generally caused by the use of unlined galvanized iron pipes commonly found in older buildings in Hong Kong. Such pipes will become rusty after using for a long period and treated water staying in the pipes for some time will turn yellow. The slightly discoloured water only has a low level of iron content and poses no hazard to health. Generally speaking, the problem of discoloured water can be resolved by leaving the tap running for a while.

Apart from carrying out random checks on water quality, the WSD will, upon receipt of a complaint from a consumer, collect samples from the consumer's tap for testing and will inform the consumer of the results in writing. If it is found that the pipes used by the consumer are corroded and the problem of discoloured water cannot be resolved by leaving the tap running, the WSD will suggest a

replacement of the pipes by the consumer. If there is very serious corrosion of the pipes, the WSD will issue a Notice to Repair Inside Services to the consumer, requiring him to replace his pipes.

In addition to rusty pipes, dirty water tanks may also lead to discolouring of drinking water. If the WSD finds that the discoloured water is caused by problems in the water tank (such as deposits of iron rust), it will require the consumer to clean the water tank before a certain deadline. The time allowed normally ranges from a few days to one or two weeks, depending on the seriousness of the problem.

- (b) As regards the fresh water supply systems within public housing estates, they are maintained and cleaned by the HD in accordance with their established guidelines. The HD has always been replacing water pipes in public housing estates. Since 1 August 2001, the HD has also put in place a Home Care Maintenance Scheme to further enhance the maintenance of fresh water supply installations. Under the Home Care Maintenance Scheme, the HD carries out inspections of indoor or outdoor fresh water supply systems in the housing estates regularly or as necessary. Appropriate repairs or replacement of water pipes will be arranged as required.

From 1995 until the present, the HD has completed water pipe replacement works for 546 public housing blocks. The HD plans to carry out such works for the remaining 340 public housing blocks within the next few years.

- (c) The water supply systems inside ordinary buildings are under private ownership and therefore their maintenance is the responsibility of the consumers or their agents (usually the property management agencies or owners' corporations). In many cases, the water quality problems may be attributable to the failure of the consumers to recognize the importance of proper upkeep of their inside services and the responsibility they should assume in this aspect. The problems may also be attributable to the lack of funding or the absence of owners' corporations to drive the promotion in this aspect.

To arouse attention to the maintenance of inside services, the WSD has taken educational and publicity measures to remind the consumers and their agents of the importance of maintaining their inside services. Advice on how to deal with common problems, such as cleaning water tanks regularly, replacing corroded pipes, and so on, is also provided. If the corrosion of pipes has affected the repairing or replacement of water meters or may lead to leakage or weak water supply, the WSD may exercise its power under the Waterworks Ordinance and issue a Notice to Repair Inside Services, requiring the consumer concerned to replace his pipes. Nevertheless, under normal circumstances, the WSD would only advise the consumer to have his pipes replaced.

On the provision of financial assistance, property owners may apply to the Buildings Department for building safety loans to replace corroded or aged pipes. As for the management of private multi-storey buildings, the Home Affairs Department (HAD) has over the years made considerable efforts to encourage and assist owners to form owners' corporations and to help resolve the management problems of the buildings concerned. The HAD also works hand in hand with other government departments to make continuous improvement in building management. The HAD has compiled a Code of Practice on Building Management and Maintenance, which includes, amongst others, the maintenance of inside services and regular cleaning of water tanks in buildings. The Code of Practice is available at the three Building Management Resource Centres and all District Offices, encouraging private building owners to clean and maintain the water supply system regularly and ensuring water quality.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the second paragraph of part (a) of the main reply gives us the impression that the water quality sampling and testing system is sufficient to ensure the quality of our drinking water. But then, could the Secretary inform this Council why the WSD was unaware of the case that a strong odour of bitumen had been found in the water supplied to some 5 000 households in North Point for several days last week, not until the households concerned raised the issue to the WSD? If the*

sampling and testing system was sound enough, who did the Administration remain unaware of the case that over 20 000 people were supplied with water that carried a strong odour of bitumen?

SECRETARY FOR WORKS (in Cantonese): Madam President, as I have pointed out just now, about 25 000 drinking water samples are taken and tested by the WSD every year. According to the WHO standards, for the present population level in Hong Kong, it is adequate to test some 680 samples monthly only, amounting to a total of over 8 000 samples in a year. The 25 000 samples we take and test every year are already three times the number stipulated by the WHO standards.

As regards the recent incident in North Point, we have taken immediate action upon receiving the relevant complaints. I understand that the Director of Water Supplies has already submitted a detailed report to Miss CHOY. We will of course follow up very carefully and draw lessons from each and every complaint case received, with a view to serving the public even better in future.

PRESIDENT (in Cantonese): Miss CHOY So-yuk, is any part of your supplementary question not fully answered by the Secretary?

MISS CHOY SO-YUK (in Cantonese): *Madam President, my supplementary was that if the sampling and testing system was sound enough, why did the Administration fail to find out voluntarily what had happened before being informed of by the residents concerned?*

SECRETARY FOR WORKS (in Cantonese): Madam President, according to our sampling and testing results, the quality of our drinking water fully complies with the WHO standards. Regarding the incident in question, the consumers concerned were mainly complaining against the odour of the water supplied. Yet despite the odour mentioned, the quality of the water involved has still matched with the WHO standards. Nevertheless, we have taken actions as regards the matter immediately upon receiving the complaints. The problem is now completely resolved.

PRESIDENT (in Cantonese): Honourable Members, we now have eight supplementary questions waiting to be raised. Would Members please keep their supplementaries as concise as possible, so that more Members could have the chance to raise theirs?

MR FRED LI (in Cantonese): *Madam President, part (b) of the main question is on the water supply systems of public housing estates, and such water supply systems include both the fresh water supply system and the flushing water supply system, which are the responsibilities of the WSD. The supplementary I wish to raise is on flushing water. The residents in many areas and housing estates have found the flushing water smelly and even filthy, and looks very much like sewage. Could the Secretary inform this Council whether the WSD is aware of this situation and whether any studies have been conducted to find ways to rectify and improve the situation?*

PRESIDENT (in Cantonese): Mr Fred LI, I am afraid I have to disappoint you. You are not allowed to raise the supplementary question as the subject of the main question is obviously related to fresh water.

MR FRED LI (in Cantonese): *Madam President, the main question is related to roof tanks and fresh water pipes, and roof tanks can be used to store fresh water as well as flushing water.*

PRESIDENT (in Cantonese): The wording of the main question says, "Laboratory tests revealed that the rust content in the relevant water samples", so please look at them carefully.

DR DAVID CHU (in Cantonese): *Madam President, according to the Secretary, the HD carries out inspections of indoor fresh water supply systems in the housing estates regularly or when necessary. Could the Secretary inform this Council how "regular" will these inspections be carried out?*

SECRETARY FOR WORKS (in Cantonese): Madam President, as far as I know, the HD personnel have all along been carrying out inspections for housing estates every day, and they will deal right away with any leakage or fresh water supply problems that arise.

MR ANDREW CHENG (in Cantonese): *Madam President, my supplementary is on potable water and is related to the work of the HD mentioned in part (b) of the main question. The HD has already sold many public housing units, and past experience tells us that the HD is unwilling to replace the problematic fresh water pipes before putting up the relevant public housing units for sale. Could the Secretary for Works inform this Council whether the Government has any specific measures to ensure that the rusty water pipes are replaced to help further enhance water quality before selling the public housing units, rather than leaving the problems to the future owners of the units concerned?*

SECRETARY FOR WORKS (in Cantonese): Madam President, relating to the maintenance of fresh water pipes, as I have explained just now, most of the water pipes inside the older housing estates and buildings in Hong Kong are unlined galvanized iron pipes which will become rusty rather easily. The water staying in such pipes may turn yellow, but the discoloured water would not pose any hazard to health. As to the question of whether the HD will replace the water pipes of public housing units before putting them up for sale, I will follow up the matter with the HD.

DR LO WING-LOK (in Cantonese): *Madam President, just now the Secretary told us that about 25 000 drinking water samples would be taken every year. May I ask the Secretary what tests will be conducted after taking the water samples; and whether any health hazards to human beings other than the rusty pipes have been identified in such tests?*

SECRETARY FOR WORKS (in Cantonese): Madam President, basically we will test the water samples taken against the WHO standards and obtain some parameter readings. The WHO standards include 94 guidelines values set for health reasons and 25 appearance-related guidelines values. The water samples taken from our water supply systems always comply fully with these standards.

MS AUDREY EU (in Cantonese): *Madam President, I should like to ask a supplementary on the replacement of water pipes and cleaning of roof tanks, such being the common facilities of buildings. Even though it is mentioned in part (c) of the main reply that the Government would make considerable efforts to assist flat owners to form owners' corporations, owners' corporations just could not be formed if some of the flat owners could not be contacted or some flat owners refused to co-operate. In that case, what measures will the Government take to assist other flat owners to clean the roof tanks or replace the water pipes concerned?*

SECRETARY FOR WORKS (in Cantonese): Madam President, fresh water is very important because it is one of our daily necessities. Under such circumstances, the WSD will exercise its power under the Waterworks Ordinance and issue a Notice to Repair Inside Services. If the consumer concerned fails to comply with the Notice, the WSD is authorized to carry out the necessary work and charge the consumer concerned for the repairs done. However, as I have pointed out in the main reply, under normal circumstances, the WSD would only advise consumers to have their pipes replaced or the roof tanks cleaned and most of the consumers would oblige readily.

PRESIDENT (in Cantonese): We have already spent more than 17 minutes on this question. I will allow one more Member to raise the last supplementary question.

DR RAYMOND HO (in Cantonese): *Madam President, with regard to the water samples taken by the WSD, which amount to about 70 daily or 25 000 in a year, may I ask the Secretary what percentage of the samples taken are below the WHO standards? Could the Secretary also inform this Council whether the HAD will be informed of the cases which are below the WHO standards, so that follow-up actions can be taken accordingly?*

SECRETARY FOR WORKS (in Cantonese): Madam President, I am glad to inform Honourable Members that the 25 000 samples taken and tested conform fully with the WHO standards.

PRESIDENT (in Cantonese): Third question.

Decision to Remove Minimum Brokerage Commission Rule

3. **DR DAVID CHU** (in Cantonese): *Madam President, the Board of the Hong Kong Exchanges and Clearing Limited (HKEx) decided in May last year to remove, with effect from 1 April 2002, the rule which sets a minimum rate of brokerage commission. In this connection, will the Government inform this Council whether:*

- (a) *it knows if the Board of HKEx had, before making the decision, assessed the numbers of securities companies which may have to lay off their staff or close down their business upon the removal of the rule; and*
- (b) *in view of the substantial reduction in the revenues of securities companies last year due to the low trading volume, the authorities will propose that the HKEx shelve its decision to remove the minimum commission rule, so as not to apply further pressure on the operation of securities companies; if not, of the reasons for that and the measures in place to increase the business opportunities and revenues of the securities sector?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President,

- (a) On 17 May 2000, the Board of HKEx approved the removal of the minimum brokerage commission rule from the Rules of the Exchange with effect from 1 April 2002. The decision was made after intensive discussion and consultation with the brokerage industry.

The Board of HKEx had taken into account the following factors when making the decision to remove the minimum brokerage commission rule:

- (i) Thirteen of the 15 largest stock markets (by market capitalization) in the world had adopted a system of free negotiation of brokerage commission. The only two exceptions then were Hong Kong and Taiwan, ranking 10th and 13th respectively. Taiwan subsequently liberalized the brokerage commission rates on 1 July 2000.
 - (ii) It is a global trend to allow free negotiation of brokerage commission rates. The liberalization of commission rates will create an environment conducive to free competition in the stock market. To meet the challenges of globalization and technological advancement, Hong Kong must keep up with international developments and remain competitive.
 - (iii) The Board of HKEx had considered the possible impact of the liberalization of commission rate on the industry but it was unable to assess the number of securities companies which might have to lay off staff or close down business upon the removal of the minimum brokerage commission rule. The Board considered that the liberalization of brokerage commission would not necessarily result in a reduction in income for the brokerage industry, as the free negotiation of commission should stimulate trading, which will ultimately benefit the industry as a whole.
 - (iv) To allow sufficient time for the industry to adapt to the change, the Board of HKEx passed the decision to provide a two-year transitional period, thus deferring the liberalization of brokerage commission for two years to April 2002.
- (b) The Government has no intention to intervene in the decision made by the Board of HKEx. We believe that the liberalization of brokerage commission will enhance the competitiveness of Hong Kong as an international financial centre. For brokers, they will be free to set the level of fees having regard to the package and nature of the services provided to clients. This will facilitate the diversification of services in the interest of the investing public.

The operational environment of the industry has deteriorated as the market turnover shrinks as a result of the prevailing economic condition. To tackle the problem, we are strengthening co-operation with the Mainland's financial services sector to create more business opportunities for the industry, taking advantage of Hong Kong's expertise and market infrastructure, and the huge potential of the mainland market. Furthermore, the Government, the SFC and the HKEx are keeping the securities laws and listing rules under review, so as to facilitate the launching of new products and help the industry capture new market.

To assist the development of the securities industry, we are committed to improving market efficiency and lowering the industry's operating costs. The Government, together with the industry as well as the regulators, is looking into ways to streamline the licence application and renewal procedures under the current legislative framework. Once the Securities and Futures Bill is passed by the Legislative Council, we shall also introduce a "Single Licensing System" to replace the multiple registration system currently in place to streamline regulatory procedures. It is our hope that by implementing the "Single Licensing System", we shall have room for adjusting downward related licence fees. In addition, the Government and the SFC are working on the enhancement of Hong Kong's financial infrastructure with a view to increasing clearing and settlement efficiency and reducing market risk.

DR DAVID CHU (in Cantonese): *Madam President, the Secretary indicated that the Government had no intention to intervene in the decision of the HKEx. But in the Budget speeches of last year and of the previous one, the Government recommended that the financial sector should reduce brokerage commission. Was that intervention? We all know it is a global trend to reduce brokerage commission. The United States did it more than 10 years ago, but could the Government inform this Council why it has to make the urge now, instead of five years ago or five years later? The industry forecasts that the reduction may cause 3 000 to 6 000 people to lose their jobs.*

PRESIDENT (in Cantonese): Dr CHU, you have raised two supplementaries. The first one is: should the recommendations contained in the policy address be considered as intervention? The second one is what you have just raised. Would you like the Secretary to answer the second question?

DR DAVID CHU (in Cantonese): *Madam President, if the Secretary would answer only one supplementary question, I would like him to answer the second one because it is more difficult to answer. (Laughter)*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, with your leave, I would like to answer both questions raised by Dr CHU.

First of all, I would like to clarify that the Government did not put forward the proposal just recently. I have explained this in my main reply. This was a decision made by the Board of HKEx last year. I must emphasize that this was the Board's decision. The Government did not intervene. The Government has its own stance. I trust that removing the minimum rate of brokerage commission may bring the practice of Hong Kong in line with that of other major financial centres in the world. This can also encourage the industry to enhance their service quality. So, this should be a good thing. That is how the Government sees it. But I must stress it was the decision of the Board of HKEx.

Dr CHU said the United States has removed the minimum rate of brokerage commission a long time ago, which is true. Indeed, the commission has been removed in many major financial centres. Their experience shows that trading, in the United States for example, has not dwindled after the removal; it has actually increased. The Government does want to see that all brokers may continue with their business, but it would also want to see increased, not decreased in trading.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, in part (iii) of paragraph (a) of the main reply, the Secretary said the HKEx was unable to assess the number of security companies which might have to lay off staff or close*

down business upon the removal of the minimum brokerage commission rule. Some groups in the industry estimated that around 3 000 to 5 000 workers could lose their jobs. What is the estimate of the Government?

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I would like to thank Mr HUI for his supplementary. The industry put forward a number of figures. Some people in the industry think 3 000 workers may lose their jobs and some others, 5 000. I learned from the newspaper that some people indicated 50 000 people would lose their jobs. At present, there are 10 000-odd dealers in the securities business. The Government is not in a position to assess the number of people who may lose their jobs upon the removal of the minimum brokerage commission rule. In fact, dismissals and unemployment are not just caused by the removal. There can be a host of other reasons, such as the state of the economy, the amount of trading transactions and the degree of customer satisfaction towards the services provided. So, I do not think we can jump to conclusion by estimating right now the number of people who may lose their jobs upon the removal of the minimum brokerage commission rule.

MR FRED LI (in Cantonese): *Madam President, I am going to ask a supplementary question within the ambit of the main reply.*

In his main reply, the Secretary said the liberalization of commission rates would create an environment more conducive to free competition in the stock market. This is a broad statement. Will the Secretary state clearly what benefit there will be for purchasers of stocks upon the removal of the minimum brokerage commission rule?

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I would like to thank Mr LI for his supplementary. I think the benefit lies in the choices available to stock purchasers who may choose broker firms from the services provided and the fees charged. That means they will have a number of choices. Broker firms will not be charging a flat rate of 0.25%. Some of them may charge a higher rate and some, a lower rate, while some others may choose to stick to the 0.25% commission, depending on the

services provided. I believe in assessing fees, consideration should be given to all services provided, such as charges on position-taking, quality of data collection, and so on. When the brokerage commission is linked to the services provided, the advantage is that investors will have more choices.

MISS LI FUNG-YING (in Cantonese): *Madam President, the proposal to remove the minimum brokerage commission rule has triggered off very strong reactions from the industry, for people in the trade thought there would be some closures and layoffs. The industry indicated that they would like to put forward a new proposal for consideration by the Government and the HKEx. Will the Secretary inform this Council whether he is willing to consider that proposal, bearing in mind the present economic situation, or will he recommend that the Board of HKEx delay the implementation of the removal?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): *Madam President, I would like to thank Miss LI for her supplementary. Indeed I had a meeting with the industry — I must thank Mr Henry WU for arranging representatives from the workers in the industry to come to the meeting. The Government had also met with representatives from other associations. I am certainly glad to hear comments from the industry. Yesterday, workers' representatives told me there would be a proposal to the satisfaction of all parties. If that is the case, the Government will certainly be glad to consider the proposal. I promised the representatives that I would wait for their proposal and consider it.*

MR HENRY WU (in Cantonese): *Madam President, a number of Members have asked the questions that I had wanted to ask, but that does not matter. Still, I wish to raise some further questions.*

In part (b) of the main reply, the Government said it was strengthening co-operation with the Mainland's financial services sector, taking advantage of Hong Kong's expertise and market infrastructure, and the huge potential of the mainland market. As Members just said, if the minimum brokerage commission rule is removed next year, three, four or even five thousand workers will be losing their jobs. (These workers are professionals, professionally trained in

Hong Kong and well-experienced.) What plans does the Government have in place for them to contribute to the development of the financial services industry, other than allowing them to apply for Comprehensive Social Security Assistance or unemployment assistance, undergo retraining, or making them do what they are not well versed in?

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I would like to thank Mr WU for his supplementary. I trust our professionals would find opportunities for themselves. What is important is that the Government must provide support. As I said in my main reply, the Government will try its best to create business opportunities for the industry in the Mainland or other areas in the region to facilitate the launching of new products and the creation of more investment opportunities to bring about more business. If there is business, there will be demand and professional services will naturally be needed. I believe that only this would be the solution.

MR HENRY WU (in Cantonese): *Madam President, the Secretary has not answered my supplementary. I was asking not about workers currently employed but about those who are unemployed. What can they do? They are also professionals but they have lost their jobs. How do the Government plan to co-ordinate with their condition.*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I believe I have answered Mr WU's supplementary question but he may not agree with what I said. My reply was: if there were more opportunities, there would be more business and more professionals would naturally be required to provide services.

DR TANG SIU-TONG (in Cantonese): *Madam President, in part (iii) of paragraph (a) of the main reply, the Secretary said the free negotiation of commission should stimulate trading, which will ultimately benefit the industry as a whole. This is the view of the Board of HKEx. Will the Government inform this Council whether it has data to show that the removal of minimum brokerage commission can stimulate trading, or increase the income of broker firms, especially small and medium ones?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I believe that it is not possible for the Government to get hold of the actual figures. The Government can only make reference to the experiences of other markets after the minimum brokerage commission was removed. Just now I have mentioned the experiences gained in the United Kingdom and the United States. In these countries, after the removal, the volume of trading was increased. Looking from this angle, the removal is beneficial to the market as a whole.

DR PHILIP WONG (in Cantonese): *Madam President, I believe the Secretary is aware that I have doubts about the representativeness of the Board of HKEx. Other than appointed directors, the Board comprises workers in the industry. There are three types of them: big broker firms, medium ones and small ones, the latter two categories combined amount to just two thirds of the industry. I believe the Secretary is also aware that when the issue was being voted upon, medium and small brokers have voted against the removal. The Secretary said the Board of HKEx was in favour of the proposal but, if voting inclinations in the Board are analysed, the Secretary will certainly realize that among the workers in the industry, a vast majority of the medium and small firms are against the removal. In the light of this, would the Secretary be willing to again conduct consultation in greater depths to see if brokers agree to the removal and the impact on them once the removal is implemented? The question cannot be clearer now. Will the Secretary inform this Council whether he is willing to conduct a consultation once again?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): I would like to thank Dr WONG for his supplementary. Dr WONG is certainly very familiar with the operation of the industry. In fact, I understand that on that day, some did not vote but they had expressed their opinions. Just now Dr WONG asked whether the Government would conduct a consultation once more. Well, in the past few months, the Government has continually listened to views from the industry. As I said, we just had a meeting yesterday and I indicated I would be more than willing to meet with them at any time. The fact remains that the three major associations met with us and made submissions. Among operators in the industry, views are indeed divided and different voices are heard. At any rate, however, the Government is willing to listen to their views and they have indeed made submissions to us recently. Of course, if they have any new ideas, or if they come up with a win-win proposal, the Government will, as I said, be glad to consider it. I trust the HKEx will too.

PRESIDENT (in Cantonese): This Council has spent more than 17 minutes on this question. We shall proceed to the last supplementary question.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Secretary said views were divided in the financial sector, but what I heard was that because people knew the Government was adamant and would not take back the decision, a group from the industry therefore made a compromise and started to negotiate with the Government. I support what Dr the Honourable Philip WONG said just now. My supplementary question is: since small and medium broker firms in the industry and all brokers are against the decision, thinking that the proposals should be shelved and should not be implemented until the economy improves, why was the Government unwilling to do so? I cannot see why. Will the Secretary inform this Council whether stock buyers are against the idea? If it is said that many people are against the idea, does it mean that it is only the big broker firms that are against the idea? I hope the Secretary can answer my supplementary question.*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I believe Miss CHAN must have read some relevant reports, but the Government is indeed communicating directly with the industry. As I said minutes ago, I met with them yesterday evening and in last week. Indeed, the Government has been listening to views from the industry. As I explained, this was a decision made by the Board of HKEx, a listed company. Other major financial centres in the world have removed the minimum brokerage commission. In Asia, only Malaysia has yet to remove the same, for reasons the Government has repeatedly explained. I must reiterate the Government is more than willing to communicate with the industry and listen to their views.

PRESIDENT (in Cantonese): Fourth question.

Impact of Chief Executive's Remark on Editorial Independence of RTHK

4. **MISS EMILY LAU** (in Cantonese): *Madam President, on 17th last month, in response to a reporter's request for views on criticisms made by a newspaper on Headliner, a television programme of Radio Television Hong Kong*

(RTHK), the Chief Executive said, "I do not want to comment on those bad-taste productions." In this connection, will the executive authorities inform this Council:

- (a) whether they have assessed if the Chief Executive's remarks have constituted pressure on the RTHK's editorial independence; if they have, of the results;*
- (b) whether they will continue to adhere to the established policy of upholding and supporting the RTHK's editorial independence, and undertake not to turn the RTHK into a mere official mouthpiece; and*
- (c) how the Chief Executive and senior government officials will be made accustomed to facing public opinions and criticisms with magnanimity and a sense of humour?*

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

- (a) It is the Government's established policy to maintain the editorial independence of RTHK. The policy is implemented through the "Framework Agreement" signed between the Secretary for Information Technology and Broadcasting and the Director of Broadcasting. The Agreement specifies that the RTHK is editorially independent. As the Chief Editor, the Director of Broadcasting is responsible for ensuring that the RTHK's Producers' Guidelines are observed in the provision of programmes to inform, educate and entertain the public and that the news and public affairs programmes is "fair", "balanced" and "objective". The RTHK will continue to operate on this principle.
- (b) As mentioned in part (a), the RTHK has all along enjoyed editorial independence. The Government considers that as a public broadcaster, the RTHK has the responsibility to serve the public. The Agreement states clearly that the RTHK will strive to reflect the views of all sectors of the community. Its responsibilities include the following:

- (i) to inform, educate and entertain audiences through multi-media programmes;
 - (ii) to provide timely and impartial coverage of local and global events and issues;
 - (iii) to deliver programmes which contribute to the openness and cultural diversity of Hong Kong;
 - (iv) to provide a platform for free and unfettered expression of views; and
 - (v) to serve a broad spectrum of audiences and cater to the needs of minority interest groups.
- (c) Hong Kong is a free and open society. The freedom of speech is safeguarded by the Basic Law. We are accustomed to the expression of diverse views by the community on different matters and this is part of our way of life. The Government always takes opinions and criticisms from all sectors with an open attitude, and is committed to serving the public in the overall interests of Hong Kong.

MISS EMILY LAU (in Cantonese): *Madam President, the Secretary did not answer my main question. I ask part (a) of the question again now, that is, has the Government assessed whether the non-remark remarks made by the Chief Executive have constituted pressure on the RTHK? If they have, what were the results? The Chief Executive is a person of high position, and such remarks he made about his department will constitute substantial pressure to editors and people of all sectors. Therefore, would the Secretary answer whether the Government has made any assessment in this respect?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): *Madam President, I have actually answered Miss LAU's main question. In assessing whether the RTHK has been subjected to any pressure, firstly we will have to see whether we have any policy of editorial independence; secondly, we will have to see whether the relevant policy*

has been fully implemented. In my main reply, I have already reiterated that the RTHK had all along enjoyed editorial independence, and this had been our established policy. As to whether the policy has been fully implemented, editorial independence is safeguarded by the provisions of the "Framework Agreement" with the objectives of the RTHK specified to provide informational, educational, entertaining programmes, and so on to the public. Therefore, Madam President, I did answer part (a) of the main question.

PRESIDENT (in Cantonese): Honourable Members, there are 12 Members waiting for their turns, please be as concise as possible when raising your supplementary questions.

MR CHAN KAM-LAM (in Cantonese): *Madam President, the Secretary mentioned in her main reply that the news and public affairs programmes should be "fair", "balanced" and "objective". May I ask if it is consistent with the above principles by describing the SAR Government as "Taliban Government", and the Chief Executive's policy address as "a policy address to give alms"? If not, has the RTHK observed the principles underlying the Producers' Guidelines by frequently broadcasting programmes to insult and blame the Government? By what means can the Chief Editor concerned ensure that the principles will be maintained?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, with respect to whether or not the production of individual programme has adhered to the standards of the Producers' Guidelines, the RTHK should actually endeavour to strike an overall balance and follow different standards of the Guidelines in programme production. As regards the divergent views people have on individual programme, the Director of Broadcasting has already stated that he is very willing to take into account the views of all sectors seriously and listen to different voices in society.

MR CHAN KAM-LAM (in Cantonese): *Madam President, the Secretary did not answer my supplementary question. Just now, I was asking whether she agreed that the Government of Hong Kong could be described as the "Taliban*

Government"? Is it consistent with the principles of being "fair", "balanced" and "objective" by describing the Chief Executive's policy address as "a policy address to give alms"?

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, we have certain mechanism to assess individual programmes. Insofar as programme production is concerned, the Director of Broadcasting, as the Chief Editor of RTHK, certainly has the responsibility to monitor. If the public is dissatisfied, for example, thinking that the Director of Broadcasting has failed to be impartial, or there is a loss of balance in the situation, it can be dealt with by the Codes of Practice already put in place by the Broadcasting Authority (BA). Moreover, the RTHK has also signed the relevant Memorandum with the BA, specifying that the RTHK is willing to comply with the relevant Codes of Practice. The BA has received 28 complaints relating to the case, and they will be handled by the Authority according to the established procedures.

MISS MARGARET NG (in Cantonese): *Madam President, the Chief Executive said, "I do not want to comment on those bad-taste productions." This in fact has assessed the productions as "bad-taste", and then in the light of relevant criticisms attacking the RTHK, government officials have just made ambiguous remarks. My question is: The above situation has significantly caused people to lose confidence in the Government's determination to safeguard the editorial independence of the RTHK and the freedom of speech, and has the Government made any assessment in this respect?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, this supplementary question is exactly the same as the question raised by Miss Emily LAU. We think that the RTHK is now enjoying editorial independence, this is also our established policy which is safeguarded by provisions. Therefore, we feel that we have an appropriate mechanism for protection.

MR MA FUNG-KWOK (in Cantonese): *Madam President, to maintain the editorial independence of the RTHK has been an established policy of the*

Government whereas the Director of Broadcasting is the Chief Editor of RTHK. However, this incident disclosed that a certain programme producer had failed to comply with the Producers' Guidelines in scrutinizing or editing the contents of the relevant programme, and such a situation has long arisen. May I ask whether the senior management of RTHK is aware of this situation, and whether it permits such incident to happen? In respect of this issue, what means have long been employed by the Information Technology and Broadcasting Bureau and the RTHK to ensure the quality of programmes?

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I believe that the RTHK has received different opinions from society and will handle them properly, among which include the plan to commission an independent professional surveying company to study further the views of people from all sectors on satirical programmes by adopting the focus group approach used in market research and through conducting intensive discussions. By random checking, the surveying company will focus on discussing audience's considerations concerning this type of programme in terms of acceptance, suitability and taste of programme. The findings of the survey will be given to programme producers for reference. The Director of Broadcasting, as the Chief Editor of RTHK, has the responsibility to ensure that the production staff have complied with the Producers' Guidelines, and we certainly have established a mechanism to monitor the RTHK. Earlier, I have said that if the public wanted to complain about the RTHK's programmes, they could do so by lodging their complaints through the relevant mechanism under the BA.

PRESIDENT (in Cantonese): Mr MA, has your supplementary question yet been answered?

MR MA FUNG-KWOK (in Cantonese): *No, the Secretary has not yet answered my supplementary question. I asked earlier that this incident had disclosed non-compliance of the Codes of Practice by the RTHK, why did this situation occur? I am not criticizing the standard of the contents of the programme, but the RTHK has already admitted that it had failed to monitor on this occasion. I wonder how the Government will answer this supplementary question.*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I am not aware that the RTHK has made a declaration or admitted openly that it had failed to monitor. The RTHK has its own system, and the Director of Broadcasting has also expressed that he is very pleased to listen to different voices and opinions, including views on the quality of programmes, or ways to adopt a stricter approach in the course of production.

MR NG LEUNG-SING (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary mentioned that the RTHK was a public broadcaster. In view of the fact that the RTHK spends around \$500 million of taxpayers' money annually, I believe many taxpayers also wish to express their views on broadcasting matters. Will the Government, after listening to different views, consider re-evaluating the role of RTHK, or rightly reviewing and adjusting its social function?*

PRESIDENT (in Cantonese): Mr NG Leung-sing, what is the correlation between your supplementary question and the main question? It appears that the main thrust of your question has nothing to do with the role of RTHK.

MR NG LEUNG-SING (in Cantonese): *Madam President, in part (b) of the main reply, it was mentioned that " the RTHK will strive to reflect the views of all sectors of the community". Since there are divergent views in society and in the light of the fact that the RTHK is a public broadcaster, the funding of which comes mainly from taxes paid by taxpayers. Will the Government review the social function or the positioning of RTHK after considering the many opinions?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, the current mode of "Framework Agreement" was set up after the negotiation between the Secretary for Information Technology and Broadcasting and the Director of Broadcasting. We consider it practicable and there should not be any problem in its implementation. The role and functions of RTHK as a public broadcaster are also very clear. If we wish to make any changes to the existing mode, we must

consider it carefully, and it will be after assessing the impact on various aspects then we should be able to make any proposals. At the present stage, we have no plan to change the existing mode and principles of operation.

MISS CYD HO (in Cantonese): *Madam President, on the same day when the Chief Executive responded to the press, the Government issued a press release in high profile, reminding the Director of Broadcasting, as the Chief Editor of RTHK, to strictly implement the standards of the Producers' Guidelines, and the press release also made special mention of three principles: impartiality, accuracy and taste. May I ask the Secretary if this way of handling in such a high profile implied that certain episode of the "Headliner" had violated these three principles? Was this high-profiled practice actually imposing pressure on the Director of Broadcasting?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): *Madam President, the declaration mentioned that the RTHK, as a public broadcaster, had the responsibility to provide balanced and quality programmes and such a premise was not only set out in the Framework Agreement, but also in the RTHK's own Producers' Guidelines and objectives. As regards the professional standards such as impartiality, accuracy and taste of programmes as set out in the Producers' Guidelines, they should be the general standards that apply to all programmes produced by the RTHK. In addition, the declaration lastly also mentioned that the Director of Broadcasting would carefully consider views from all sectors concerning ways of expression and quality of individual production. Therefore, the principles contained in the declaration match perfectly with those in the existing "Framework Agreement".*

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary earlier mentioned the three principles of being "fair", "balanced" and "objective". However, I feel that they are, to a certain extent, very subjective. I would like to ask a specific question: If the contents of the programme are not based on facts, or are even concocted or fabricated, what measures will the Government, taking care not to affect editorial independence, adopt to ensure that the contents of programmes broadcast by the RTHK are consistent with the facts?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, if we really adhere to the principle of editorial independence, such matters should be handled by the Director of Broadcasting who acts as the Chief Editor. In fact, the Director of Broadcasting has stated many times that he will be pleased to listen to views from all sectors and consider them seriously. If the public feels that certain RTHK programmes have violated the principles of being "fair", "balanced" and "objective", as I said earlier, a mechanism has been put in place under the BA to handle complaints lodged by the public. Currently, the BA has received 28 complaints and they will be handled according to the relevant procedures.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, the answer given by the Secretary is evasive as she was not answering what she was asked. Can the Government inform this Council whether the remarks made by Mr TUNG Chee-hwa on the "Headliner" as bad-taste productions represented the position of the Government or simply his personal opinion? Has Mr TUNG Chee-hwa's remarks interfered with the editorial independence and freedom of expression of RTHK, including the freedom to crack jokes? In fact, is it allowed for jokes to be included in the contents of RTHK's programmes?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, under the premise of editorial independence, the RTHK certainly makes decisions on its own as far as production is concerned. I believe Mr CHEUNG will also agree that Hong Kong is an open society where people can enjoy the freedom of speech, and we also respect the views of all individuals. Regarding the question raised by Mr CHEUNG on whether it has constituted pressure on the RTHK, as I have said several times earlier, it will depend on whether or not we currently have a policy of editorial independence, and whether or not this policy has been fully implemented. Just now I have given my reply insofar as these two aspects are concerned.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, the Secretary did not answer my supplementary question. My supplementary question is: Whether Mr TUNG Chee-hwa's criticism on the "Headliner" as bad-taste productions actually represented the position of the Government or his personal opinion? In fact, is it allowed for jokes to be included in the contents of RTHK's programmes?*

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

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I think I have already answered it, and I have nothing to add.

MR MICHAEL MAK (in Cantonese): *Madam President, the Chief Executive has openly criticized the RTHK's programme as "bad-taste productions", which is obviously the SAR Government's position, and its assessment on the quality of RTHK's programmes. Quality assessment certainly has definite standards. Here, may I ask the Government whether there are measures in place to make the RTHK produce some programmes considered by the Government as "good-taste" for the general public to appreciate?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, I think I should put it this way. I have said earlier that after collecting the many opinions, the Director of Broadcasting will handle them properly. One of the methods is to examine further, through small focussing groups, public considerations on the acceptance of this type of satirical programmes, to what extent should it be regarded as suitable and having good taste. We think that the Director of Broadcasting is very positive in so doing and we fully support it. The Chief Secretary for Administration has also said that he fully trusts the Director of Broadcasting can manage it properly.

PRESIDENT (in Cantonese): We have already spent 17 minutes on this question, and I allow a Member to ask the last supplementary question.

DR YEUNG SUM (in Cantonese): *Madam President, the Government claims that the RTHK has enjoyed editorial independence. May I ask whether the Government has intervened with the RTHK, as a result of which a certain editor has been caused to resign lately?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, the RTHK made a declaration yesterday in connection with this incident, stating that no intervention at all has existed in the whole incident. It concerned only with the arrangement of the programme "Letter to Hong Kong". The declaration mentioned that it was completely an internal decision of the editorial board, and considerations on the change of programme were based on the value of the news, which had nothing to do with intervention at all.

PRESIDENT (in Cantonese): Fifth question.

Changes in Charges of Public Utilities and Transport

5. **MR FRED LI** (in Cantonese): *Madam President, will the Government inform this Council:*

- (a) *of the up-to-date average cumulative percentage change in respect of each of the following categories of charges since 1 October 1998: unit charges on electricity, gas and water, fixed network telephone tariffs, container terminal handling charges, airport landing charges, as well as the fares of the KCR, LRT, MTR, franchised buses and ferries;*
- (b) *how these figures compare with the cumulative percentage change in the Composite Consumer Price Index (CCPI) over the same period; and*
- (c) *whether it will take measures to promote competition in the relevant sectors so that such service charges can be reduced in keeping with deflation?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President,

- (a) The average cumulative percentage changes in the charges of various public utilities and transport service sectors since 1 October 1998 are set out at the Annex presented to Members.

- (b) The cumulative percentage change in the CCPI during the period from October 1998 to September 2001 was -8.2%.

Regarding changes in the charges of the various sectors listed at the Annex and the cumulative percentage change in the CCPI over the same period, I do not think direct comparison can be made between the two. The reason is that the CCPI is an indicator of general household expenditures. It comprises nine expenditure categories, most of which have no direct relation with the operating costs of the sectors listed at the Annex. I shall elaborate later.

- (c) I do not agree that simply by promoting competition, it will cause the various sectors to reduce their service charges according to deflation. In determining the level of service charges, operators have to take into account a number of factors. Both operating costs and business development are important considerations. On operating costs, while the CCPI can be taken as an indicator of deflation or inflation, some of its component categories, that is, food, housing, miscellaneous services, durable goods and clothing and footwear, which represent 81% of the Index, have little bearing on the operating costs of public utilities and transport services. As such, we cannot, on the basis of changes in the CCPI, presume that the operating costs of individual public utilities or transport services will increase or decrease, nor can we, based on such comparisons, decide that their service charges should be raised or reduced.

In fact, for public utilities and transport services sector operators, the bulk of their operating costs, including staff emoluments, prices of imported equipment and raw material, and so on, may not change according to the local CCPI. On account of their human resource management policies, operators in these sectors may not wish to cut costs by curtailing their staff expenditures. I understand that the power and gas companies, the Airport Authority (AA), the railway companies, franchised bus and ferry operators did not make pay reduction last year, rather, they enhanced productivity through measures such as improving quality management.

Furthermore, operators will also need to strike a balance between charges and business development plans, for example, whether to invest for further expansion, upgrade the quality of their services and products, and so on.

A predominant reliance on free market forces and minimizing interference has all along been our economic policy and the principle for promoting competition. Based on this principle, all government bureaux and departments work to maintain a fair business environment for the relevant sectors, and where necessary, take appropriate sector-specific measures to rectify anti-competition behaviours and further promote competition. For example, the telecommunications sector, regarded as the most competitive industry, has fruitfully translated this policy into action. In terms of local telephone services, the Government immediately introduced competition into the market and issued licences to three new service operators upon the expiry of the franchise of the Hong Kong Telephone Company Limited (HKTC) in 1995. As the HKTC could no longer rely on its external telecommunications services to subsidize local residential telephone services, the Administration permitted the HKTC to raise gradually its charges for residential calls to cost-recovery level. This creates an environment conducive to competition for the new operators, and hence a foundation for development of a competitive telephone service in the long run. Separately, in 1999 and 2000, the Administration liberalized respectively the external telecommunication services and facilities. Thereafter international call rates continued to drop. It is estimated that consumers had thus saved up to \$9.4 billion in 1999 and 2000.

Another example is the public transport sector. Upon the commissioning of the new railways, which we are striving to develop, inter-modal competition will be further enhanced, providing more choices to commuters. We have also taken other measures to promote competition. For instance, we award the right to operate sizeable network of new franchised bus routes through a selection process open to all existing franchised bus operators, and invite open tenders for new ferry services and green minibus route packages.

To sum up, it is not appropriate to require that all public utilities and transport service sectors adjust their charges solely according to the movements of the CCPI.

Annex

The average cumulative percentage changes in the charges of various public utilities and transport sectors since 1 October 1998 are as follows:

<i>Charges</i>	<i>Average Cumulative Percentage Change</i>
Electricity tariff (average tariff per unit)	
CLP	-0.7% ^(Note 1)
HEC	6.53%
	(Net increase 4.87%) ^(Note 2)
<p>Note 1: Since 1999, the CLP has improved its progressive four-block tariff structure (that is, to include more domestic customers in the lower tariff blocks). The 0.7% reduction in CLP tariff reflected the impact of this improvement on the average tariff per unit. However, the figure does not include the one-off \$200 rebate offered to each customer early this year.</p>	
<p>Note 2: Net of shareholders' special rebate of 1.5 cents per unit; the increase per unit was 6.53% before netting off this rebate.</p>	
Towngas tariff	No change in the basic tariff and monthly maintenance charge; fuel cost variation charges were adjusted in line with the prevailing cost of fuel each month
Water charges	0%
Fixed line telephone services tariff	
- residential lines	20% to 59.7%
- commercial lines	12.5% to 28.6%
- IDD calls	-51.1%
(Weighted average per outgoing IDD minute)	

<i>Charges</i>	<i>Average Cumulative Percentage Change</i>
Terminal handling charges	0%
Airport landing charges	-15%
Railway fares (including KCR, LRT and MTR)	0%
Franchised bus fares	
one of the franchised bus companies	2.4%
other franchised bus companies	0%
Local passenger ferry fares	
16 routes	3.3% to 25%
the other 14 routes	0%

MR FRED LI (in Cantonese): *Madam President, the Government pointed out clearly in its main reply that the cumulative percentage change in the CCPI over the past three years is -8.2%. I would like to ask the Government whether it has examined if the proportion of the public expenses on public utilities and transport to household expenditure over the past three years has increased or decreased? If increased, whether the Government has discussed with the relevant organizations to find ways to assist the public?*

PRESIDENT (in Cantonese): Will the Secretary for Economic Services or the Secretary for Transport answer the question? Secretary for Economic Services.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, although the CCPI comprises some of the expenses of the public, it is not possible to make a general comparison as suggested by the Honourable Member, since some of the expenses at the Annex, such as airport landing charges, terminal handling charges are not included in the CCPI. However, to use transport expenses as an example, they only account for a small proportion of the CCPI and they include expenses on vehicle licence, insurance, the purchase

of vehicles, and so on. Therefore, Members cannot rely solely on the changes in the various charges listed at the Annex to make a completely accurate estimate. Madam President, with your permission, I would like to mention nine of the categories which make up the expenditure weight of the CCPI. They are food, housing, fuel and light, gas and water, alcoholic drinks and tobacco, clothing and footwear, durable goods (such as furniture and electrical appliances), miscellaneous goods, transport (I have just mentioned what this comprises) and an item known as miscellaneous services (that is, school fees, health service, travel and other communication services), and they constitute the total expenditure weight.

MS MIRIAM LAU (in Cantonese): *Madam President, the Secretary pointed out clearly in the main reply that the cumulative percentage change in the CCPI was -8.2%, but at the same time said in the main reply that the operating costs of transport services may not change according to the changes in the local CCPI. I trust the Transport Bureau has some idea about the operating costs of various public transport operators. To use the operating costs of public transport operators as an example, and those of public buses and railways in particular, I would like to ask the Secretary for Transport whether there is any decrease or increase in any item of their operating costs over the past three years, even though the operating costs may not change according to the changes in the local CCPI? If there are both increases and decreases, is it possible to provide information on the changes?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I can give a detailed account in writing of the changes in the operating costs of the several major bus companies and railway companies over the past three years. (Annex I) However, as already pointed out by the Secretary for Economic Services in her main reply, the operating costs of many transport sectors do not vary according to the changes in inflation. Take bus companies for an example, staff emoluments account for the largest item of their operating costs, accounting for 40% to 60% of their expenditures. Over the past three years, the salaries of the employees of bus companies have certainly not been adjusted downwards according to the overall decrease in the prices of goods. This is a prime example illustrating the fact that in many aspects, costs is not necessarily linked to inflation.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary mentioned the issue of the operating costs of transport service companies and said that productivity had been enhanced. However, Madam President, a newspaper reported today that 10 members of staff of the Kowloon-Canton Railway Corporation (KCRC) received exorbitantly high salaries, that the KCRC was extravagant and the salary of its Chairman was twice that of the Chief Executive. The report also said that the efforts of the KCRC to cut down on its expenses did not produce satisfactory results. I would like to ask the Secretary for Transport, who is a member of the Board of KCRC, whether he has looked into this matter, whether he considers this state of affairs reasonable and whether in the present state of affairs, productivity has been enhanced?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, according to the Kowloon-Canton Railway Corporation Ordinance, the KCRC has to operate according to commercial principles and this includes the determination of the salaries and fringe benefits of its staff. Naturally, when the KCRC determines the salaries and fringe benefits of its staff, it will make reference to the general condition of the market as well as the actual supply of and demand for the kind of employees. Basically, the levels of salary and fringe benefits of KCRC's senior members of staff are determined by the Board of KCRC. The decisions of the Board of KCRC are collective and are not made by individual members. The Secretary for the Treasury and I are just members of the Board of KCRC. Therefore, the salaries and fringe benefits of KCRC's staff will be determined by the entire Board according to market factors and the demand for the particular kind of employees to ensure that the KCRC can attract the appropriate talents.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary has not answered my question which is very straightforward: whether the Secretary considers the present state of affairs reasonable?*

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

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I do not think that we can pass any judgment and comment on whether a situation is

reasonable or not based on a one-sided report in the newspapers. As I have said just now, the KCRC has taken into account the overall demand for the kind of employees in the market before determining the salaries and fringe benefits of senior members of staff.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, the Secretary pointed out at the Annex to the main reply that there is a 15% reduction in airport landing charges. I would like to ask the Secretary whether, compared with other competitors, the level of airport landing charges in Hong Kong is on the high side or the low side?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I would like to thank Mr HUI for asking this question. In fact, the AA, which manages the Hong Kong International Airport, keeps close tabs on whether our international airport is able to compete with other competitors. I do not have the relevant information at hand, but I believe the level of charges levied by the AA is neither high nor the lowest. I would like to take this occasion to briefly explain that the AA, when determining airport charges, and apart from maintaining the competitiveness of the airport, will also consider whether its charges are reasonable in relation to the quality of its services. Moreover, the guidelines of the International Civil Aviation Organization also requested the AA to follow the principle of equality and the "user pays" principle and discuss with airline companies before determining its charges for the provision of services. It is according to these principles that the AA will continue to extend the period of 15% concession to March next year and conduct a review afterwards.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the Secretary said just now that the costs of public utilities are not necessarily linked to deflation or inflation, but the main concern of our questions is not whether the costs of public utilities are linked to deflation or inflation; the emphasis is on whether the charges should be reduced. In addition, salaries and interest rates of banks in the entire society are all being adjusted downwards and the standard of living of the general public is declining. The livelihood of the public is getting harder. Under such circumstances, I would like to ask the Government whether there is any mechanism to compel public utilities to reduce charges? If no mechanism*

has been put in place by the Government, will the Government, in view of the new developments which are unprecedented in nature, put in place or develop a mechanism to compel public utilities to reduce charges, since nobody would raise this issue when the times were good, but now the times are bad and the entire community is strongly calling for a reduction?

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I would like to thank the Honourable LEE Cheuk-yan for asking the question. First of all, public utilities can be classified into many types. Some operate entirely according to free commercial principles. For example, container terminals charges and airport landing charges are determined according to the principles of a free economy. However, some charges are subsidized, for example, at present water charges received a 57% subsidy from the Government. As regards gas, there is an information and consultation agreement between the relevant company and the Government. Regarding electricity tariffs, Members all know that there are Schemes of Control Agreements. Other kinds of mechanisms are also in place for public organizations and public transport sectors. I have said in the main reply that Members have to respect the principles of a free economy and certainly should not adopt a broad-brush approach and request all parties to achieve certain goals, such as the reduction of charges, by high-handed means simply because we are facing economic difficulties. However, we will also adopt some measures under the relevant mechanisms. For example, regarding electricity tariffs, we will actively examine the figures and request the two power companies to submit annual tariff proposals according to the control agreements. This is just one example and we will review the relevant figures with great care under the existing mechanisms. However, I do not agree that a broad-brush approach requesting all public utilities to reduce their charges within a certain period of time should be adopted. Among the economies of the world, no government would take such actions to interfere with the market except in planned economies, and the economy of Hong Kong is certainly not a planned economy.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the Secretary has not answered my question, since I am not talking about a broad-brush approach but whether mechanisms are in place. The Secretary seems to say that there is such a mechanism, but that mechanism is for applying for an increase, not for a reduction. What I am asking is whether there is a mechanism for the reduction of charges and I hope the Secretary can answer this clearly.*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, under the existing mechanisms, we will review the changes to the charges regardless of whether such changes are increases or decreases. Members can see from the Annex that the China Light and Power Company did slightly reduce its electricity tariff.

PRESIDENT (in Cantonese): We have spent more than 17 minutes on this question. Last supplementary question.

MR JAMES TO (in Cantonese): *Madam President, the Secretary pointed out in the last paragraph of the main reply that it was not appropriate to require all public utilities and transport sectors to adjust their charges solely according to the changes in the CCPI. To use public transports as an example, the Government said that the charges should not be adjusted solely according to this factor, then on what basis should the charges be adjusted? In addition, is it the case that these charges can actually be increased but not reduced? Since the Secretary for Economic Services has given us an example, I wonder if the Secretary for Transport could also give us another example to illustrate that charges in the transport sector can also be reduced?*

PRESIDENT (in Cantonese): Which Secretary will answer the question? Secretary for Transport.

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, in the relevant motion debate to be conducted later, I will give a more detailed account of the issue of charges levied by transport services. However, it is possible for operators to adjust their charges downwards out of commercial considerations and in fact such instances have occurred in the past. For example, the two railway companies obviously did adjust their charges downwards because of commercial reasons. Of course, charges will be adjusted upwards depending on the overall situation, but it is possible to adjust the charges downwards for commercial reasons.

PRESIDENT (in Cantonese): Last question seeking oral reply.

Operation of Boundary Control Points

6. **MR LAU KONG-WAH** (in Cantonese): *Madam President, regarding the operation of boundary control points, will the Government inform this Council whether:*

- (a) *round-the-clock operation will be implemented at various land boundary control points during the next Lunar New Year period; if so, of the details; if not, the reasons for that;*
- (b) *it will consider recruiting part-time immigration personnel so as to ease the staffing of the Immigration Department during peak cross-boundary traffic periods; and*
- (c) *it will consider allowing the introduction of shuttle bus service to and from the Sha Tau Kok Control Point to ease the cross-boundary passenger traffic at other land boundary control points; if not, of the reasons for that?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The question raised by the Honourable LAU Kong-wah concerns mainly the operating hours for cross-boundary passenger clearance during the Lunar New Year holidays. In this connection, we announced after the Fourth Plenary of the Hong Kong/Guangdong Co-operation Joint Conference this July that the operating hours of the Lo Wu Control Point will be extended to midnight for a total of 10 days during the Lunar New Year holidays. With the joint efforts of the People's Government of Guangdong and the Government of the Hong Kong Special Administrative Region (SAR), and supported by the Central People's Government, authorities of Guangdong and the SAR reached consensus last week on the further extension of the operating hours for cross-boundary passenger clearance as follows:
 - (1) Starting from 1 December this year, cross-boundary passenger clearance at the Lo Wu Control Point will be extended for half an hour and run from 6.30 am to midnight

every day. At present, Lo Wu operates from 6.30 am to 11.30 pm.

- (2) The operating hours for cross-boundary passenger and private car clearance at the Lok Ma Chau/Huanggang Control Point will be extended for two and a half hours, and run from 6.30 am to midnight every day to tie in with the operating hours of Lo Wu. At present, passenger clearance at Lok Ma Chau runs from 7 am to 10 pm.

The above arrangement means that the public will be able to cross the boundary at Lo Wu and Lok Ma Chau until midnight every day. In particular, the two-and-a-half-hour extension of passenger clearance at Lok Ma Chau will provide greater convenience to cross-boundary commuters, visitors as well as people travelling in private cars. Synchronizing the operating hours of the two control points will also reduce confusion as that the public can cross the boundary at ease.

Lo Wu and Lok Ma Chau/Huanggang are the two busiest cross-boundary control points, accounting for more than 90% of the total cross-boundary passenger traffic. Authorities of the two sides believe that the extended operating hours mentioned above represents the appropriate arrangement at this stage. In fact, recent experience gained from the extension of operating hours of the Lo Wu Control Point during the Mid-Autumn Festival/National Day and the Chung Yeung Festival holidays showed that passenger traffic during the extended period was not heavy at all. We therefore do not see a need to further extend the operating hours of our control points beyond midnight during the Lunar New Year holidays.

As regards the 24-hour provision of cross-boundary passenger clearance, this remains a long-term objective of the SAR and the Mainland. The position of the two sides on this issue is clear and consistent. Given the increasing flow of people between the two places, gradually extending the operating hours for cross-boundary passenger clearance is a natural development. The pursuit of this long-term objective will be considered in the light of practical needs,

interests of the peoples of the two sides and efficient use of resources. We will also take into account the socio-economic impact of round-the-clock cross-boundary operations.

- (b) As law enforcement officers, members of the Immigration Service must be well-trained. Immigration Assistants, for example, have to undergo a 17-week induction training as well as various in-service training programmes from time to time. Professional training is of paramount importance if we want to ensure the quality and reliability of front-line services at our control points. The employment of part-time personnel at our control points would only be viable if they receive equally rigorous training and before assuming duties undergo stringent assessment designed to ensure that they fully meet the job requirements.

Of course, if the proposal to employ part-time immigration personnel proves feasible, the Immigration Department will be able to more flexibly deploy manpower during peak periods at control points. However, we must in the first place study carefully all the relevant details, including cost-effectiveness, legislative requirements, training, resources and administrative arrangements.

To ease the manpower strain during peak periods, the Immigration Department has created 117 additional posts at the Lo Wu Control Point in 2001-02. The Department will continue to cope with the workload at peak periods at control points through flexible staff redeployment and strengthening of manpower resource in the coming financial year. In the long run, the Department will endeavour to take advantage of latest technology, such as the introduction of automatic clearance systems, to enhance operational efficiency and to deal with the ever-increasing passenger traffic.

- (c) A number of North District Council members and representatives of Sha Tau Kok residents have proposed to the Government that cross-boundary shuttle bus services between the Mainland and Sha Tau Kok should be provided to facilitate residents in Sha Tau Kok to cross the boundary and to ease congestion at other control points. This proposal runs across a number of policy areas including security, transport, cross-boundary crossings and access roads to the

crossings. In addition, as the proposed transport arrangement is a cross-boundary service, discussions between Hong Kong and mainland authorities will be necessary. The relevant Policy Bureaux and departments are working together to study the feasibility of the proposal from various perspectives. The Administration will revert to the proponents of the proposal once the study is completed.

MR LAU KONG-WAH (in Cantonese): *Madam President, has the Government drawn up a timetable since there are some uncertain factors existing in the proposed long-term objective? The Government has decided not to introduce 24-hour passenger clearance for the time being on socio-economic grounds. In this connection, has the Secretary for Economic Services specifically evaluated the proposal of introducing round-the-clock passenger clearance since it will bring benefit in the long term in spite of a short-term impact on the economy?*

PRESIDENT (in Cantonese): Which Secretary will answer this question? Secretary for Economic Services.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, we have not categorized our data for the purpose of assessing how different industries and our entire economy can be benefitted by extending the operating hours of control points or the 24-hour provision of cross-boundary clearance.

PRESIDENT (in Cantonese): Honourable Members, as nine Members are still waiting to raise their questions, I have to remind Members again to be as concise as possible when asking their questions.

MR CHAN KWOK-KEUNG (in Cantonese): *Madam President, it was mentioned in the main reply by the Secretary that automatic clearance systems would be introduced to enhance operational efficiency and to cope with the ever-increasing passenger traffic. In this connection, will the Secretary inform*

this Council whether the introduction of such systems implies future reduction of immigration manpower?

SECRETARY FOR SECURITY (in Cantonese): Madam President, regarding the introduction of automatic clearance systems and the processing of passenger clearance over immigration counters, the Immigration Department will set up biological distinction systems at control points following the introduction of the smart identity cards in the latter half of 2003. Since the systems can allow holders of smart identity cards to complete automatic passenger clearance through a biological distinction procedure, certainly it will no longer be necessary for each immigration counter at land control points to be manned by an immigration staff. Instead, a supervisory officer may oversee several channels at the same time and this will help reduce manpower. This practice will also be applicable to vehicle clearance and manpower can thus be saved in the long run. At the same time, the speed of vehicle clearance at the Lok Ma Chau/Huanggang Control Point can be expedited.

MR IP KWOK-HIM (in Cantonese): *Madam President, I would like to follow up part (c) of the main reply with respect to the Sha Tau Kok Control Point. According to the reply given by the Government, the relevant Policy Bureaux and departments are working together to study the feasibility of the proposal from various perspectives. The difference between Sha Tau Kok and Lo Wu or Lok Ma Chau lies in the fact that Sha Tau Kok is unique since it is a residential area and is connected with the Mainland. Has the Secretary taken into account, in addition to vehicle clearance, passenger clearance facilities when considering the proposal from various perspectives?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, this issue has actually been brought up by Sha Tau Kok residents before. However, we must bear in mind that the Sha Tau Kok Control Point and its road system were originally designed for vehicles, not passengers. Representatives from the Security Bureau have met with Sha Tau Kok residents and North District Council members in this July and October. We are holding an open-minded attitude towards the proposal and are co-ordinating views from various government departments. A reply is forthcoming in two months, that is, before end of this December.

MR IP KWOK-HIM (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. My question is whether the Secretary will consider the provision of the facilities of pedestrian links.*

SECRETARY FOR SECURITY (in Cantonese): *Madam President, I guess I have answered the question, because I have made it clear that, under the present circumstances, the provision of pedestrian links is not feasible.*

MR ABRAHAM SHEK (in Cantonese): *Madam President, part (b) of the main question raised by Mr LAU Kong-wah concerns the recruitment of part-time immigration personnel. Given the fact that many young people are out of employment at present and there is an auxiliary police system for the police, will the Government consider recruiting auxiliary immigration personnel to relieve the work pressure faced by immigration staff?*

SECRETARY FOR SECURITY (in Cantonese): *Madam President, it is not entirely impossible for this proposal to be considered. Given the huge number of job seekers, the Government might as well create more full-time posts to enable them to establish a more meaningful career. This should be even more attractive to them. If only part-time jobs are offered, these young job seekers will face another problem of how to spend their spare time. Members should be aware that we have set a very high standard with respect to the execution of immigration control work. It is during the so-called unsocial hours, that is, the hours during which no one is willing to work or the workload is at its peak, that we are in a most desperate need for manpower. As such, how feasible will the proposal of recruiting part-time staff turn out to be? Furthermore, if we are to set up an auxiliary immigration force like the auxiliary police force, we will need to draft a bill to this effect and it will take at least one to two years. Therefore, our foremost task is to examine the number of full-time posts that need to be created and the application of technology to ease manpower demand.*

MS MIRIAM LAU (in Cantonese): *Madam President, it was mentioned in the main reply that passenger traffic during the extended period on the Mid-Autumn Festival/National Day and the Chung Yeung Festival was not heavy. Notwithstanding this, authorities of Guangdong and the SAR have reached*

consensus last week that starting from 1 December this year, cross-boundary passenger clearance will be extended for half an hour. Will the Secretary inform this Council whether the decision was based on the actual need calculated in terms of passenger flow or the decision was made just for the sake of facilitating the movement of cross-boundary commuters? If it is for the latter reason, why can the Government not consider further extending the operating hours of cross-boundary operations during the Lunar New Year or major holidays to facilitate the movement of cross-boundary commuters?

SECRETARY FOR SECURITY (in Cantonese): Madam President, it has been decided by the People's Government of Guangdong and the SAR Government after close exchange of views that the most effective solution is to extend the operating hours of the Lo Wu Control Point and the Lok Ma Chau Control Point for half an hour and two and a half hours respectively. Synchronizing the operating hours of the Lok Ma Chau/Huanggang Control Point with the Lo Wu Control Point should be in the best interests of the public in general. This viewpoint or conclusion has taken into account a factor mentioned by Ms LAU earlier that passenger traffic during the extended hours on the Mid-Autumn Festival or National Day was not too heavy. Apart from this, we have also noticed that although passenger traffic at the Lo Wu and Lok Ma Chau Control Points saw a rapid increase in the past years, the increase has started to slow down recently. Between 1996 and 2000, passenger traffic at Lo Wu saw an average increase of 16% annually, and an average increase of 38% at Lok Ma Chau. Increases have slowed down this year compared with the first 10 months of last year. From January to September this year, the growth of passenger flow at Lo Wu was merely 2.8%, and 13.3% at Lok Ma Chau. Taking this into account and the moderate passenger traffic during the extended period on recent festive occasions, authorities of Guangdong and the SAR have decided that the operating hours for cross-boundary clearance be extended to midnight to provide more convenience for visitors. In particular, we will study the response of the public and the utilization rate after extending the operating hours of the Lok Ma Chau Control Point to see if it is necessary for the operating hours to be further extended at the next stage.

PRESIDENT (in Cantonese): Ms Miriam LAU, has your supplementary question not been answered?

MS MIRIAM LAU (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. My question is very specific: Was the decision to extend the operating hours of control points for half an hour daily based on the actual passenger flow or was the decision made simply because governments of Guangdong and the SAR wished to provide more convenience to commuters? This point has not been answered.*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have actually answered the question. As I explained earlier, it is necessary for governments of Guangdong and the SAR to consider the demands in various areas, including passenger flow, the provision of more convenience for the public, resources, and so on.

MR MICHAEL MAK (in Cantonese): *Madam President, cross-boundary passenger traffic tends to peak whenever there are holidays. The workload and pressure of the relevant law enforcement officers will also increase dramatically. In the end, they may even find themselves burned-out. In this connection, will the Secretary inform this Council whether the Government has put in place effective measures to ensure law enforcement officers can still achieve the highest standard of work performance even under tremendous work pressure and severe physical exhaustion to avoid slackness in law enforcement?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I would like to thank Mr MAK for his concern about this matter. I agree with Mr MAK that our front-line staff are facing tremendous pressure. In this connection, the Immigration Department will try to adopt various measures to ease such pressure. For instance, there have been frequent discussions with the staff at the Lo Wu Control Point to see how staff should be deployed to give them appropriate time for rest and to have their meals and, at the same time, ensure that the convenience enjoyed by cross-boundary travellers are not being compromised. Furthermore, the Staff Relations Sub-division of the Immigration Department

will see to the needs of front-line staff. Senior immigration officers will also visit front-line control points to discuss with the staff working there. We will continue to pay close attention to this matter to enable immigration personnel to carry out their enforcement duties effectively on the one hand, and to help them relieve their tremendous pressure on the other.

MR WONG SING-CHI (in Cantonese): *Madam President, the Secretary for Economic Services indicated in her reply earlier that the authorities concerned had not obtained any information and conducted any studies on the impact of round-the-clock cross-boundary operations on Hong Kong economy. Will the Government conduct a specific study on the impact of the proposal on Hong Kong economy and, in particular, on the property market of our neighbouring regions, retailing industries, noise pollution and juvenile delinquency before introducing these measures, and would propose specific improvement measures in the light of the findings of the study before introducing 24-hour cross-boundary operations?*

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I would like to make some clarifications. In the reply given by me earlier, I said that we have not studied or categorized the data with respect to the impact of extending the operating hours of the boundary control points or introducing round-the-clock cross-boundary operations on different trades. Neither could we come up with a concrete economic model, pointing out the merits and demerits of such measures. In addition to involving the economic aspect, the supplementary question raised by the Honourable Member also relates to social problems. I consider the introduction of round-the-clock cross-boundary operations a long-term objective. In the interim, as stated by Ms Miriam LAU, do we actually have such a need? To what extent can this measure facilitate the visitors? How much resources will need to be injected? A great number of factors are actually involved, though we have been unable to quantify some of the factors, such as passenger flow, the entertainment habits of the people of Hong Kong, and so on, in terms of data. As regards the merits and demerits, it is still impossible for a set of scientific data to be compiled at this moment for the purpose of making analysis or to decide on when round-the-clock cross-boundary operations can be introduced on the basis of such data.

MR WONG SING-CHI (in Cantonese): *Madam President, I have also asked: If problems are detected, will the Government solve the problems before introducing round-the-clock cross-boundary operations? This is relevant to the information referred to earlier.*

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

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, we will evaluate whether problems will occur and what problems will be encountered. We will seek to identify solutions at every stage whenever a problem occurs.

PRESIDENT (in Cantonese): We have spent more than 18 minutes on this question. I will allow one more Member to raise the last supplementary question.

DR TANG SIU-TONG (in Cantonese): *Madam President, my question is related to the automatic clearance systems. I wonder if the Government has set a timetable to specify clearly when the systems will be introduced and whether new technology and distinction methods will be introduced. This is because such technology has been introduced at the Huanggang Control Point by the Chinese Government.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have actually answered this question a moment ago. The automatic clearance systems can be introduced both at the Lo Wu and Lok Ma Chau Control Points and are applicable to commuters as well as people travelling in cars. We expect to introduce the systems at Lo Wu in 2004-05 if the smart identity cards can be implemented by the latter half of 2003. As for the application of the systems to vehicles, it will depend on the upgrading progress of the Immigration Department's information technology system and the systems will probably be implemented in 2006 or 2007. Actually, a number of Members have reflected

to us their wishes to implement the systems at full speed during discussions held by the Legislative Council Panel on Security. We will surely consider Members' views. We also hope the relevant measures can be implemented expeditiously.

PRESIDENT (in Cantonese): Oral question time ends here.

WRITTEN ANSWERS TO QUESTIONS

Rising Insurance Premium for Air Freight Transport

7. **MR KENNETH TING** (in Chinese): *Madam President, there are reports that insurance surcharges amounting to 10% to 20% of the original insurance premium on air freight transport, recently approved by the authorities and imposed by a number of airlines on shippers, have greatly increased the cost burden on shippers. In this connection, will the Government inform this Council:*

- (a) *whether it has assessed the specific impact of the rise in air freight transport costs on local enterprises; if it has, of the details; if not, whether it will conduct an assessment expeditiously; and*
- (b) *of the measures in place to assist local enterprises in their bid for a reasonable insurance premium level to be set for air freight transport?*

SECRETARY FOR COMMERCE AND INDUSTRY (in Chinese): Madam President, in the wake of the September 11 attacks in the United States, insurance companies worldwide have increased the premium for insurance relating to air transport after reviewing their risk assessment strategies. Details of the two items affecting the air freight costs of companies are as follows:

- (i) as at 8 November, 34 airlines have introduced a cargo insurance surcharge of \$0.5 to \$1.0 per kg for all shipments ex-Hong Kong. The airlines have explained that the surcharges were aimed at receiving the extra cost arising from the increase in insurance premium; and

- (ii) insurance companies all over the world have followed the practice of the London insurance sector by imposing a flat rate equivalent to 0.05% of the total value of air freight on shippers as insurance surcharges.

The air cargo rates charged by airlines (including the surcharge described in (i) above) are basically the commercial decisions of individual airlines. In accordance with provisions of the applicable bilateral air services agreements, the surcharge applications were submitted to the Civil Aviation Department (CAD) for approval. The CAD has, in line with usual practice, consulted the Hong Kong Shippers' Council before approving the surcharge. After the September 11 attacks, cargo insurance premiums have gone up throughout the world. Having considered factors such as the operating cost of the airlines and the interests of users, and so on. The CAD is of the view that the surcharge is not unreasonable. We note that the surcharge has added a small percentage point to the overall freight cost. The assessment by the Government Economist indicates that the imposition of the surcharge will increase the operating costs of Hong Kong's trading sector as a whole by around 0.14%, or comparatively could have reduced its gross margin by around 0.11%.

As regards the surcharges imposed directly by insurance companies described in (ii) above, this was purely a business decision of the trade and did not require government approval. The percentage of surcharge against the original insurance premium varies with the amount of premium paid by shippers. The surcharge applies to both airborne and seaborne export cargo. The assessment by the Government Economist indicates that imposition of the surcharges will increase the operating costs of Hong Kong's trading sector as a whole by around 0.11%, or comparatively could have reduced its gross margin by around 0.09%.

We are aware that the surcharge have led to an increase in air freight transport costs, which in turn pushes up the operating costs of the affected enterprises. But since this is a global problem, the competitive edge of Hong Kong has not been undermined. Current assessment shows that the surcharges have not caused any significant financial burden to our enterprises. But the Government will continue to keep a close watch on the latest development.

The second part of the question concerns the Government's role in the setting of air cargo premium. As explained in paragraph 2 above, the CAD had considered and granted approval for the airlines to levy insurance surcharge after consulting the Hong Kong Shippers' Council (whose members include business associations and cargo transport sector representatives) through the Trade and Industry Department. The Hong Kong Shippers' Council showed understanding of the situation and had no objection to the surcharge. As for the insurance sector, the objective of government supervision is to ensure the financial integrity of the insurance companies and adequate protection of the interests of the insured parties. The level of premium is the outcome of business decisions by individual insurance companies based on risk assessments and market factors. The Government is not in a position to interfere with it. This is clearly stipulated in section 26(3A) of the Insurance Companies Ordinance. We are committed to maintaining competition in the insurance sector and ensuring that it will continue to be an open and level playing field, thereby providing the insured parties with the right of choice over a diversified range of products and services.

Details of New Infrastructural Projects

8. **MR ABRAHAM SHEK** (in Chinese): *Madam President, the Chief Executive announced in the 2001 policy address that the Government and the two railway corporations plan to invest \$600 billion in the various infrastructural projects currently in progress or to be undertaken within the next 15 years. In this connection, will the Government inform this Council of the description, amount of investment, commencement and completion dates of each of the infrastructural projects that will commence in the next 12 months, as well as the total number of new jobs these projects will create?*

SECRETARY FOR WORKS (in Chinese): Madam President, the Chief Executive announced in the 2001 policy address that the Government and the two railway corporations would invest some \$600 billion in infrastructural and railway projects in the coming years. Among the investment, some \$400 billion would be spent on the Government's own projects. Another \$200 billion would be spent by the two railway corporations on railway projects.

For government projects, we have currently some 1 600 projects in our capital works programme which consist of about 1 200 projects already in Category A with funding secured from the Finance Committee. The total outstanding investment in these Category A projects amounts to about \$100 billion. In addition, there are more than 400 projects under planning and design with a total value of about \$300 billion.

Government works aside, the two railway corporations will continue to invest in high priority rail projects. These include six committed railway projects, namely the West Rail, the MTR Tseung Kwan O Extension, the Ma On Shan Line, the KCR Extension to Tsim Sha Tsui, the Penny's Bay Rail Link and the Sheung Shui to Lok Ma Chau Spur Line, estimated to cost nearly \$100 billion, and six other new rail projects under planning, namely the Sha Tin to Central Link, the Island Line Extensions, the Kowloon Southern Link, the Regional Express Line, the Port Rail Line and the Northern Link and the order of costs of these is over \$100 billion.

The details of the projects planned for commencement in the coming 12 months are given in Annexes 1 to 3 as follows:

- Annex 1 - Government projects already in Category A with contracts or consultancies planned for letting in the coming 12 months
- Annex 2 - Government projects planned for upgrading to Category A in the 2001-02 Legislative Council Session
- Annex 3 - Railway projects with contracts or consultancies planned for letting in the coming 12 months

Among the projects in Annexes 1 and 2 which total 189 government projects, we expect to award contracts/consultancies with a total value of about \$36 billion in the coming 12 months. For railway projects in Annex 3, the two railway corporations plan to award four packages of contracts, estimated to cost some \$2 billion, in the coming 12 months.

The above projects of the Government and the two railway corporations will create a total of around 30 000 job opportunities in the coming 12 months.

Annex 1 - Government projects already in Category A with contracts or consultancies planned for letting in the coming 12 months

<i>No.</i>	<i>Project</i>		<i>Total Value of Contracts/ Consultancies to be awarded in the coming 12 months</i>	<i>Start of Contract/ Consultancy</i>	<i>Anticipated Project Completion</i>
	<i>Code</i>	<i>Project Title</i>			
1	8016EA	Redevelopment of the former of the Church of Christ in China Chuen Yuen Primary School at Sheung Kok St, Kwai Chung	M1	2001- Q4	2002 - Q4
2	8018EA	A 24-classroom primary school at Diocesan Boys' School campus at 131 Argyle Street, Kowloon	M2	2001 - Q4	2003 - Q3
3	8019EC	Improvement works to existing secondary schools based on the recommendations of the Education Commission Report No. 5 - phase 4	M4	2001 - Q4	2004 - Q4
4	8020EC	Improvement works to existing primary schools based on the recommendations of the Education Commission Report No. 5 - phase 4	M4	2001 - Q4	2003 - Q4
5	3085ET	Improvement works to existing government schools based on the recommendations of the Education Commission Report No. 5 - phase 4	M3	2001 - Q4	2003 - Q3
6	6040TR	West Rail (Phase I) - Essential public infrastructure works for Kam Tin section - remaining works	M2	2001 - Q4	2003 - Q2
7	3044RG	Indoor Recreation Centre cum Library in area 100, Ma On Shan	M4	2001 - Q4	2003 - Q2
8	8049EG	900-place Student Residences on Flora Ho Sports Centre Complex (HKU)	M3	2001 - Q4	2004 - Q4

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Total Value of Contracts/ Consultancies to be awarded in the coming 12 months</i>	<i>Start of Contract/ Consultancy</i>	<i>Anticipated Project Completion</i>
9	4059BL	Investigation of sewers and drains affecting the safety of slope features in the New Catalogue of Slopes, phase 1	M2	2001 - Q4	2004 - Q1
10	4062BL	Investigation of sewers and drains affecting the safety of slope features in the New Catalogue of Slopes, phase 2	M2	2001 - Q4	2005 - Q4
11	8082EB	A new prevocational school at Northcote Close, Pok Fu Lam, Hong Kong	M2	2001 - Q4	2003 - Q2
12	4114CD	Yuen Long, Kam Tin, Ngau Tam Mei and Tin Shui Wai drainage improvements, stage 1, phase 1 - Yuen Long and Tin Shui Wai	M3	2001 - Q4	2005 - Q1
13	3124BF	Sha Tau Kok fire station with ambulance facilities	M1	2001 - Q4	2003 - Q3
14	9177WC	Replacement and rehabilitation of watermains, stage 1 phase 1B - detailed design and advance work	M1	2001 - Q4	2003 - Q4
15	9178WC	Replacement and rehabilitation of watermains stage 1 phase 2 - investigation	M1	2001 - Q4	2002 - Q3
16	9239WF	Water supply to remaining remote villages in the New Territories - stage 2	M1	2001 - Q4	2004 - Q2
17	9259WF	Mainlaying between Sham Tseng and Ka Loon Tsuen	M1	2001 - Q4	2005 - Q2
18	3272EP	Primary school in Area 56, Tuen Mun	M1	2001 - Q4	2003 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Total Value of Contracts/ Consultancies to be awarded in the coming 12 months</i>	<i>Start of Contract/ Consultancy</i>	<i>Anticipated Project Completion</i>
19	3280EP	Second primary school in Area 111, Tin Shui Wai	M1	2001 - Q4	2003 - Q3
20	3283EP	Primary school at Kai Wo THA, Kowloon Bay	M1	2001 - Q4	2003 - Q3
21	3285EP	Primary school at Kai Yan Street, Kai Lok THA, Kowloon Bay	M1	2001 - Q4	2003 - Q3
22	6365TH	Castle Peak Road improvement between area 2 and Sham Tseng, Tsuen Wan	M4	2001 - Q4	2005 - Q2
23	2386CL	Central Reclamation phase I - engineering works	M1	2001 - Q4	2003 - Q4
24	6553TH	Castle Peak Road improvement between Sham Tseng and Ka Loon Tsuen, Tsuen Wan	M4	2001 - Q4	2005 - Q2
25	7554TH	Sha Tin New Town, stage II - Road D15 linking Lok Shun Path and Tai Po Road	M2	2001 - Q4	2004 - Q1
26	B564CL	Development near Choi Wan Road and Jordan Valley	M4	2001 - Q4	2006 - Q2
27	B572CL	Site formation for public housing development at Tung Tau Cottage Area	M1	2001 - Q4	2003 - Q3
28	7686CL	Consultants' fees and site investigation for site formation, roads and drains in Area 54, Tuen Mun - phase 2	M1	2001 - Q4	2003 - Q4
29	3003GA	Science Park at Pak Shek Kok - phase 1c	M4	2002 - Q1	2004 - Q2
30	8007ME	Redevelopment and Expansion of Pok Oi Hospital - site formation and foundation works	M3	2002 - Q1	2003 - Q1

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Total Value of Contracts/ Consultancies to be awarded in the coming 12 months</i>	<i>Start of Contract/ Consultancy</i>	<i>Anticipated Project Completion</i>
31	8014EC	Improvement works to existing primary schools based on the recommendations of the Education Commission Report No. 5 - phase 2	M1	2002 - Q1	2002 - Q4
32	8017EC	Improvement works to existing secondary schools based on the recommendations of the Education Commission Report No. 5 - phase 3	M1	2002 - Q1	2003 - Q2
33	8029ED	Redevelopment of Hong Chi Pinehill No. 1 School, Tai Po	M1	2002 - Q1	2003 - Q1
34	8030ED	Redevelopment of Hong Chi Pinehill No. 3 School, Nam Hang, Tai Po	M1	2002 - Q1	2003 - Q1
35	3093ET	Education Resource Centre-cum-Public Transport Interchange at Kowloon Tong - stage 1	M1	2002 - Q1	2002 - Q3
36	4099CD	West Kowloon drainage improvement, stage 2 phase 1 works	M3	2002 - Q1	2007 - Q3
37	4115CD	Drainage improvement in Sha Tin and Tai Po - consultants' fees and investigations	M1	2002 - Q1	2006 - Q1
38	4116CD	Drainage improvement in Northern New Territories - package A - consultants' fees and investigations	M1	2002 - Q1	2003 - Q3
39	3126BF	Braemar Hill fire station cum ambulance depot	M1	2002 - Q1	2004 - Q2
40	4276DS	Sha Tin sewage treatment works stage 3 extension	M4	2002 - Q1	2007 - Q4

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Total Value of Contracts/ Consultancies to be awarded in the coming 12 months</i>	<i>Start of Contract/ Consultancy</i>	<i>Anticipated Project Completion</i>
41	3282EP	Primary school in Lam Tin Estate Redevelopment, Kwun Tong	M1	2002 - Q1	2003 - Q3
42	4328DS	Tolo Harbour sewerage of unsewered areas, stage 1 phases 1D and 2B	M2	2002 - Q1	2004 - Q2
43	6757TH	Route 9 between Tsing Yi and Cheung Sha Wan - Ngong Shuen Chau Viaduct and the Associated Work	M4	2002 - Q1	2006 - Q4
44	8016EJ	Student Hostels - Phase 3 (523 places) (CityU)	M2	2002 - Q2	2003 - Q1
45	3045RG	Tai Kok Tsui Complex, phase 2	M4	2002 - Q2	2004 - Q3
46	3065GI	New Headquarters for the Electrical and Mechanical Services Department at Kai Tak	M4	2002 - Q2	2004 - Q1
47	4212DS	Wan Chai East and North Point sewerage, stage 1 works	M4	2002 - Q2	2005 - Q4
48	4225DS	Wan Chai East and North Point sewerage, stage 2 works	M4	2002 - Q2	2005 - Q4
49	7052TH	Route 5 - section between Shek Wai Kok and Chai Wan Kok	M4	2002 - Q3	2006 - Q3
50	5304CL	Formation, roads and drains for package 6 remainder, Sai Kung	M1	2002 - Q3	2005 - Q2

Legends: M1 - below \$100M
M2 - \$100M to \$200M
M3 - \$200M to \$300M
M4 - exceeding \$300M

Annex 2 - Government projects planned for upgrading to Category A in the
2001-02 Legislative Council Session

[This is the same list attached to Paper No. PWSCI(2001-02)36 submitted to the PWSC for the Special Meeting scheduled for 14 November 2001.]

Part 1 : Capital Works Items considered by PWSC on 17 and 31 October 2001

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target</i>
				<i>Contract Start Date</i>
1	3279EP	A primary school in Area 20, Tung Chung	Full upgrade	2001 - Q4
2	3232ES	Secondary school in Area 20, Tung Chung	Full upgrade	2001 - Q4
3	3233ES	Secondary school in Area 40, Tung Chung	Full upgrade	2001 - Q4
4	3240ES	Second Secondary School in Area 40, Tung Chung	Full upgrade	2001 - Q4
5	3241ES	Two secondary schools at To Kwa Wan Reclamation	Full upgrade	2001 - Q4
6	3242ES	Two secondary schools at Lee On Road, Kwun Tong	Full upgrade	2001 - Q4
7	6694TH	Route 9 between Cheung Sha Wan and Sha Tin	Part upgrade for the construction of 10 piers with foundations for a section of the Che Kung Miu Road Slip Roads	2001 - Q4
8	B575CL	Site formation works for Lei Yue Mun Phase 2 housing site	Full upgrade	2001 - Q4
9	Block Allocations	Block allocation Subheads 7014CX and 7015CX under the Capital Works Reserve Fund	Increase in the 2001-02 approved allocations	2001 - Q4
10	3284EP	Primary school in Area 36, Fanling	Full upgrade	2002 - Q1

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
11	3288EP	Primary school in Ma Wan, Tsuen Wan	Full upgrade	2002 - Q1
12	3292EP	A 30-classroom primary school at Sze Mei Street, San Po Kong	Full upgrade	2002 - Q1
13	3293EP	Primary school (PS2) in Area 36, Fanling, New Territories	Full upgrade	2002 - Q1
14	3239ES	A secondary school in Area 36, Fanling	Full upgrade	2002 - Q1
15	7465CL	South East Kowloon development - waterfront facilities and Kai Tak Nullah / Kwun Tong typhoon shelter reclamation	Part upgrade for site investigation and detailed design of the Kai Tak Approach Channel reclamation	2002 - Q1
16	7469CL	South East Kowloon development at Kai Tak Airport - early development package	Part upgrade for site investigation and detailed design	2002 - Q1
17	9090WC	Replacement and rehabilitation of watermains, stage 1, phase 1	Part upgrade for works in Yuen Long, Fanling, Kowloon City, Wong Tai Sin and Sham Shui Po	2002 - Q1
18	9204WF	Water supply to remaining remote villages in the New Territories (scheme nos. 23A, 40 and 50)	Full upgrade	2002 - Q1
19	9245WF	Water supply to Tai Po South high level areas	Full upgrade	2002 - Q1
20	3173SC	Centre for Youth Development	Full upgrade	2002 - Q2
21	9085WC	Water supply to South East Kowloon development, stage 1 - works	Full upgrade	2002 - Q2

Annex 2 (Continued)

Part 2 : Overview of Potential Capital Works Items to be submitted to PWSC in the 2001-02 Legislative Council Session

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target</i>
				<i>Contract Start Date</i>
1	4090CD	Regulation of Shenzhen River, stage III	Full upgrade	2001 - Q4
2	2354CL	West Kowloon Reclamation - consultants' fees and site investigation	Increase in APE of a Category A project	2002 - Q1
3	3295EP	A 30-classroom primary school (School 3) in Area 73A, Tseung Kwan O	Full upgrade	2002 - Q1
4	3243ES	Two secondary schools in Area 73A, Tseung Kwan O	Full upgrade	2002 - Q1
5	New item	Purchase and fitting-out of office accommodation for the Equal Opportunities Commission	Full upgrade	2002 - Q1
6	New item	Market and public toilet in Aldrich Bay Reclamation Area	Full upgrade	2002 - Q1
7	6736TH	Deep Bay Link	Part upgrade for detailed design	2002 - Q1
8	6738TH	Route 10 - North Lantau to Yuen Long Highway - Detailed design of the southern section	Change to approved project scope of a Category A project	2002 - Q1
9	6759TH	Shenzhen Western Corridor	Part upgrade for detailed design	2002 - Q1
10	7743TH	Tsuen Wan Road upgrading	Part upgrade for preliminary design	2002 - Q1

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
11	8029EC	International Christian Quality Music Secondary and Primary School at Po Kong Village Road	Full upgrade	2002 - Q1
12	9096WC	Water supply to Pak Shek Kok development area, Tai Po	Part upgrade for extension of water supply to Pak Shek Kok Reclamation area to tie in with TDD project 7658CL	2002 - Q1
13	3066KA	Purchase and fitting-out of office accommodation for the Beijing Office	Broadening of the approved project scope of a Category A project	2002 - Q2
14	3177SC	Government complex in Lee On Estate, Area 108, Ma On Shan	Full upgrade	2002 - Q2
15	4143DS	Central, Western and Wan Chai West sewerage, stage 2 phase 2 works	Part upgrade to "Central, Western and Wan Chai West sewerage, stage 2 phase 2A works"	2002 - Q2
16	4203DS	North District sewerage	Part upgrade for works package North District sewerage stage 1 phases 1B and 2A	2002 - Q2
17	New item	Upgrading of Pillar Point Sewage Treatment Works	Part upgrade for consultant's fees and investigations	2002 - Q2
18	5038TF	Reconstruction of public piers at Kat O Chau, Peng Chau, Cheung Chau, Wu Kai Sha	Full upgrade	2002 - Q2
19	6129TB	Footbridge and road widening at junction of Hung Mui Kuk Road/Tin Sam Street, Sha Tin	Full upgrade	2002 - Q2

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
20	6745TH	Grade separation of LRT junction LT1 at Tsing Lun Road, Tuen Mun	Full upgrade	2002 - Q2
21	7677CL	Wan Chai development phase II - engineering works	Part upgrade for detailed design	2002 - Q2
22	7658CL	Remaining engineering infrastructure works for Pak Shek Kok development	Part upgrade for stage 1 works	2002 - Q2
23	7332CL	West Kowloon Reclamation - main works (remainder)	Part upgrade for road works	2002 - Q2
24	7683CL	Feasibility study for Tseung Kwan O Extension Area	Full upgrade	2002 - Q2
25	7583TH	Tseung Kwan O development, phase III - dualling of Hang Hau Road	Part upgrade for detailed design	2002 - Q2
26	8037EF	Extension Facilities for the Clinical Departments of the Medical Faculty at Prince of Wales Hospital	Full upgrade	2002 - Q2
27	New item	Development of Chinese Medicine clinics and a Toxicology Centre in the Hospital Authority	Full upgrade	2002 - Q2
28	9249WF	Extension of fresh water distribution system to Fanling West	Full upgrade	2002 - Q2
29	B645TH	Widening of Sai Sha Road between Kam Ying Road and Road T7 junction	Full upgrade	2002 - Q2
30	3230ES	A standard secondary school in Area 36C, Sha Tin	Full upgrade	2002 - Q3
31	3094ET	Special school for physically handicapped children at Fung Shing Street, Ngau Chi Wan, Kowloon	Full upgrade	2002 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
32	New item	Improvement works at Lo Wu Terminal Building - expansion of departure hall	Full upgrade	2002 - Q3
33	3011NB	Replacement of Cremators at Fu Shan Crematorium	Full upgrade	2002 - Q3
34	3313RO	International Wetland Park and Visitor Centre at Tin Shui Wai - phase 2 works	Full upgrade	2002 - Q3
35	3368RO	Kowloon Bay Recreation Ground	Full upgrade	2002 - Q3
36	4111CD	Drainage improvement in Tsuen Wan and Kwai Chung - Tsuen Wan drainage tunnel	Part upgrade to engage a consultant to carry out investigation, surveys, impact assessment, physical modelling tests and preliminary design	2002 - Q3
37	New item	Drainage improvements in the Northern New Territories - Package B	Part upgrade for investigation, design and construction consultancy	2002 - Q3
38	New item	Drainage improvements in Sai Kung	Part upgrade for entrustment works, consultant's fees and investigations	2002 - Q3
39	4103CD	Drainage improvement in Northern Hong Kong Island - Hong Kong West drainage tunnel	Part upgrade for engaging consultants to undertake site investigation, surveys, impact assessment, physical modelling tests and preliminary design	2002 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
40	4104CD	Drainage improvement in Northern Hong Kong Island - Lower catchment improvement	Part upgrade for engaging consultants to undertake site investigation, surveys, impact assessment and preliminary design	2002 - Q3
41	4108CD	West Kowloon drainage improvement - Lai Chi Kok Transfer Scheme	Part upgrade for engaging consultants to undertake site investigation, surveys, impact assessment, physical modelling tests and preliminary design	2002 - Q3
42	New item	Drainage improvements in the Northern New Territories - Package C	Part upgrade for investigation, design and construction consultancy	2002 - Q3
43	4061DR	Northeast New Territories village sewerage, phase II	Full upgrade	2002 - Q3
44	5485CL	Site formation for reserved school site at Braemar Hill	Full upgrade	2002 - Q3
45	5660CL	Site formation, construction of associated infrastructure and provision of government, institution and community facilities for an international theme park on Lantau Island	Part upgrade for: (i) Infrastructure contract 2; (ii) Fire station-cum-ambulance depot and police post; (iii) Watermains and sewerage works from Siu Ho Wan to Yam O; and (iv) Reclamation for Penny's Bay Stage 2	2002 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
46	5739TH	Chok Ko Wan Link Road in North Lantau	Part upgrade for Penny's Bay section	2002 - Q3
47	6519TH	Route 10 - North Lantau to Yuen Long Highway	Part upgrade for detailed design of the northern section	2002 - Q3
48	7073CD	Main drainage channels and poldered village protection schemes for San Tin, NWNT phase 3, part I - eastern main drainage channel for San Tin	Full upgrade	2002 - Q3
49	7666CL	Formation, roads and drains in Area 54, Tuen Mun - Phase I	Full upgrade	2002 - Q3
50	7482CL	Kowloon Bay reclamation - early development package	Part upgrade for detailed design	2002 - Q3
51	7343CL	Central reclamation, phase III engineering works	Full upgrade	2002 - Q3
52	7754TH	Widening of Tung Chung Road between Pa Mei and Lung Tseng Tau	Full upgrade	2002 - Q3
53	7193TH	Ting Kok Road upgrading, stage 1, phase II	Full upgrade	2002 - Q3
54	8019EA	Redevelopment of Yuen Long Chamber of Commerce Primary School, Yuen Long	Full upgrade	2002 - Q3
55	8008EA	Development of a whole-day primary school for Fung Kai Public School at Jockey Club Road, Sheung Shui, New Territories	Full upgrade	2002 - Q3
56	New item	Baptist University affiliated school and Fire Station	Full upgrade	2002 - Q3
57	New item	Redevelopment of Wong Chan Sook Ying Memorial School, Yuen Long	Full upgrade	2002 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
58	New item	Upgrading facilities of Fanling Lutheran Secondary School	Full upgrade	2002 - Q3
59	New item	Construction works for schools in the final phase of the School Improvement Programme	Part upgrading for the first batch of schools in the final phase of SIP	2002 - Q3
60	New item	Noise abatement programme in schools, stage V	Part upgrade for consultancy	2002 - Q3
61	8043EF	A Purpose-designed Building for Centralised Science (High Risk) Laboratories (CUHK)	Full upgrade	2002 - Q3
62	8044EF	Stabilisation of Slopes within the University Campus, Phase 11 (CUHK)	Full upgrade	2002 - Q3
63	8018EJ	Landmark Building (CityU)	Part upgrade for detailed design	2002 - Q3
64	8045MM	Establishment of a Radiotherapy Centre in Princess Margaret Hospital	Full upgrade	2002 - Q3
65	New item	Applied Science and Technology Research Institute	Part upgrade for detailed design	2002 - Q3
66	9053WC	Improvement of water supply to Western, Central and Wan Chai areas and extension of water supply to Central and Wan Chai Reclamation	Part upgrade for extension of water supply to Central Reclamation Phase III to tie in with TDD project 7343CL	2002 - Q3
67	9243WF	Water supply to housing development in Areas 34 and 52, Sha Tin	Full upgrade	2002 - Q3

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
68	9231WF	Reconstruction of catchwater channels in Hong Kong Island and Lantau Island	Full upgrade	2002 - Q3
69	9247WF	Renovation of mechanical and electrical equipment in Tuen Mun pumping station	Full upgrade	2002 - Q3
70	9040 WS	Salt Water Supply to Tai Po East	Part upgrade for entrusted advance mainlaying work in Ting Kok Road to tie in with TDD project 7193TH	2002 - Q3
71	B068KA	Reprovisioning of Civil Aid Service and Fire Services Department facilities at Site 17, West Kowloon Reclamation for Caroline Hill and Argyle Street developments	Full upgrade	2002 - Q3
72	3274EP	Primary school in Area 65, Tseung Kwan O	Full upgrade	2002 - Q4
73	3296EP	Extension to Meng Tak Primary School, Chai Wan	Full upgrade	2002 - Q4
74	New item	Reprovisioning of Hing Tak School, Tuen Mun	Full upgrade	2002 - Q4
75	3289EP	Primary school at Rockhill Street, Kennedy Town	Full upgrade	2002 - Q4
76	New item	Primary school in Area 13, Tseung Kwan O	Full upgrade	2002 - Q4
77	New item	Secondary school in Area 14B, Sha Tin (Senior Secondary School)	Full upgrade	2002 - Q4
78	New item	Secondary school at Hing Wah Street, Sham Shui Po	Full upgrade	2002 - Q4
79	New item	Secondary school at Lai Hong Street, Sham Shui Po	Full upgrade	2002 - Q4

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
80	New item	Secondary school in Area 13, Tseung Kwan O	Full upgrade	2002 - Q4
81	New item	Second secondary school in Area 13, Tseung Kwan O	Full upgrade	2002 - Q4
82	3091ET	Education Resource Centre-cum-public transport interchange at Kowloon Tong	Full upgrade	2002 - Q4
83	3006GD	Immigration Service Training School and Perowne Immigration Centre at Castle Peak Road, Tuen Mun	Part upgrade for final phase of main works	2002 - Q4
84	3241LP	New Territories South Regional Headquarters and operational base	Full upgrade	2002 - Q4
85	3028RB	Public mortuary at Area 26E (near Kwai Chung Crematorium), Kwai Chung	Full upgrade	2002 - Q4
86	3240RS	Ma On Shan Sports Ground, phase II	Full upgrade	2002 - Q4
87	3371RO	Open space in Area 14 (Siu Lun), Tuen Mun (Mouse Islands)	Full upgrade	2002 - Q4
88	3372RO	District open space between Hang Hong Street and Heng On Estate in Area 92, Ma On Shan	Full upgrade	2002 - Q4
89	3373RO	District open space in Area 7, Tung Chung, Lantau	Full upgrade	2002 - Q4
90	3374RO	Open space in Areas 18 and 21, Fanling	Full upgrade	2002 - Q4
91	3375RO	District open space in Areas 3 and 8, Tsing Yi	Full upgrade	2002 - Q4
92	New item	Renovation for the Wu Kai Sha Youth Village of YMCA	Full upgrade	2002 - Q4
93	4061DS	North West New Territories development - trunk sewers, sewage pumping stations and rising mains - stage III	Full upgrade	2002 - Q4

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
94	4157DS	Yuen Long and Kam Tin sewerage, stage II	Part upgrade for the construction of the trunk sewers and the associated pumping stations	2002 - Q4
95	4211DS	Outlying Islands sewerage stage 1 phase 2	Part upgrade for works package Outlying Islands sewerage, stage 1 phase 2A - Cheung Chau and Peng Chau village sewerage phase 1	2002 - Q4
96	4274DS	Yuen Long and Kam Tin sewerage, stage III	Part upgrade for the construction of the trunk sewers and the associated pumping stations	2002 - Q4
97	6694TH	Route 9 between Cheung Sha Wan and Sha Tin	Full upgrade	2002 - Q4
98	6047TR	East Rail Extension - Essential public infrastructure work for Ma On Shan to Tai Wai Rail Link - public transport interchanges at Tai Wai Station and Wu Kai Sha Station	Full upgrade	2002 - Q4
99	7070CD	Yuen Long Bypass floodway	Full upgrade	2002 - Q4
100	7027CG	Yuen Long south eastern extension - site formation, roads and drainage works	Full upgrade	2002 - Q4
101	7028CG	Yuen Long south western extension - site formation, roads and drainage works	Full upgrade	2002 - Q4
102	7227CL	Tin Shui Wai development - village flood protection works for Sheung Cheung Wai	Part upgrade for flood water pumping station	2002 - Q4
103	7142CL	Cheung Chau development, package 6, stage II - site formation, roads and drains	Full upgrade	2002 - Q4

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
104	New item	Media Building (CityU)	Part upgrade for detailed design	2002 - Q4
105	8025EK	Phase 7 Development (Poly U)	Full upgrade	2002 - Q4
106	8009EL	Enterprise Centre (HKUST)	Full upgrade	2002 - Q4
107	9227WF	Mainlaying between Au Tau treatment works and Yuen Long Town - remaining works	Full upgrade	2002 - Q4
108	9252WF	Upgrading the safety, reliability and efficiency of the aged mechanical and electrical plant at Tsuen Wan No. 1 pumping station	Full upgrade	2002 - Q4
109	3036BA	Mong Kok ambulance depot with ambulance command and fire safety command headquarters at Anchor Street, Mong Kok	Full upgrade	2003 - Q1
110	3065KA	Customs Headquarters Tower at Tin Chiu Street, Hong Kong	Full upgrade	2003 - Q1
111	3239LP	Kowloon West Regional Headquarters and operational base with District Headquarters and Divisional Police Station in West Kowloon Reclamation	Full upgrade	2003 - Q1
112	New item	Joint-user building at Rock Hill Street, Kennedy Town	Full upgrade	2003 - Q1
113	4326DS	Central and East Kowloon sewerage, sewage treatment and disposal - advance housing related works	Full upgrade	2003 - Q1
114	8005ME	Redevelopment and expansion of Pok Oi Hospital	Part upgrade	2003 - Q1
115	8047MM	Remodelling of Tang Shiu Kin Hospital into an Ambulatory Care Centre	Full upgrade	2003 - Q1

<i>No.</i>	<i>Project Code</i>	<i>Project Title</i>	<i>Full or Part Upgrading</i>	<i>Target Contract Start Date</i>
116	9036WS	Ring mains for Cha Kwo Ling salt water supply system	Part upgrade for advance mainlaying in Cha Kwo Ling Road	2003 - Q1
117	6067TI	Public transport interchange and cross boundary coach terminus at Hung Hom Bay Reclamation	Full upgrade	2003 - Q2
118	6519TH	Route 10 - North Lantau to Yuen Long Highway	Part upgrade for southern section - North Lantau to Tsing Lung Tau	2003 - Q4

Annex 3 - Railway projects with contracts or consultancies planned for letting in the coming 12 months

<i>Title</i>	<i>Value (\$M)</i>	<i>Start Date</i>	<i>Completion Date</i>
Penny's Bay Rail Link:			
Civil Works	M4)	
) 2002 - Q2	2005 - Q2
Equipment and Rail System	M4)	
West Rail:			
Equipment and Rail System	M1	2002 - Q1	2003 - Q3
Ma On Shan to Tai Wai Rail Link and Tsim Sha Tsui Extension:			
Equipment and rail system	M1	2002 - Q1	2004 - Q4
Sheung Shui to Lok Ma Chau Spur Line #			
Tunnel advance works	To be announced	2002 - Q1	2007 - Q2

Undergoing statutory process

Legends: M1 - below \$100M
M4 - exceeding \$300M

Scope of Services of Street Cleaning Service Contractors under FEHD

9. **MR LAU WONG-FAT** (in Chinese): *Madam President, regarding the scope of services of street cleaning service contractors under the Food and Environmental Hygiene Department (FEHD), will the Government inform this Council:*

- (a) *when the FEHD started to instruct these contractors to remove bills or posters displayed, without permission, at telephone booths and bus stops, including ancilliary advertising light boxes;*
- (b) *whether the FEHD has charged the organizations owning the bus stops and telephone booths concerned and related parties for the above services; if not, of the reasons for that; and*
- (c) *whether the FEHD will offer the service of removing bills or posters to owners or tenants of private buildings in the same manner?*

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

- (a) According to sections 104 and 104A to 104D of the Public Health and Municipal Services Ordinance (Cap. 132), unauthorized display of bills or posters in public areas constitutes an offence. For the display of bills or posters on private property, permission has to be sought from the owners, and the bills or posters displayed have to be in clean and tidy condition, otherwise the FEHD, in exercising the powers conferred by the above Ordinance, can remove such bills or posters and recover costs from the parties displaying the bills or posters and the persons whose goods, trade, business or other concerns are given publicity by the bills or posters.

To improve the cityscape of Hong Kong, the FEHD has stepped up removal of illegal display of bills and posters. Starting from November this year, dedicated contractors have been appointed to remove illegal bills and posters, and the scope of service has also been extended to cover some private areas as well as facilities such as telephone booths and bus stops, and so on. In addition to providing direct removal services, the FEHD will also strengthen

enforcement by prosecuting parties who have illegally displayed bills and posters, including the persons given publicity by the bills or posters concerned, with a view to achieving a deterrent effect.

- (b) The FEHD can, in the exercise of powers conferred by the Ordinance as set out in part (a) of this reply, remove bills or posters from private property for which prior permission for such display has not been sought from the owners. Depending on the situation, costs will also be recovered from the parties displaying those bills or posters and the persons given publicity by the bills or posters when taking prosecution action against their illegal display. As such, the FEHD does not charge the organizations and owners of facilities concerned to avoid double charging.
- (c) The FEHD will give priority to addressing black spots for illegal bills and posters in public area and on private property. For private property, the FEHD will liaise with the owners of buildings and request them to co-operate in keeping the buildings clean and tidy and remove the illegal bills and posters. For conspicuous private buildings next to busy thoroughfares, the FEHD will, bearing in mind the operational situation and after consulting the owners, carry out enforcement actions against illegal display of bills and posters in order to keep the cityscape clean.

Tuberculosis Cases

10. **MR LAW CHI-KWONG** (in Chinese): *Madam President, last year 299 people died of tuberculosis (TB) in Hong Kong; the number for the first half of this year has already reached 206. Moreover, the ratio of notified TB cases to the population in Hong Kong has increased persistently from 100.3 per 100 000 persons in 1996 to 111.7 per 100 000 persons in 2000. In this connection, will the Government inform this Council:*

- (a) *of respective breakdowns of the numbers of TB deaths last year and those of the first half of this year by:*
 - (i) *the number of years for which the deceased had contracted TB;*
and

- (ii) *the number of years the deceased had resided in Hong Kong when they were diagnosed of having contracted TB;*
- (b) *whether it has investigated the causes of the higher proportion of deaths due to TB for the first half of this year than the annual figure for last year, and whether it has drawn up measures aiming at reducing the number of deaths;*
- (c) *whether it has investigated the causes of the persistently increasing ratio of notified TB cases in the past five years, including the channels through which there were larger increases in the number of infection cases; and*
- (d) *whether it will step up measures to prevent the spreading of TB?*

SECRETARY FOR HEALTH AND WELFARE (in Chinese): Madam President, the provisional figures of deaths due to TB as published in the October 2001 issue of the Hong Kong Monthly Digest of Statistics were 299 for 2000 and 206 for the first six months of 2001. However, following investigation/verification by the Department of Health (DH) into the underlying cause of death of each reported case, the provisional number of deaths attributable to TB in the first six months of 2001 should be revised to 115. This number is comparable to that in 2000.

- (a) There are diagnostic issues in establishing and verifying the onset of TB infection. A person infected with TB may remain perfectly well. About one out of 10 infected persons will develop clinical manifestations of TB, which may occur months, years or decades later. Hence, a person who has contracted TB infection may be unaware of it until much later, and the latent infection may persist forever without developing any clinical manifestations. Furthermore, the clinical manifestations of TB in later life may be due to reactivation of latent TB foci. In the circumstances, we are unable to compile statistics showing the number of years during which the deceased had contracted TB or the number of years the deceased had resided in Hong Kong when they were diagnosed of having contracted TB.

Deaths from TB can be deaths from the active disease or from its long term sequelae after TB is cured, for example, destroyed lung with scarring and impaired lung function. If it is from active disease, the period from disease development to death is generally short. If it is from the long term sequelae of healed TB, death can occur many years later.

The cause of TB death is mainly attributed to old age, frailty and various complications. Available statistics indicate that the majority of TB deaths involve the elderly. The average age of the 299 deceased in 2000 was about 74 whereas that of the 115 deceased in the first six months of 2001 was 72.

- (b) On the basis of the revised figure of 115 deaths in the first half of 2001, the TB mortality rate does not appear to be higher in 2001 compared with 2000.
- (c) The notification rates of TB in the past 10 years (per 100 000 population) were as follows:

<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996*</i>	<i>1997*</i>	<i>1998*</i>	<i>1999*</i>	<i>2000*</i>
109.2	112.6	110.8	104.7	100.9	101.0	109.0	117.3	113.7	113.7

* The notification rates have been updated to reflect the "resident population" approach adopted by the Census and Statistics Department in August 2000 and the revision based on the latest results of the 2001 Population Census.

With the improvement in effective medical treatment, the notification rate of TB has shown an overall downward trend in the past 40 to 50 years. The notification rates remain generally stable with some fluctuations in the last decade as shown above.

There were increased TB cases reported from doctors outside the Tuberculosis and Chest Service of the DH. The increase could be the result of more comprehensive notification, and better community awareness of the importance of seeking treatment for patients with respiratory symptoms.

TB is mainly contracted through the respiratory tract. The elderly, persons with chronic or debilitating medical illnesses, and persons with immunodeficiency or on medications like steroid and cytotoxic drugs are more susceptible to TB. The current prevalence of TB is a reflection of the ageing population, prolonged survival of people with chronic medical diseases and overcrowded living conditions.

- (d) TB is a chronic infectious disease. Hong Kong follows the World Health Organization's recommendation to control TB through providing fully-monitored treatment to patients whereby the source of infection can be brought under control promptly to reduce further transmission of the disease.

As a preventive measure, the DH provides BCG vaccination for all new-born babies, and children under the age of 15 who have never received the vaccination before. Moreover, the DH has been regularly promoting health education on the causes and treatment of TB through the media, health talks, leaflets and posters. For instance, on World TB Day (24 March) each year, the DH will collaborate with the Hospital Authority (HA) and The Hong Kong Tuberculosis, Chest and Heart Diseases Association to organize major health education exhibition to raise the public's awareness of TB as well as its prevention and treatment procedures.

A TB Control Co-ordinating Committee comprising members from the the DH, the HA and the Universities meet regularly to discuss issues relating to TB control. The DH and the HA are jointly developing a TB website and will produce a CD-ROM for distribution to all doctors shortly. The DH is also in close communication with international bodies like the World Health Organization to exchange experiences and promote TB control activities.

In the coming year, the DH will continue to enhance health promotion activities, strengthen interface with the private sector and step up the dissemination of information on the prevention and control of TB through continuous medical education for medical and health personnel. We will monitor and evaluate these measures to ensure TB is kept under control.

Information Technology Education in Primary Schools

11. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, regarding the implementation of information technology (IT) education in primary schools, will the Government inform this Council:*

- (a) *of the respective numbers of government and aided primary schools offering IT or computer subjects;*
- (b) *whether the Education Department has drawn up syllabuses for these subjects; if not, of the reasons for that; and whether it knows the criteria adopted by the schools concerned in drawing up the contents for these subjects; and*
- (c) *among those teaching these subjects, the respective percentages of teachers who possess various IT academic qualifications teaching these subjects; and whether it plans to set minimum IT academic qualifications required of these teachers; if not, the reasons for that?*

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

- (a) and (b)

The Curriculum Development Council issued in 2000 "Information Technology Learning Targets" which served as the guidelines for schools to organize IT courses and to plan for IT-related teaching and learning activities. The document suggested, amongst others, an eight-module Computer Awareness Programme (CAP), which was drawn up having regard to the IT learning targets and the cognitive development of primary students at various stages, and serves as a blueprint for schools in formulating their school-based IT plans. The Education Department also prepared teaching resource packages on CAP for schools to help them apply IT in different subjects and enhance students' learning. At present, about 30 government and 570 aided primary schools in Hong Kong offer CAP as a separate subject, accounting for about 80% of the total primary schools. The remaining schools flexibly incorporate elements of CAP in other subjects through different approaches.

- (c) According to "Information Technology Learning Targets", the objective of IT education in primary schools is to teach students the knowhow of operating simple IT tools and accessing information via computer networks. It is not our aim to teach students specialized IT skills.

As part of the teacher education programmes, all pre-service primary teachers receive professional training on general teaching pedagogy for primary school subjects, which is applicable to all subjects including IT-related curriculum. In addition, the Government provides IT training for all serving teachers. All teachers have already reached at least the "basic"^(Note 1) level of IT competency. We expect that 75%, 25% and 6% of teachers would reach the "intermediate"^(Note 2), "upper intermediate"^(Note 3) and "advanced"^(Note 4) levels of IT competency respectively by the 2002-03 school year.

Moreover, in response to the Government's policy of promoting IT in education, all teacher training institutions have integrated in their pre-service programmes IT competency training, such as production of courseware, application of IT in teaching, and usage of various electronic networks. From the 2000-01 school year, all graduates of pre-service teacher education programmes must reach at least the "upper intermediate" level of IT competency.

^(Note 1) By reaching the "basic" level, a teacher is able to master general computer operation and basic skills such as word-processing, surfing through the Internet, as well as operating readily available educational software.

^(Note 2) By reaching the "intermediate" level, a teacher is able to use IT tools and make use of teaching resource available on the Internet and the Intranet in classroom teaching and lesson preparation.

^(Note 3) By reaching the "upper intermediate" level, a teacher is able to handle computer networking, resolve simple hardware and software problems, make more advanced use of authorware for lesson preparation, and so on, and understand the characteristics and uses of different IT tools and resources.

^(Note 4) By reaching the "advanced" level, a teacher is able to understand the functions of computer managed instruction systems, evaluate the effectiveness of instructional computer programmes, design instructional materials with use of IT, and choose appropriate IT equipment to meet a school's needs.

Plan to Export Construction and Demolition Waste

12. **MISS CHOY SO-YUK** (in Chinese): *Madam President, it has been reported that the Hong Kong SAR Government is holding discussions with the Macao SAR Government on the feasibility of transporting local construction and demolition waste to Macao for use in reclamation projects. In this connection, will the Government inform this Council of:*

- (a) *the progress of the above discussions; and*
- (b) *the earliest possible date for exporting construction and demolition waste, the quantity of such waste to be exported annually, as well as how long the service life of local landfills can be extended as a result?*

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Chinese):

Madam President,

- (a) The Hong Kong SAR Government has not been discussing with the Macao SAR Government the issue of handling construction and demolition waste.

The Civil Engineering Department has commissioned a study on the long-term arrangements for handling inert construction and demolition materials. The study will examine, among other things, the reuse of these materials in reclamation projects in neighbouring regions. The study will be completed in mid 2002. Based on the findings of the study and other factors, the Government will determine if it is feasible to reuse construction and demolition materials in reclamation projects elsewhere.

- (b) As the study has not yet been completed, the Government cannot ascertain at this stage whether it is feasible to reuse construction and demolition materials in reclamation projects elsewhere.

Handling of Discarded Computers

13. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the handling of discarded computers, will the Government inform this Council:*

- (a) *whether it has drawn up internal guidelines for the disposal of computers by government departments;*
- (b) *of the estimated number of computers which were disposed of at landfills in each of the past two years; and*
- (c) *whether it plans to step up promotional efforts in the next two years to encourage separate collection of waste computers and their components for recycling; if so, of the details; if not, the reasons for that?*

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

- (a) The Government's Stores and Procurement Regulations has stipulated that government departments must sell discarded computers through public auction or by tender.
- (b) The Environmental Protection Department estimates that about 2 600 tonnes of electronic wastes were disposed of at landfills last year. Most of them were computers, monitors and circuit boards. We do not have the figures on discarded computers, nor do we have the data on electronic wastes before 2000.
- (c) The Environmental Protection Department has been collaborating with the recycling trade, green groups and district organizations in examining measures to foster the reuse and recycling of computers. At present, some organizations have initiated pilot computer recycling projects. The Department will take into account the results and experience of these pilot projects in examining the feasibility of developing a larger-scale recycling programme.

Extending Defects Liability Periods of HOS Estates

14. **MR FRED LI** (in Chinese): *Madam President, the Chief Secretary for Administration announced on 3 September this year the suspension of the sale of flats of Home Ownership Scheme (HOS) estates. It has been reported that the Housing Authority (HA) plans to pay the building contractors of the nearly complete HOS estates for extending the defects liability periods (DLPs) of these estates. In this connection, will the Government inform this Council of the names of the HOS estates that require the extension of DLP and, in respect of each of them, the number of flats, the DLP stipulated in the building contract, the length of extension of the DLP and the amount to be paid in this regard?*

SECRETARY FOR HOUSING (in Chinese): Madam President, the HA's initiative to extend the DLP from one year to two years is one of the 50 measures to enhance public housing quality, and is not related to the moratorium on the sale of HOS flats and adjustments to the sales programme announced recently. Extension of the DLP has been incorporated into HA building contracts since March 2000.

In September 2001, the HA decided to change the commencement date of the DLP for HOS flats from the date of Completion Certificate to the date of assignment of individual flats. This new arrangement, which will apply to future HOS flats, aims to ensure that all future purchasers will enjoy the DLP in full.

As the DLP stipulated in building contracts runs from the date of Substantial Completion Certificate and expires earlier than the protection period for purchasers under the new arrangement mentioned in paragraph 2 above, the HA will arrange for its own maintenance contractors to repair any defects which may arise during the extended period. There is no need to ask building contractors to extend the DLP stipulated in contracts.

Aviation Service between Hong Kong and Taiwan

15. **MISS EMILY LAU** (in Chinese): *Madam President, regarding aviation service between Hong Kong and Taiwan, will the executive authorities inform this Council:*

- (a) *of the respective numbers of airlines currently operating passenger and freight flights between the two places;*
- (b) *of the respective volumes of air passenger and freight traffic between the two places in the past three years;*
- (c) *of the respective numbers of passenger and freight flights between the two places every day on average;*
- (d) *whether they have assessed if the numbers of such flights are adequate; if they have, of the results; and*
- (e) *whether they will consider further opening up the air transport market to allow more airlines to operate new passenger and freight routes between the two places; if not, of the reasons for that?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President, there are currently eight airlines providing passenger air services between Hong Kong and Taiwan, two of them also provide all-cargo services between the two places. The volumes of air passenger and cargo carried between the two places in the past three years are as follows:

	<i>Passenger (number)</i>	<i>Cargo (tonnes) ^(note)</i>
1998	4 917 809	221 104
1999	5 599 431	272 411
2000	6 451 862	301 076

(note: These figures include cargo carried by both freighter and passenger aircraft.)

On average, these airlines operate a total of 39 passenger flights and two all-cargo flights per day between the two places. They adjust their level of services according to the market demand and will, for example, apply to operate extra flights during holiday and tourist peak seasons. The Civil Aviation Department monitors the market situation and load factor of the flights operated by the airlines in order to consider their applications for additional flights.

On the issue of opening up the air services market, the Government's overall policy is to proactively and progressively liberalize our air services regime to enhance Hong Kong's position as an international and regional aviation hub. Regarding the air services between Hong Kong and Taiwan, eight airlines currently provide such services. Overall, the air services between the two places operate smoothly.

Security of Government Buildings

16. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the security of government buildings, will the Government inform this Council:*

- (a) *of the number of private security companies currently engaged by the Administration to provide security services for government buildings, and the relevant expenditure last year;*
- (b) *whether it regularly reviews the quality and efficiency of the services provided by such private security companies; if so, of the relevant review mechanism; and*
- (c) *whether it will consider installing smart card-activated access control systems at access points of various government buildings; if so, of the costs required; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) We regret that the information requested in part (a) of the question is not available. This is because the authority for the hire of security guard services has been decentralized to individual government departments; hence, there is no central record of the number of security service companies currently engaged by the Administration or the cost of such services to which we could readily refer. Moreover, security services are often obtained from contractors and sub-contractors as part of government property management contracts which include also the provision of services for building management and cleansing, and it is difficult to isolate the cost of security services from the relevant total expenditure.

(b) Individual government departments are responsible for reviewing and ensuring the quality and efficiency of the services of the management or security companies which they hire. For example, the Government Property Agency (GPA), which is the biggest owner of contracts for building management and security services, monitors the quality and efficiency of the relevant companies in the following ways:

- Conduct regular site inspections at one to four months' intervals;
- Require the companies to submit a monthly report for each of the buildings under their management. The GPA assesses performance on the basis of such report by reference to the service level specification that is clearly stated in the contract. The report is also sent to the users in the building for verification and comments;
- Conduct an annual customer satisfaction survey through which about 25% of the users will be asked to indicate the level of their satisfaction with the property management or security services in the building; and
- Should there be under-performance by the companies concerned, the GPA could use the mechanism built into the service contract to reduce the service charge on a percentage basis, or even terminate the contract early if there is still no improvement.

The other departments which engage management or security companies monitor the standard of services along similar lines.

(c) At present many government buildings and offices, for example, Central Government Offices, Wanchai Towers, Murray Building, Queensway Government Offices and the law courts, are already installed with various electronic access control systems, including smart card-activated ones. For newly built government office buildings, such as North Point Government Offices and Cheung Sha

Wan Government Offices, centralized computer managed card access control is a standard installation which forms part of the building management system.

The cost of providing the access control systems varies with the level of security and complexity of the systems concerned, which in turn depends on the function and operational need of the building or office in question. These systems are subject to the advice and approval of the Government Security Officer who ensures consistency of application of security standards and the cost effectiveness of the relevant installations. The cost of the systems varies also with the scale of installations and the number of users.

Development of Public and Private Housing on Vacated Site of North Point Estate

17. **MR ABRAHAM SHEK** (in Chinese): *Madam President, in March last year, the Hong Kong Housing Authority (HA) announced the demolition of North Point Estate (NPE) and proposed to redevelop the site together with an adjacent lot. It has been reported that the Administration has recently endorsed the HA's proposal and allocated the whole lot of land to the HA for developing public and private housing in partnership with private developers. In this connection, will the Government inform this Council:*

- (a) *whether it has assessed the prevailing market value of the land concerned; if it has, of its assessed value; if it has not, the reasons for that; and*
- (b) *as the Steering Committee on Land Supply for Housing has yet to formulate the criteria for the allocation of Home Ownership Scheme sites, whether the Administration has assessed if the adoption of such a development option for the site contravenes the Government's objective of stabilizing the private property market, as well as impact of the development option on the transaction volume and prices of existing private residential flats in that area; if so, of the assessment results; if not, the reasons for that?*

SECRETARY FOR HOUSING (in Chinese): Madam President, the HA earlier announced its intention to redevelop the site at NPE. Subsequent discussions between the Government and the HA pointed to the possibility of a comprehensive redevelopment of NPE together with adjacent government land.

The NPE site is on lease to the HA for the purpose of building public rental housing. Its land value depends, among other things, on future usage and the same applies to adjacent government land. Since the nature and intensity of the development of the joint site has not yet been decided, it is not possible to put an estimate on the land value at this stage.

Before taking any decision on the development of the joint site, the Government will take into consideration all relevant factors including the views of the community. No final decision has yet been taken on this matter.

Costs of Specialist Services in Public Hospitals

18. **MR LAW CHI-KWONG** (in Chinese): *Madam President, regarding the costs of specialist services in public hospitals, will the Government inform this Council:*

- (a) *of the respective unit costs of the medicine, surgery, maternity and paediatrics departments in various public hospitals;*
- (b) *of the reasons for some hospitals incurring higher costs than other hospitals; and*
- (c) *how the Health and Welfare Bureau will follow up the issue of some public hospitals incurring excessively high or low costs?*

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

- (a) and (b)

The average costs per inpatient treated in respect of medicine, surgery, obstetrics and gynaecology, and paediatrics specialties in

13 major acute hospitals in the Hospital Authority (HA) for 1999-2000 are listed below:

<i>Hospital</i>	<i>Obstetrics and</i>			
	<i>Medicine</i>	<i>Surgery</i>	<i>Gynaecology</i>	<i>Paediatrics</i>
Queen Mary Hospital	\$8,421	\$13,296	\$10,599	\$17,603
Prince of Wales Hospital	\$9,666	\$12,889	\$9,937	\$16,047
Princess Margaret Hospital	\$10,451	\$12,152	\$11,030	\$18,003 ^{&}
Queen Elizabeth Hospital	\$11,372	\$13,116	\$13,879	\$17,036
Caritas Medical Centre	\$9,018	\$12,812	\$15,520 [@]	\$11,049
Kwong Wah Hospital	\$10,052	\$10,969	\$7,536	\$10,745
United Christian Hospital	\$9,352	\$10,666	\$11,617	\$10,043
Pamela Youde Nethersole Eastern Hospital	\$9,398	\$12,274	\$11,364	\$15,914
Tuen Mun Hospital	\$8,679	\$11,054	\$11,829	\$10,929
Yan Chai Hospital	\$10,545	\$15,020	N/A	\$10,044
Ruttonjee Hospital	\$10,899	\$13,246	N/A	N/A
Alice Ho Miu Ling Nethersole Hospital	\$8,971	\$11,942	\$19,432 [#]	\$8,792
North District Hospital [*]	\$14,908	\$18,133	N/A	\$12,414

Note: The costs of certain expensive or unique services (such as liver transplant, bone marrow transplant, open heart surgery, burns and AIDS services) provided by a few hospitals have been excluded from the costing figures.

N/A The specialist service is not provided by the hospital concerned.

& The high unit cost of paediatrics service of Princess Margaret Hospital was due to the low occupancy rate of the general paediatrics unit. The HA has subsequently rationalized the paediatrics service in the New Territories South Cluster by relocating Yan Chai Hospital's paediatrics service to Princess Margaret Hospital.

@ The high unit cost of obstetrics and gynaecology services of Caritas Medical Centre was due to the relocation of its obstetrics service to Princess Margaret Hospital in 1999-2000 under the rationalization programme.

The gynaecology service at Alice Ho Miu Ling Nethersole Hospital only commenced in 1999-2000. This has resulted in a high unit cost for the service.

* In general, the unit costs of North District Hospital in running the specialties were higher in 1999-2000 as the hospital was at its commissioning stage with new services added by phases.

The variations in the unit costs of specialist inpatient services run by the respective public hospitals are due to the following reasons:

- (i) the type and complexity of cases referred to and handled by different hospitals varies. For example, it is much more expensive to treat chronic renal patients requiring organ transplant than those under haemodialysis treatment;
 - (ii) the size and nature of individual hospitals have a bearing on the unit costs of specialist services. For instance, the unit cost of service provision at major acute hospitals is generally higher as such hospitals require more specialized facilities and provide more specialized medical services at the tertiary level;
 - (iii) the HA provides medical services to the community through its hospital clusters. Through role delineation of hospitals and service specialization, the provision of acute and intensive care services and facilities are concentrated in one or two major acute hospitals in a cluster. As such, the unit costs of specialty services of individual hospitals depend on the role of the hospital concerned as well as the type of specialized services provided; and
 - (iv) some hospitals are in the process of rationalizing its services or are at a stage of commissioning new services. The low occupancy rate of the specialty unit during such period would drive up the unit costs of the services concerned.
- (c) The HA has developed a system to collect specialty and Patient Related Group costing information for productivity improvements and benchmarking. A framework for reporting and monitoring financial performance and resources management of individual hospitals has also been established. Informed decision making can be made by analysing the costs of services of different hospitals and their performance trends with a view to achieving productivity and planning improvements, and identifying rationalization opportunities. For example, with the support of costing information, the HA has launched rationalization programmes such

as the merging of Tang Shiu Kin Hospital with Ruttonjee Hospital, the relocation of the inpatient services of Tsan Yuk Hospital to Queen Mary Hospital, the integration of the obstetrics service of Caritas Medical Centre and Princess Margaret Hospital, and the relocation of Yan Chai Hospital's paediatrics service to Princess Margaret Hospital. The speciality costing information system will be continuously enhanced by the HA to ensure the consistency, comparability and quality of the specialty costing information collected to better reflect the underlying service provisions. The Health and Welfare Bureau will continue to closely monitor the efficient and effective use of the HA's resources as well as the cost-effective delivery of hospital services which can meet the health care needs of the community.

Electronic Tendering System of Government Supplies Department

19. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, regarding the Electronic Tendering System (ETS) launched by the Government Supplies Department (GSD) since last year, will the Government inform this Council of:*

- (a) *the number of tenders notices of which have been issued through the ETS;*
- (b) *the number of quotations submitted through the ETS, and the percentage of such quotations in the total number of quotations received by the GSD, with a breakdown showing the relevant suppliers as registered local or foreign companies respectively; and*
- (c) *the percentage of quotations submitted through the ETS among all successful bids?*

SECRETARY FOR THE TREASURY (in Chinese): Madam President, the ETS came into operation on 7 April 2000. Generally speaking, other than in some circumstances (where, for example, the suppliers concerned in a single or restricted tender have not yet joined ETS), all GSD-originated tenders for supply of goods not exceeding \$10 million in value are promulgated concurrently through the ETS and in the international paper format.

- (a) Up to 30 September this year, the GSD has issued a total of 1 360 tender notices through the ETS.
- (b) Over the same period, the GSD received a total of 759 quotations submitted through the ETS. Of these, 748 were received from local suppliers and 11 from overseas suppliers. Separately, the GSD also received during the same period 7 967 written quotations for tenders not exceeding \$10 million, including some for tenders not issued through the ETS. As the GSD does not maintain separate statistics on the format and number of quotations received in response to the 1 360 electronic tender notices issued through the ETS, we do not have data to calculate the percentage of the 759 electronic quotations in the corresponding total number of the quotations received.
- (c) Between 7 April 2000 (when the ETS came into operation) and 30 September 2001, the GSD awarded altogether 2 574 contracts in respect of tenders for supply of goods not exceeding \$10 million in value. Of all the successful quotations, 144 (5.6%) were submitted through the ETS. In evaluation of tenders, the Government gives equal treatment to all quotations, irrespective of whether they are submitted in paper format or through the ETS.

Granting of Bonuses to Staff by MPFA

20. **MR KENNETH TING** (in Chinese): *Madam President, in spite of the losses amounting to \$78 million incurred in investments last year, the Mandatory Provident Fund Schemes Authority (MPFA) still paid bonuses to its staff at the end of September. In this connection, will the Government inform this Council:*

- (a) *whether it knows the justifications for the MPFA's decision to pay bonuses in the face of heavy losses incurred in its investments, and the criteria adopted for determining the amount of bonuses payable to its Managing Director and Executive Directors; and*
- (b) *whether, before paying bonuses to its staff, the MPFA is required to obtain approval from the authorities concerned or inform them of such a decision?*

SECRETARY FOR FINANCIAL SERVICES (in Chinese): Madam President,

- (a) In 1999, the MPFA received a capital grant of \$5 billion from the Government as initial funding to cover its establishment and operating costs. Apart from meeting the expenses of the MPFA, the sum has been placed in bank deposits, and invested in bonds and the Tracker Fund. In accordance with current accounting standards and practices, the investment was recorded at fair value in the financial statement of the MPFA's annual reports. The loss on investment of \$78 million as published in the MPFA's 2000-2001 Annual Report was the unrealized loss due mainly to the year to year change in the market value of the investment in the Tracker Fund. This unrealized loss had reversed the unrealized gain of \$75 million in the previous year. To put matters in perspective, since this is a long term investment, any unrealized gains or losses in the short term should not be regarded as reflection of the long term performance of the investment.

The remuneration package for all MPFA staff (including its Managing Director and Executive Directors) is set out under their terms and conditions of employment. It consists of two elements: (i) a fixed basic salary; and (ii) a variable pay which is a discretionary performance-based award of "bonus".

The Management Board of the MPFA, which has a broad based membership including Non-Executive Directors, oversees the MPFA's operation. It decides on the variable pay to be granted to MPFA staff for each year. When making a decision, the Management Board would consider the following factors:

- (i) the overall performance of the MPFA;
- (ii) the performance and achievements of each individual staff;
- (iii) the amount of funds available for granting the variable pay; and
- (iv) the market trend and the practices of other financial services regulators in that year.

For the financial year 2000-01, the decision to grant the performance-based variable pay was made in June 2001. The overall performance of the MPFA was assessed by how well it had achieved the objectives set out in the annual Corporate Plan for the year prepared in accordance with section 6J of the Mandatory Provident Fund Schemes Ordinance (the Ordinance). The key objective in the Corporate plan for 2000-01 was the completion of all the necessary preparatory work for the launch of the MPF system in December 2000, such as the timely vetting and registration of service providers.

The performance and achievements of all MPFA staff are assessed using a seven point rating scale under the Staff Appraisal System. For the Executive Directors, their performance is assessed by an Executive Appraisal panel, which comprises the Chairman, other Non-Executive Directors and the Managing Director of the MPFA. The performance of the Managing Director is assessed by a similar panel without the Managing Director's participation. The amount of variable award (expressed as a percentage of the staff's basic salary), if any, for the different performance ratings for the year is determined by the Management Board.

- (b) Section 6G(2) of the Ordinance stipulates that the MPFA may, after consultation with the Financial Secretary, fix the salaries and other conditions of employment of its staff. Section 3 of Schedule 1A of the Ordinance further provides that the MPFA's directors are entitled to such terms and conditions of office as the Chief Executive may, from time to time, determine. The MPFA's current staff remuneration package, which includes the fixed and variable pay elements, was approved in 1999 in accordance with the foregoing provisions.

As indicated above, the variable pay to be granted to MPFA staff for each year is approved by the MPFA Management Board. The budget for the variable pay for all MPFA staff in total for a particular year is approved by the Financial Secretary in the context of the overall budget for that year.

BILLS**First Reading of Bill**

PRESIDENT (in Cantonese): Bill: First Reading.

JUVENILE OFFENDERS (AMENDMENT) BILL 2001

CLERK (in Cantonese): Juvenile Offenders (Amendment) Bill 2001.

Bill read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.

Second Reading of Bill

PRESIDENT (in Cantonese): Bill: Second Reading.

JUVENILE OFFENDERS (AMENDMENT) BILL 2001

SECRETARY FOR SECURITY (in Cantonese): Madam President, I move that the Juvenile Offenders (Amendment) Bill 2001 be read the Second time.

The object of the Bill is to raise the minimum age of criminal responsibility from seven years of age to 10 years of age. The Law Reform Commission of Hong Kong (LRC) made the same recommendation in its "Report on The Age of Criminal Responsibility in Hong Kong" published in May 2000.

At present, under the Juvenile Offenders Ordinance, no criminal responsibility can be imposed on child under the age of seven. The LRC conducted a public consultation exercise in 1999 on the law regarding the age of criminal responsibility. In the public consultation exercise, the majority of respondents supported an increase in the minimum age. They considered a child at the age of 10 or below was unlikely to have attained the necessary skills to judge right and wrong and to fully realize the serious consequence of his actions. The LRC has also taken into account overseas experience in minimum

age of criminal responsibility. They found there was a considerable disparity among different jurisdictions, but Hong Kong's minimum age of seven was at the lowest end.

In recent years, local community and three Committees of the United Nations on international conventions recommended a rise in the minimum age of criminal responsibility be raised. They considered that young children should not be required to undergo the harsh trial process. Furthermore, the traumatic experience of being prosecuted and convicted at such a young age, which will result in a criminal record, will also stigmatize the child and the undesirable effect may last for a lifetime.

Local statistics show that the number of children aged seven to nine arrested for crimes from 1993 to 2000 remain consistently low, the annual figures range from 139 to 201 respectively. A significant majority of these arrested children committed minor offences such as shop theft. In view of the limited number of crimes committed by children under 10 years old and the nature of offences committed, we think the existing age of criminal responsibility should be raised accordingly.

Though Committees of the United Nations have not stipulated a specific age to be adopted, we recommend 10 as the revised minimum age. This is corresponding to the LRC's recommendation, which was a result of thorough consideration of the outcome of the public consultation as well as the minimum age adopted by overseas countries.

Despite a small number of interest groups opined that the minimum age should be raised to 14 years, we find that the arrests of children in Hong Kong are increasing significantly from 10 years of age onwards. As a result, we consider it more appropriate to take a cautious approach to raise the minimum age in view of the perceived increase in youth crime recently.

Having considered the above arguments, we propose the minimum age to be raised from seven to 10. It will keep children under 10 years old away from the harsh trial process, where the undesirable effect may last for a lifetime. I therefore urge Members to support the Bill.

Madam President, I beg to move.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Juvenile Offenders (Amendment) Bill 2001 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill referred to the House Committee.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Massage Establishments (Amendment) Bill 2001.

MASSAGE ESTABLISHMENTS (AMENDMENT) BILL 2001

Resumption of debate on Second Reading which was moved on 16 May 2001

PRESIDENT (in Cantonese): Mr James TO, Chairman of the Bills Committee on the above Bill, will now address the Council on the Committee's Report.

MR JAMES TO (in Cantonese): Madam President, in my capacity as the Chairman of the Bills Committee on the Massage Establishments (Amendment) Bill 2001, I hereby report on the main deliberations and findings of the Bills Committee.

The Bill proposes that only massage establishments offering full-body massage to customers of the opposite sex will be required to obtain a licence. Full-body massage is defined as a massage service or treatment provided to a person covering that part of his body below the neck and above the knees (including or excluding arms).

While members welcome the proposed relaxation of control over massage establishments so that foot massage establishments or spa and health clubs where full-body massage is provided to customers by massage assistants of the same sex will be exempted from licensing, members consider that the Administration should further relax the scope of control.

Members have pointed out that under the proposed definition of full-body massage, the premises of hair salon or beauty parlours may be subject to licensing control as the provision of massage service or treatment is not necessarily administered to customers of the same sex. It is also very common for massage to be applied to a person's neck and shoulders. As the provision of such service or treatment is not likely to lead to vice activities, the Bills Committee suggested that the definition of full-body massage be relaxed to mean a massage service covering that part of a customer's body below the shoulders and above the knees.

In drafting the Bill, the Bills Committee proposed that the premises of hair salon or beauty parlours where only face, scalp, neck, hand, arm or foot (up to knee) massage is administered to customers, or where only full-body massage is administered to a customer by a person of the same sex will be exempted from licensing. The policy intent of the Administration can only be clearly reflected in this way.

The Administration accepts the proposed amendments of Bills Committee on the definition of full-body massage.

To provide for clarity and to address members' concern of over-regulation, the Administration has agreed to add a provision to the effect that the premises of a hair salon or of a beauty parlour where massage is administered in full view of customers will be excluded from obtaining a massage establishment licence.

Madam President, under section 4(1) of the Massage Establishment Ordinance (MEO), any person who on any occasion operates, keeps, manages, assists in any capacity in the operation of, or assists in the management of, a massage establishment for the operation of which a licence is not in force commits an offence. Members sought clarification on the interpretation of the relevant provision, in particular under what circumstances a massage assistant will be liable to prosecution for assisting in the operation or management of the massage establishment, and whether premises other than a massage establishment at which massage service is administered will fall under the definition of massage establishment and be subject to the control of the MEO. The Administration has undertaken to clarify these problems in its speech during the resumption of the Second Reading debate on the Bill.

In the course of scrutinizing the Bill, members have also discussed whether massage establishments should be regulated through licensing control.

The MEO was enacted in 1983, with the main purpose of controlling vice activities in massage establishments through the licensing scheme. Members have queried as to how vice activities could be combated through licensing of massage establishments. Members consider that the licensing scheme could not serve its intended purpose of detecting whether licensees are, or deterring licensees from, engaging in vice activities. Rather it would cause unnecessary disturbance to those *bona fide* massage establishments and may inhibit the growth of *bona fide* massage businesses. In addition, the Administration should not make a presumption that massage establishments are prone to vice activities. Some members suggested that a notification system be adopted to replace the licensing scheme.

The Administration explained the relevant licensing scheme to members in great detail. It is of the opinion that if a notification system is adopted, it may create significant enforcement difficulties for combating vice activities in massage establishments and there will be no effective mechanism to deter vice activities in massage establishments and to address public safety concerns or complaints about nuisance by nearby residents.

Members consider that the Administration is holding an outdated view against the operation of massage business. Massage service becomes more popular as the public become more and more concerned about their health. Members suggested that a comprehensive review of the MEO should be conducted, in particular on whether the provision of massage service should be regulated from the angle of health protection or consumer protection.

Madam President, the Bills Committee supports the resumption of the Second Reading debate on the Bill and the Committee stage amendments to be moved by the Secretary for Security at a later stage.

MISS MARGARET NG (in Cantonese): Madam President, I speak in support of the Second Reading of the Massage Establishments (Amendment) Bill 2001, but I would also like to point out that the amendments made to the existing legislation in the Bill is in fact far from adequate. The Government should set about proposing further improvements at an early date.

Madam President, one day some years ago, I appeared in court as a duty lawyer in the South Kowloon Magistracy. Among my clients were two middle-aged ladies who were charged with operating a massage establishment without a licence. These two ladies were newcomers from the Mainland who had in fact made use of their formal training in massage to provide *bona fide* service to their customers. They had inadvertently committed a criminal offence and could not cite any ground for defence. Although the Court appreciated the truth of the matter and only imposed a lenient sentence, this was already very embarrassing for these two perfectly respectable ladies.

The real objective of the Massage Establishments Ordinance is to target against vice establishments operating under the guise of providing massage service. The aim of establishing a licensing framework and requiring operators to apply for a licence from the police is to empower the police to carry out inspections and monitoring. Since every massage establishment is regarded by the police as prone to be a vice establishment and by its neighbours as a nuisance trade, the licensing conditions are therefore very stringent. On the one hand, *bona fide* and illegitimate operators are both caught in the dragnet as a result. On the other hand, whereas spurious operators can often contrive some means of circumvention, *bona fide* operators are beset by hassles and difficulties.

In October 1998, Mrs Selina CHOW and I were on roster to meet deputations. One of them was the HKSAR Massage Trade Association. At that time, various trades and industries could already feel the pinch of the economic downturn. The Association said that, in order to meet the more stringent licensing conditions, such as reduced opening hours, the absence of single rooms in massage establishments, the provision of double rooms with an area of no less than 150 sq ft and so on, with a view to eradicating vice activities, *bona fide* massage establishments were encountering increasing difficulties in their operation.

The mediation carried out by Mrs Selina CHOW and I was evidently limited in success. In May 2000, the deputation came back to the Complaints Division of the Legislative Council again to lodge a complaint and was received by Miss Emily LAU and Mr Ambrose LAU. This time, apart from the issues raised on the last occasion, the issue of an increase in licence fees was also raised.

Madam President, the police certainly has the duty to crack down on vice activities and maintain law and order, but at the same time it must avoid the actual effect of targeting the entire trade, hence jeopardizing the survival of the trade. In particular, in view of the economic environment in recent years, the Government should not on the one hand encourage the public to rely on their own resources but on the other hand implement policies which impede members of the public from making a living by legitimate means. The Government should relax its restrictions as far as possible to give the public the freedom and room to develop.

The Massage Establishments (Amendment) Bill 2001 is in fact a concession made by the Government. Its real purpose is not to make licensing easier and cheaper, but to exempt massage services which do not involve vice activities from the scope of control of the Ordinance. The major amendments are all concerned with defining which kinds of massage services can be exempted.

As stated in the Bills Committee report, the scope of exemption in the Government's original proposal is only extended to parts of the body other than "below the neck and above the knees", or to massage administered by massage assistants of the same sex. It is only after much exhortation by the Committee that it won the consent of the Government to further relax the restriction from the "neck" to the "shoulders" and the other amendments are only technical in nature. This left us with a feeling of not knowing whether to lament or to laugh.

The scope of amendment is still far from being able to offer adequate protection to *bona fide* massage services operating with small capital. The major reason is that if a masseur/masseuse has to provide massage service to parts of the body below the shoulders and above the knees of customers of the opposite sex, then he/she is subject to the control of the Ordinance and the massage can only be provided in beauty parlours in full view of other customers. Otherwise, it is necessary to apply for a massage establishment licence. This means very costly and restrictive licensing conditions have to be met and ordinary and small-scale *bona fide* services will be forced out of business.

Madam President, since this Bill was proposed by the authority responsible for security, it is little wonder that the issue was considered solely from the viewpoint of law enforcement targeting vice activities. I urge the Administration to conduct an inter-departmental review at an early date, so that

the operation of massage establishments can be examined holistically from multiple viewpoints, such as commercial, economic, employment, as well as security viewpoints, and to consider further extending the scope of exemption and improving licensing conditions.

Although the massage cannot be considered a major industry, it can still provide job opportunities for thousands of people and it is worthwhile for us to value it and for the Government to attach some importance to it.

I so submit.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, while the Government's move to amend this Ordinance can be said to be an improvement, it is also a demonstration of persistent conservative attitude on the part of the Government.

Why do I say this? Just as what Miss Margaret NG said a moment ago, the reason why amendments are made to this Ordinance is that some organizations have been complaining that in the past few years, the massage trade has in fact developed in Hong Kong but the provisions of the ordinance concerned are still very archaic. As a result, those in the trade demanded that amendments be made to the Ordinance.

For example, among those organizations demanding for amendments to the Ordinance are people in the trade of foot massage. According to the old ordinance, anyone performing foot massage is going against the law. On learning of their demand, the Government also felt at that moment that this was something which could be considered. However, if it is only making its consideration from this angle, I think that this is still inadequate and this reveals the conservative attitude of the Government.

In recent years, the economy of Hong Kong is very poor and the community is under great pressure. Thus, many people nowadays enjoy having massage service. Be they rich or poor, whenever they feel tired, they will quite often go for massage. For the poor, they may go to Shenzhen, pay for less than a hundred dollars and have foot massage; for those more well-off, they will of course patronize the foot massage establishments in Hong Kong which charge them several hundred dollars. Nonetheless, taking note of its development in

these few years, it is very common for us to find housewives in housing estates providing massage service for neighbours to make money. In fact, the trade has been developing gradually but the present Massage Establishments (Amendment) Bill 2001 gives me the impression that the Government has not considered this aspect.

Members who have participated in the studying of this Bill all mentioned about the present circumstances. On one hand, we say that there are of course people making use of the massage trade to conduct illegal vice activities, but on the other, present circumstances have changed. The question therefore lies in how we should strike a balance between the two. Members then tended towards carrying out broader discussion on this Ordinance. However, we also felt that since the Government has made amendments at the former stage, there was no harm for us to bring up certain technical opinions on the provisions on this basis.

Some colleagues mentioned just now that the Government originally intended to limit amendments to the provisions to massage service covering up to the neck. We however felt that this was not adequate and suggested that the area covered should be extended to the shoulders; I even felt that it should go as far as "danzhong" acupuncture point. I found out later that no one knew the position for "danzhong" acupuncture point. In fact, the position of the second button from the collar button is where "danzhong" is. In view of the fact that a lot of people are not familiar with knowledge in this respect, I withdrew my request as the exact position might have to be confirmed by Chinese medicine practitioners.

Although we have expressed opinions on this Bill, it does not mean that we approve of this Ordinance. I said a moment ago that the massage trade is developing and this trade is particularly suitable for those who are not equipped with high technological skills or are not of a high cultural level. Has the Government taken this into consideration? I think the Government should consider this aspect more.

Nonetheless, no matter what, the Government is now willing to act in line with our opinions. Judging from these amendments, we can see that the amended provisions are in general acceptable. However, I would still like to raise a few questions. Apart from the fact that the definition for massage still needs to be discussed further, certain technical problems also have to be addressed. For example, it is mentioned in the existing Ordinance that when providing beauty and makeup services, a person of the opposite sex can

administer massage to those parts of the body that can be seen. However, again in accordance with the existing legislation, only a person of the same sex can administer full-body massage. Nowadays, many beauty parlours may be offering massage service to both male and female customers, and they may have employed both male and female massage assistants. What are your views on such grey areas in the legislation?

I do think that there exists some real problems and I can conveniently cite some examples. Actually, if we are to further amend this Ordinance, a lot of problems still have to be discussed. However, it has been almost two years since the trade submitted its opinions on the legislation to the Legislative Council. Because of this, I think that we can for the moment make some minor amendments first. This is something we can accept. I hope that the Security Bureau will base on what we have discussed and make considerations in the light of the fact that more and more people are thinking of joining the massage trade. In reality, many grass-roots wage earners are hoping to work in the trade. It is also on this basis that I hope that the Government would conduct a comprehensive review of the development of the massage trade.

Madam President, no matter what, the Hong Kong Federation of Trade Unions and the Democratic Alliance for Betterment of Hong Kong are in support of the amendments proposed today. Thank you.

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

(No Member responded)

PRESIDENT (in Cantonese): If not, I now call upon the Secretary for Security to speak.

SECRETARY FOR SECURITY (in Cantonese): Madam President, the Massage Establishments (Amendment) Bill 2001 (the Bill) was introduced into the Legislative Council for First and Second Readings on 16 May 2001 with the aim of restricting the scope of control on massage establishments to those premises offering full-body massage by massage assistants to customers of the opposite sex and to allow massage establishment licences to be renewed for two years subject to certain conditions.

I am very grateful to Mr James TO and other members of the Bills Committee for their detailed scrutiny and thorough deliberation of the Bill. During the meetings of the Bills Committee, Members expressed a lot of valuable views. After listening to the suggestions of the Bills Committee, I undertook to make some amendments to the Bill in order to refine the legislative proposal. I will move the relevant amendments and briefly give the reasons for moving the amendments at the Committee stage which will take place later.

The Massage Establishments Ordinance (the Ordinance) was enacted in 1983 with the primary objective of controlling vice activities that may occur in massage establishments through licensing. In recent years, a myriad of massage services have flourished which include foot massage, massage in spa, health clubs, beauty parlours, and so on. The Government has received a number of complaints from massage operators, especially foot massage operators, that the licensing control is unnecessary for them. Since the primary objective of the licensing scheme is to combat vice activities that may take place in massage establishments, it is inadvisable for the Government to regulate *bona fide* massage businesses which promote health and relaxation. In view of the above, the Government proposed to restrict the scope of control on massage establishments. It is proposed that only massage establishments offering full-body massage to customers of the opposite sex will be required to obtain a licence. According to the enforcement experience of the police, vice activities are not commonly found in foot massage establishments or spa and health clubs where full-body massage services are provided to customers by massage assistants of the same sex. The restriction of the scope of control would promote the development of these kinds of massage businesses.

Another proposal of the Bill is to make things easier for operators who will still be required to obtain a licence. The current licensing regime requires a licence to be renewed each year. It is proposed in the Bill that renewal may be granted for an extended period of two years if the relevant licensee has not breached any licensing conditions during the preceding licensing period. However, should any adverse record be found, the licensing period may be reduced to one year upon the next renewal. The Government believes that this arrangement will facilitate the operation of massage establishments.

During the deliberations of the Bills Committee, Members pointed out that the definition of full-body massage proposed in the Bill may still impose excessive control on *bona fide* massage establishments. After careful

consideration, the Government agreed that massaging the shoulders is not likely to lead to vice activities. Therefore, I will move an amendment to amend the definition of full-body massage from a massage service provided to a customer "covering that part of his body below the neck and above the knees" to mean covering that part of his body below the shoulders and above the knees. In addition, I have also taken into consideration other views expressed by members of the Bills Committee and proposed some amendments to update the Ordinance as well as some technical amendments. The Government will give the reasons for these amendments individually later.

On the other hand, in response to the requests raised by some Members in the Bills Committee, the Government would like to take this opportunity to clarify the scope of the Massage Establishment Ordinance and the liability of massage assistants. "Massage establishment" is defined under the Ordinance as "any place used or intended to be used or represented as being used for the reception or treatment of persons requiring massage or other similar service or treatment." If the use or primary purpose of a premises is to provide massage service, then it would be regarded as a massage establishment. On the other hand, if the primary purpose of a premises is not to provide massage service and its owner or resident only receives massage in the premises occasionally, then it is not regarded as a massage establishment. For example, if a customer requests by phone the massage service of a massage assistant to be provided in a hotel room, hospital or home for the elderly, then the premises cannot be regarded as a massage establishment. Since the primary purpose of these premises is not to provide massage service, they will not be regarded as a massage establishment because of the massage service provided on that occasion, and will not be subject to the control of the Ordinance.

If a licensed massage establishment sends a massage assistant to administer massage at a place not at the establishment itself and which place is found not to be a massage establishment, no prosecution can be laid against the operator, the massage assistant or any person of the massage establishment under section 4(1) of the Ordinance unless a massage establishment is prohibited by its licensing conditions from sending massage assistants to a place not at the establishment itself to provide massage service. In fact, ordinary massage assistants who only provide massage service do not fall within the ambit of section 4(1) of the Ordinance. The person liable to be prosecuted is the person who operates, keeps, manages, assists in the operation of or management of the massage establishment and not the massage assistant who simply massages a customer.

The massage assistant will be liable to prosecution only if it can be proved that he/she is also the person who operates, keeps, manages, assists in the operation of or management of the massage establishment. I hope that my clarification can serve as a reply to the question which Miss CHAN Yuen-han raised just now, that is, whether women living in housing estates who provide massage service at their homes or at their neighbours' places would be subject to the control of the Ordinance. The answer is in the negative.

Finally, I would like to make a conclusion. As I have said just now, the Ordinance was enacted in 1983 with the primary objective of preventing and combating vice activities in massage establishments. For over a decade, the Ordinance has been enforced effectively. As can be seen from the number of prosecutions instituted by the police, it is essential to continue to combat vice activities by means of the Ordinance. Vice activities were found in 17 licensed massage establishments in the year between 1 July 2000 and 30 June 2001. There were 69 counts of vice-related offences reported on these establishments during the period resulting in 33 prosecutions, 32 warnings, three advice notices without further prosecution. Out of the 33 prosecutions, 10 were found guilty, one offered no evidence and 22 pending hearing. The number of vice offences involving unlicensed massage establishments is even greater. From mid-2000 to mid-2001, 132 unlicensed massage establishments were located with 236 counts of prosecution action taken, of which 234 counts were vice-related. A total of 222 charges were convicted and 16 pending hearing.

It can be seen from the above figures that vice activities still exist in massage establishments, whether they are licensed or not. Therefore, the Ordinance, which facilitates the police in carrying out inspections and instituting prosecutions by means of a licensing regime, is essential. The Government believes that through restricting the scope of control and the amendments to be moved by me later, the Bill can strike a balance between combating vice activities and providing room for the development of the *bona fide* massage trade.

A Member mentioned just now that the Government should conduct a comprehensive review on how to manage massage establishments as a kind of health and recreational activity. According to my understanding, the issue of whether the quality and service of massage establishments, as a kind of health and treatment service, should be subject to supervision does not fall within the ambit of the Security Bureau. I understand that Members will raise this issue for discussion in the relevant Panel of the Legislative Council. I believe that in

the near future, this issue will be discussed more comprehensively in the Legislative Council.

Madam President, I hope Members will support the Massage Establishments (Amendment) Bill 2001 and the amendments to be moved by me later at the Committee stage. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Massage Establishments (Amendment) Bill 2001 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Massage Establishments (Amendment) Bill 2001.

Council went into Committee.

Committee Stage

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

MESSAGE ESTABLISHMENTS (AMENDMENT) BILL 2001

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Massage Establishments (Amendment) Bill 2001.

CLERK (in Cantonese): Clause 1.

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

(Members raised their hands)

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

(Members raised their hands)

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

CLERK (in Cantonese): Clauses 2, 3 and 4.

SECRETARY FOR SECURITY (in Cantonese): Madam Chairman, I move the amendments to clauses 2, 3 and 4, as set out in the paper circularized to Members.

Amendments to clause 2 and new clause 3(f)(i) are proposed corresponding to the new definition of "full-body massage" after we have listened to views of Honourable Members. "Full-body massage" was originally defined in the Bill as a massage service or treatment provided to a person covering that part of his body below the neck and above the knees, including or excluding arms.

In the scrutiny of the Bills Committee, Members considered the proposed definition of the Bill might impose unnecessary regulation on *bona fide* massage businesses. After thorough consideration, we agree with the view of Honourable Members that very often, massage assistants may come into contact with the shoulders of customers when they massage the neck of the customer, but such contact is unlikely to lead to vice activities. As a result, I propose to amend the proposed definition of "full-body massage" in clause 2 by deleting "neck" and substituting "shoulders", and amend new clause 3(f)(i) correspondingly by adding "shoulder" as one of the exempted part of the body.

In addition, for the purpose of clarity, members suggested that the Bill should specify certain premises to be exempted from the licensing requirement of massage establishments. Therefore, I will propose amendment to section 3 by adding a new clause 3(c), which exempts the premises of a hair salon, or of a beauty parlour, where massage is administered in the premises in full view of customers resorting thereto from licensing. According to information provided by the police, massage in premises of a hair salon or beauty parlour is unlikely to lead to vice activities, thus exemption can be granted.

As for the new clauses 3(g) and 3(h), they are proposed in view of the successive registration of Chinese medicine practitioners and Chiropractors within this year. Both clauses 3(b) and 3(d) in the existing Ordinance stipulate that the Ordinance cannot be applied to an establishment for medical treatment operated by a medical practitioner registered under the Medical Registration Ordinance (Cap. 161) and an establishment for physiotherapy operated by a physiotherapist registered under the Supplementary Medical Professions Ordinance (Cap. 359) respectively.

To put it beyond doubt and make reasonable amendment, the Administration has accepted recommendation of the Bills Committee to add new clause 3(g) to the Bill to exempt the premises for practising Chinese medicine operated by a registered Chinese medicine practitioner or listed Chinese medicine practitioner as defined under section 2 of the Chinese Medicine Ordinance (Cap. 549), and new clause 3(h) for the premises for chiropractic operated by a chiropractor registered under the Chiropractors Registration Ordinance (Cap. 428) from the licensing requirement. In other words, therapeutic massage service carried out in the premises operated by registered Chinese medicine practitioner, listed Chinese medicine practitioner and registered chiropractor will be exempted from the licensing requirement.

Amendments to clause 4 are proposed in the light of the suggestions made by the Bills Committee on Massage Establishments (Amendment) Bill 2001, as they are purely technical amendments on the wordings.

The majority of the above amendments are proposed in the light of suggestions made by the Bills Committee. Madam Chairman, I beg to move. I hope Members will support the passage of these amendments. Thank you.

Proposed amendments

Clause 2 (see Annex II)

Clause 3 (see Annex II)

Clause 4 (see Annex II)

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

MR JAMES TO (in Cantonese): Madam Chairman, the Bills Committee agrees with these amendments. However, I would like to remind the Government one thing that even if we set aside the licensing issue we have just discussed earlier, I believe the Government should still be cautious about issues of law enforcement and the definition of the Ordinance. We have started to observe a tendency recently; perhaps there are more supply than demand in the employment market nowadays, so some companies would have asked job-seekers who are just looking for a salesperson job to accept some extra terms and conditions. For example, in order to attract customers, some companies would require even people who are supposed to perform salesperson jobs to put on bra-tops or some very sexy outfits.

Why have I to mention this? It is because under this Massage Establishments Ordinance, no matter whether they are operating foot massage or whatever massage business, some massage parlours will sooner or later require their workers to put on some exposing costumes, or even "exposing their bodies accidentally", could these be defined as vice activities? In fact, neither this Ordinance nor any person could have dealt with these situations. I hope the Government will pay close attention to such development. I agree that exemption should be granted to *bona fide* foot massage service providers. However, after granting the exemption, it may evolve into another social problem. As a result, I hope the Government will watch closely to the development after the exemption is granted, and see how it will affect young people or other vice activities, or if it is necessary to regulate a specific type of business. All of these are things we should watch closely.

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

(No Member responded)

CHAIRMAN (in Cantonese): If not, I now call upon the Secretary for Security to speak again.

SECRETARY FOR SECURITY (in Cantonese): Madam Chairman, I just wish to respond briefly to the issue that Mr James TO has just raised. For example, with regard to the massage parlour employees who may have to put on bra-tops when they provide massage service, even if such practice is not under the regulation of the Massage Establishments Ordinance, subject to the circumstances; it may still be regulated by the Crimes Ordinance, such as committing the offence of instigation. Hence, we should not say the police would be at the end of their tether after the Ordinance is amended.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clauses 2, 3 and 4 as amended.

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

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

MASSAGE ESTABLISHMENTS (AMENDMENT) BILL 2001

SECRETARY FOR SECURITY (in Cantonese): Madam President, the

Massage Establishments (Amendment) Bill 2001

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

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Massage Establishments (Amendment) Bill 2001 be read the Third time and do pass.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Massage Establishments (Amendment) Bill 2001.

MOTIONS

PRESIDENT (in Cantonese): Motions. Four proposed resolutions under the Interpretation and General Clauses Ordinance in relation to amendments to subsidiary legislation.

First motion: Amending the Election Committee (Appeals) Regulation.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I move that the motion set out in the Agenda regarding amendments to the Election Committee (Appeals) Regulation be approved.

To prepare for the conduct of the Chief Executive Election in March next year, we have to make subsidiary legislation to provide for the practical arrangements for the Election Committee subsector by-elections and the Chief Executive Election. Five pieces of subsidiary legislation relating to the Chief Executive Election were submitted to the Legislative Council for scrutiny on 10 October 2001.

The relevant Subcommittee of the Legislative Council has completed scrutiny of these five pieces of subsidiary legislation. I would like to take this opportunity to express my gratitude for the efforts made by the members of the Subcommittee.

The Government has accepted the suggestion of the Subcommittee to amend one piece of the legislation, and thereby I would like to move a motion to amend section 12 of the Election Committee (Appeals) Regulation. The amendment is to make it clear that the ruling by the Revising Officer under

section 6 or his decision upon review under section 10 will not invalidate acts done by a member of the Election Committee whose qualification is questioned before such a ruling or decision is made.

Thank you, Madam President.

The Secretary for Constitutional Affairs moved the following motion:

"That the Election Committee (Appeals) Regulation, published in the Gazette as Legal Notice No. 196 of 2001 and laid on the table of the Legislative Council on 10 October 2001, be amended by repealing section 12 and substituting:

"12. Validity of acts of person

A -

- (a) ruling made by the Revising Officer under section 6; or
- (b) reversal or confirmation of such a ruling by him under section 10 (1),

does not invalidate acts done by the person as a member of the Election Committee whose election or whose registration as such a member is questioned before the making of such a ruling, reversal or confirmation, as the case may be."."

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

MR IP KWOK-HIM (in Cantonese): Madam President, in my capacity as the Chairman of the Subcommittee, I will report on the deliberations of the Subcommittee on five subsidiary legislations laid on the table of the Legislative Council on 10 October 2001.

Two meetings had been held by the Subcommittee to discuss the relevant subsidiary legislation. To address views raised by Members, the Administration agrees to move amendments on three subsidiary legislations.

Madam President, the purpose of proposing amendments to the Election Committee (Registration) (Voters for Subsectors) (Members of Election Committee) (Appeals) Regulation (L.N. 197) and Registration of Electors (Appeals) (Amendment) Regulation 2001 (L.N. 199) is to enable the alignment of the English and Chinese texts.

Furthermore, the Administration will propose an amendment to Election Committee (Appeals) Regulation (L.N. 196). Section 12 of that Regulation stipulates that "Any ruling made by the Revising Officer under section 6 does not invalidate acts done by the person as a member of the Election Committee whose election or whose registration as such a member is questioned before the making of such ruling". The Subcommittee asked the Administration whether that provision was also applicable to the decision made by the Revising Officer after he had reviewed such ruling under section 10. After careful consideration, the Administration agreed to prescribe that section 12 be applicable to any ruling made by the Revising Officer under section 6, or any reversal or confirmation of his previous ruling made under section 10(1).

The Subcommittee will support the three amendments proposed by the Administration.

Thank you, Madam President.

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

(No Member responded)

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

(The Secretary for Constitutional Affairs indicated that he did not wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Constitutional Affairs be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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

PRESIDENT (in Cantonese): Second motion: Amending the Election Committee (Registration) (Voters for Subsectors) (Members of Election Committee) (Appeals) Regulation.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I move that the Election Committee (Registration) (Voters for Subsectors) (Members of Election Committee) (Appeals) Regulation be amended, as set out on the Agenda.

The proposed amendments are technical in nature, which aim at improving the consistency of the Chinese and English texts for certain provisions of the Regulation.

Thank you, Madam President.

The Secretary for Constitutional Affairs moved the following motion:

"That the Election Committee (Registration) (Voters for Subsectors) (Members of Election Committee) (Appeals) Regulation, published in the Gazette as Legal Notice No. 197 of 2001 and laid on the table of the Legislative Council on 10 October 2001, be amended in section 3 -

- (a) in subsection (2)(c)(iii) and (d)(iii), by repealing "on a date not later than 1 day";
- (b) in subsection (3) -

- (i) in paragraph (a) -
 - (A) by repealing "in any year";
 - (B) by repealing "7 日" and substituting "第 8 日或";
 - (C) by repealing everything after "須在" and substituting "自該投票日期前 25 日起計的一段 21 日的期間內; 及";
- (ii) in paragraph (b) -
 - (A) by repealing "in any year" where it first appears;
 - (B) by repealing "7 日內或該投票日期當日或" and substituting "第 8 日";
- (c) in subsection (6)(a)(iii), by repealing "on a date not later than 1 day". "

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

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Constitutional Affairs be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Third motion: To amend the Registration of Electors (Appeals) (Amendment) Regulation 2001.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I move that the Registration of Electors (Appeals) (Amendment) Regulation 2001 be amended as set out in the Agenda.

The proposed amendments are technical in nature, which aim at improving the consistency of the Chinese and English texts for certain provisions in the Regulation.

Thank you, Madam President.

The Secretary for Constitutional Affairs moved the following motion:

"That the Registration of Electors (Appeals) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 199 of 2001 and laid on the table of the Legislative Council on 10 October 2001, be amended in section 3(d) -

- (a) in subparagraph (ii)(A), by repealing "7 日" and substituting "第 8 日或";
- (b) in subparagraph (iii) -
 - (i) by repealing "in any year" where it first appears;
 - (ii) by repealing "7 日內或該投票日期當日或" and substituting "第 8 日".

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

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Constitutional Affairs be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Members, I declare that the meeting suspended and will resume after the relevant public officer who will move the fourth resolution returns to this Chamber.

5.10 pm

Meeting suspended.

5.12 pm

Council then resumed.

PRESIDENT (in Cantonese): Fourth motion: Amending the Rehabilitation Centres Regulation.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR SECURITY (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The motion seeks to make slight amendments to the Rehabilitation Centres Regulation.

The Legislative Council passed the Rehabilitation Centres Ordinance on 2 May this year, seeking to provide legal basis for the Correctional Services Department (CSD) to implement a new Rehabilitation Centre (RC) programme, and to enable the Court to have an additional sentencing option when dealing with young offenders. We can then address the crux of the problem more effectively and help them turn over a new leaf. The Rehabilitation Centres Regulation made under clause 13 of the above Ordinance has stipulated requirements regarding the practical aspects of the management and operation of the RCs, and it was tabled to the Legislative Council on 10 October this year.

The relevant Subcommittee of the Legislative Council held four meetings in total to discuss the Rehabilitation Centres Regulation. The scrutiny was done in a serious manner and it expressed Members' concern for the welfare of young offenders. I would like to express my thankfulness to members of the Subcommittee including the Chairman, Mr James TO. We have also accepted Members' amendment proposals which were consistent with the objective of our legislation seeking to perfect our legislation. The major contents are as follows:

- (a) Regardless of whether inmates of the RCs have religious beliefs or not, the staff of the CSD will definitely make arrangements for them as far as applicable if they sincerely have a genuine need to seek religious instruction. This administrative measure will clearly be reflected in section 11(2) of the Regulation after amendment.
- (b) According to the administrative measure, a supervision order or varied supervision order against an inmate shall be read, explained and served on him by the Officer-in-charge of the RCs. This procedure will be specified clearly in section 14 of the Regulation after amendment.

- (c) The two amendments in paragraphs (j) and (k) of Schedule 1 seek to appropriately enhance the power of the Commissioner of Correctional Services. When setting down the conditions of a supervision order, the Commissioner can demand an inmate leaving the RCs to avoid making contacts with people who have any connection with whatever offences he committed, or avoid visiting any places connected with whatever offences he committed if an actual need arises, so as to reduce the chance of his being subjected to bad influence.

I hope Members will support the proposed amendments. Thank you, Madam President.

The Secretary for Security moved the following motion:

"That the Rehabilitation Centres Regulation, published in the Gazette as Legal Notice No. 195 of 2001 and laid on the table of the Legislative Council on 10 October 2001, be amended -

- (a) by repealing section 11 and substituting -

"11. Religious services and instruction

(1) The Officer-in-charge may, if satisfied that an offender belongs to a religious denomination, if the offender so desires and it is reasonably practicable to do so, make arrangements for the offender to attend appropriate religious services.

(2) The Officer-in-charge may, if satisfied that an offender belongs to a religious denomination or has a genuine need for religious instruction, if the offender so desires and it is reasonably practicable to do so, make arrangements for the offender to receive appropriate religious instruction.";

- (b) by repealing section 14 and substituting -

"14. Supervision order

(1) A supervision order against an offender shall be read and explained to, and served on, the offender by the Officer-in-charge before the offender is released from a rehabilitation centre.

(2) Where a condition of a supervision order against an offender is varied, the varied order shall be read and explained to, and served on, the offender by the Officer-in-charge.";

(c) in Schedule 1 -

(i) in paragraph (j), by adding "or with any other offence of which he was convicted" after "sentenced";

(ii) in paragraph (k), by adding "or with any other offence of which he was convicted" after "sentenced".

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

MR JAMES TO (in Cantonese): Madam President, as Chairman of the Subcommittee on Rehabilitation Centres Regulation (the Regulation), I report on the deliberations of the Subcommittee.

At the House Committee meeting on 12 October 2001, Members agreed to form a Subcommittee to study the Regulation. A total of four meetings were subsequently held between the Subcommittee and the Administration.

One of the sections that the Subcommittee is most concerned with is section 11, a provision concerning religious services and instruction. It provides that the Officer-in-charge may, if satisfied that an offender belongs to a religious denomination, make arrangements for the offender to attend or receive appropriate religious services or instruction, providing that the offender so desires and it is reasonably practicable to do so.

Both Miss Cyd HO and I have expressed reservation about the need for the Commissioner of Correctional Services (the Commissioner) to be satisfied that an offender belongs to a religious denomination as it implies that proof of such is required. In order to understand the current practice in other Correctional Services Department (CSD) institutions, Members have asked the Administration to provide relevant information.

The Administration pointed out that all persons under the CSD's custody are free to attend evangelic meetings held inside the CSD institutions. Moreover, Rule 167 of the Prison Rules also provides that the chaplains of the various denominations appointed by the Chief Executive shall have access to the prisoners at all times. Visits by such religious personnel are frequent and in general, each institution is visited by such persons once a week. Thus, inmates could make requests for religious instruction or counselling to such religious personnel during their visits or to CSD officers of the institution concerned at any time and appropriate arrangements would be made if the Officer-in-charge is satisfied that there is a genuine need and that it is reasonably practicable to do so.

The Administration also pointed out that in recent years, the CSD has come across cases in which prisoners have used religious reasons to claim advantages. The Administration is of the view that section 11 in the Regulation has been able to strike a balance between protection of religious freedom and maintenance of prison discipline.

After considering the above additional information, a majority of members share the view that section 11 should be amended to state that religious instruction may be made available to those inmates who do not yet belong to a religious denomination but have a genuine need for religious instruction. The Administration has agreed to accept members' suggestion and will codify the current administrative arrangements for such inmates to receive appropriate religious instruction.

Members have also expressed concern about supervision orders. Section 14 provides that a supervision order shall be read and explained to an offender by the Officer-in-charge before the release of an offender from a rehabilitation centre (RC).

The Subcommittee has asked the Administration to consider whether the section should provide for the same procedure to be followed if a supervision order is varied after the release of an offender from a RC. Accepting the recommendation of the Subcommittee, the Administration has agreed to amend the provision by specifying that, upon variation of a supervision order, the revised order shall be served on the supervisee and its contents shall be read and explained to the supervisee by the Officer-in-charge.

The Administration was also asked by the Subcommittee to consider whether a supervision order should be read and explained to an offender in the presence of his guardian.

The Administration pointed out that it will cause some practical difficulties to require a guardian presence in every case. Since it is sometimes not easy to find a mutually convenient time for the guardian and the Officer-in-charge to go through such a procedure, the discharge of the offender might be delayed as a result. The Administration also pointed out that the CSD has been putting a lot of emphasis on family support and the supervision conditions are amongst the issues on which the CSD seeks to work closely with the guardians. Therefore in reality the guardians are in the majority of cases informed of the supervision conditions by the CSD.

The Subcommittee has also expressed great concern about the conditions of a supervision order. To ensure better protection of the supervisees, the Subcommittee has asked the Administration to consider extending the scope of paragraphs (j) and (k) of Schedule 1, which sets out the conditions of a supervision order, to cover previous offences of the supervisee and the places where such offences were committed.

The Subcommittee is of the view that it will further facilitate the supervisee to keep away from undesirable persons and places. Members agree that such restrictions will only be invoked in justifiable circumstances. On review, the Administration has agreed to amend the two paragraphs to enable the Commissioner to impose such stricter restriction if necessary.

The Subcommittee supports the Regulation and the Administration's proposed amendments.

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

(No Member responded)

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

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under the Fugitive Offenders Ordinance in relation to extending the period for repealing the Fugitive Offenders (Sri Lanka) Order and the Fugitive Offenders (Portugal) Order.

PROPOSED RESOLUTION UNDER THE FUGITIVE OFFENDERS ORDINANCE

MR JAMES TO (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The motion seeks to extend the period for repealing the Fugitive Offenders (Sri Lanka) Order and the Fugitive Offenders (Portugal) Order to allow Members sufficient time to scrutinize the relevant Orders.

Mr James TO moved the following motion:

"That in relation to the -

- (a) Fugitive Offenders (Sri Lanka) Order, published in the Gazette as Legal Notice No. 203 of 2001; and
- (b) Fugitive Offenders (Portugal) Order, published in the Gazette as Legal Notice No. 204 of 2001,

and laid on the table of the Legislative Council on 17 October 2001, the period referred to in section 3(3) of the Fugitive Offenders Ordinance (Cap. 503) for repealing the Orders be extended under section 3(5) of that Ordinance to the meeting of 21 November 2001."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Proposed resolution under the Interpretation and General Clauses Ordinance in relation to extending the period for amending six items of subsidiary legislation relating to the Chief Executive Election.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR IP KWOK-HIM (in Cantonese): Madam President, I move in my capacity as Chairman of the Subcommittee, the motion standing in my name, as printed on the Agenda.

The Subcommittee agreed that I should move a motion to extend the period of scrutiny for six items of subsidiary legislation gazetted on 12 October 2001 to the Legislative Council meeting on 21 November 2001, so as to allow the Subcommittee sufficient time to consider the amendment proposals put forward by the Administration and to report the results of deliberation to the House Committee.

With these remarks, I call upon Members to support the motion. Thank you, Madam President.

Mr IP Kwok-him moved the following motion:

"That in relation to the -

- (a) Election Committee (Subscribers and Election Deposit for Nomination) Regulation, published in the Gazette as Legal Notice No. 205 of 2001;
- (b) Legislative Council (Subscribers and Election Deposit for Nomination) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 206 of 2001;
- (c) Distribution of Number of Members Among Designated Bodies (Election Committee) Order 2001, published in the Gazette as Legal Notice No. 207 of 2001;
- (d) Electoral Affairs Commission (Nominations Advisory Committees (Election Committee)) Regulation, published in the Gazette as Legal Notice No. 208 of 2001;
- (e) Electoral Affairs Commission (Nominations Advisory Committees (Legislative Council)) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 209 of 2001; and
- (f) Electoral Affairs Commission (Electoral Procedure) (Election Committee) Regulation, published in the Gazette as Legal Notice No. 210 of 2001,

and laid on the table of the Legislative Council on 17 October 2001, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) for amending subsidiary legislation be extended under section 34(4) of that Ordinance to the meeting of 21 November 2001."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. Since Members are already very familiar with the rules concerning time limits on speeches, I will not repeat them here. I just

wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Improving the business environment.

IMPROVING THE BUSINESS ENVIRONMENT

MR KENNETH TING (in Cantonese): Madam President, from the prevailing economic conditions of Hong Kong, we can see it is indisputable that a favourable business environment has become increasingly important. This is also why I am moving a motion on "Improving the Business Environment" on behalf of the Liberal Party today. According to a survey completed by the Liberal Party recently, over 80% of the responding businesses and members of the public supported the idea of improving the business environment with a view to promoting employment. This shows that this is a motion which both employers and employees share a common interest and position.

The Chief Executive undertook in this year's policy address that new policies and legislation under formulation would be fully assessed of their impact on the business environment. The Liberal Party certainly welcomes this. In fact, this benevolent policy of the Chief Executive is not an innovation of the Government of the Hong Kong Special Administrative Region (SAR).

Let me quote the United States that passed a Regulatory Flexibility Act far back in 1980 as an example. If any legislation being drafted has an impact on the small and medium enterprises (SMEs), the government would first consult their views and then compile an assessment report to be used as reference before drafting the legislation, and an appeal mechanism was also set up.

Three years ago, the United Kingdom also introduced the Regulatory Impact Assessment that was similar to a business environment assessment. It required the government, when making any legislation, to assess its impact, if any, on business operations.

However, the business environment of Hong Kong has been deteriorating in recent years and regulation increasing. A number of government policies have increased the burden of employers at various levels.

The trend of government legislation in recent years, for example, has changed the long-standing rule of presumption of innocence in the common law, that is, instead of requiring the prosecution to prove that a defendant is deliberately violating the law, the defendant or employer has to prove his innocence. Such unreasonable provisions are found in the Entertainment Special Effects Ordinance, Public Health (Animals and Birds) (Chemicals Residue) Regulation and the Occupational Safety and Health (Display Screen Equipment) Regulation, the scrutiny period of which has just been extended. For employers and persons-in-charge of the SMEs at large, survival has already become very difficult, and very often they will be inadvertently involved in legal proceedings even without knowing what is happening. As a result, the investment incentive of investors is greatly undermined.

Moreover, some laws are too harsh and there are also cases of overlapped regulation in new and old legislation. Take the Karaoke Establishments Bill as an example, all existing operators are required to comply with the provisions of the new legislation, that means they have to spend a large sum of money on renovation. Undoubtedly they would be forced out of business under the prevailing fragile consumer sentiment.

As to the question of whether the existing legislation and administrative measures should be reviewed, the findings of a recent survey conducted by the Liberal Party give us the best answer. Of the 256 responding business organizations, 77% felt that the existing legislation or measures were not favourable to business operations; and as many as 88% actually advocated a review of legislation and administrative measures.

As such, the Liberal Party proposes that in order to expeditiously deliver the promise of the Chief Executive on assessing the business environment in his policy address, it is necessary to establish a "business environment assessment committee". Members of the committee may include representatives from different sectors of the community such as the business and labour sectors, economists and professionals as well as representatives from the Government. If the Government wishes to introduce any new policies or bills in the future, those policies and bills should first be referred to the committee for assessment so that a report can be submitted to the Government before they are submitted to the Legislative Council. The purpose of this is to try to prevent legislation and government policies from creating a negative impact on the business environment.

Some people opine that since the Government has already established a Business Advisory Group, the establishment of a business environment assessment committee may mean duplication in the structure. However, we think that the terms of reference of the Advisory Group is obviously too limited for it may not necessarily be given an opportunity to study the new policy or legislation in advance, and it also does not have any power to veto such policy or legislation. Therefore, the most satisfactory way of dealing with this situation is to adopt the model of the Advisory Council on the Environment and to make it "an authority with teeth", so that the implementation of legislation and policies that are unfavourable to the business environment can be stopped at an early stage. This can also avoid wasting the Legislative Council's time on scrutinizing the legislation, and prevent the recurrence of the Copyright Ordinance incident that caused great confusion some time ago.

As regards the streamlining of the licensing mechanism to offer a one-stop licensing service for all trades and industries and reducing licence fees, it has always been the aspiration of the Liberal Party, the reason being they are equally important to enhancing the competitiveness of Hong Kong. Later on, other Members from the Liberal Party will present more comprehensive suggestions to the President, in the light of the circumstances of individual trades.

Finally, I would like to stress one point. Though a small number of people think that improving the business environment is meant only to protect the interests of the business sector as opposed to the interests of other people, just as I have said earlier, members of the public now agree that the employment situation can be improved by improving the business environment. After all, all Hong Kong people are in the same boat under the prevailing difficult economic conditions. Therefore, it is necessary to improve the business environment, before employment and prosperity can be promoted.

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

Mr Kenneth TING moved the following motion: (Translation)

"That, as the Chief Executive mentioned in his 2001 policy address that in the face of economic restructuring, it is necessary to continue to improve the business environment to ensure that Hong Kong maintains its competitiveness and in order to expeditiously implement the proposals in the policy address, this Council urges the Government to:

- (a) establish a business environment assessment committee to ensure that the impact of new policies and legislation being formulated on the business environment will be fully assessed, and at the same time review existing legislation and administrative measures that are unfavourable to the business environment, so as to facilitate the overall economic development; and
- (b) streamline the existing licensing mechanism and expedite the provision of one-stop licensing services for various trades, and lower the licence fees so as to reduce the operating costs of businesses."

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

PRESIDENT (in Cantonese): Mr SIN Chung-kai and Mr LEE Cheuk-yan will move amendments to this motion. Their amendments have been printed on the Agenda. In accordance with the Rules of Procedure, the motion and the two amendments will now be debated together in a joint debate.

I now call upon Mr SIN Chung-kai to speak first, to be followed by Mr LEE Cheuk-yan; but no amendments are to be moved at this stage.

MR SIN CHUNG-KAI (in Cantonese): Madam President, the business environment in Hong Kong has been worsening in recent years, and the rankings published by a number of international organizations with respect to Hong Kong have continued to drop. For instance, Hong Kong dropped from the number one position in 1999 to the sixth place last year, and the 10th this year, according to an international ranking published by *The Economist* on business environment in August this year. In a report published by the World Economic Forum on world competitiveness this year, Hong Kong fell from the second place in 1999 to the seventh last year, and to the 13th this year. According to the annual report published by the International Institute for Management Development (IMD) on world competitiveness in April this year, Hong Kong fell from the third position in 1998 to the sixth in 1999, and the 12th last year, before climbing back to the sixth position this year.

These organizations have considered a number of factors in defining business environment and competitiveness. These factors include, for instance, a level playing field, sustainable development concept, labour relations, and so on. The world competitiveness report, on the other hand, takes into account such indexes as the existence of fair competitive policies which deter anti-competitive business practices; quality of living environment in terms of, for instance, the disparity between the rich and the poor, standard of living, waste recovery ratio, sewage treatment and importance attached to sustainable development; and labour relations seen in the context of the average working hours, the number of working days wasted as a result of labour disputes, the extent of involvement in work, and so on.

Both the World Economic Forum and *The Economist* attach particular importance to fair competition and its implementation in their course of ranking business environments. Even though the Heritage Foundation stresses the importance of less government intervention and ranks Hong Kong again as the freest economy in the world this year, a number of factors, including liberalization of competition, have been taken into account as well.

We can thus see that in assessing Hong Kong's business environment, foreign investors will not consider merely whether our rules and regulations are conducive to doing business or purely from the angle of commercial interests. Instead, they will seek to strike a proper balance from a holistic and longer-term perspective in pursuit of sustainable socio-economic development.

When the Chief Executive mentioned in his 2001 policy address the need to improve the business environment, he devoted considerable length to the means of achieving it, including proposals on ways to support the SMEs, to promote the logistics industry and to attract talents and investments. However, little was said about promoting fair competition locally, realizing sustainable development, and so on.

Led by the Financial Secretary, the Business Advisory Group has actually been studying our business environment and advising the Government on this. Last year, the Group even formulated guiding principles on regulatory impact assessment and evaluated four items of proposed legislation and regulations (including anti-smoking legislation, family entertainment centres, household chemical safety labelling and licensing of karaoke establishments).

The Democratic Party is of the view that the Business Advisory Group should strengthen its assessment of the impact of new policies and bills more systematically as well as that of existing policies and bills. Assessment criteria should cover, in addition to ways to facilitate business operations, the few key principles mentioned by me earlier and how these principles can help improve the elements of business environment and the overall, long-term economic development.

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

We also feel that the Business Advisory Group should strengthen its work by setting up subcommittees to conduct business assessment in different areas in a more professional manner. A review of the composition of the Business Advisory Group should also be conducted. At present, the Group comprises 14 representatives from the business sector and six government officials. In my opinion, however, more representatives from the labour sector, environmental groups and community organizations, as well as experts and academics from different disciplines should be included to give full consideration to different aspects so as to make the assessment more comprehensive.

Actually, introducing measures to facilitate business operations, promoting fair competition, strengthening environmental protection, alleviating the disparity between the rich and the poor, and protecting the interests of employers and employees are all essential elements to improving our business environment in the long run and achieving sustainable socio-economic development.

Business interests are not necessarily antagonistic to labour rights and environmental protection aspirations. Proper balance and co-ordination will bring enormous benefit to all parties and this is precisely what the concept of sustainable development seeks to achieve. In the long run, the Government should study how a better mechanism can be put in place to conduct comprehensive assessments of the impact of various policies in different areas so as to achieve a better balance.

Actually, the Government has made a very good attempt to set up a statutory Council for Sustainable Development to lay down various sustainable

development impact assessment criteria and to give the Council statutory power. In addition, it should further evaluate the relationship between the Council and various existing advisory groups to enable various advisory frameworks to liaise with one another more effectively.

There are two reasons for the Democratic Party to propose the amendment. First, although the motion proposes to set up a business environment assessment committee, it has failed to set out in detail the scope of the business environment and factors that need to be considered. It is feared that the assessment committee will only emphasize business interests to the neglect of our overall development needs. It is therefore necessary for such principles as fair competition, sustainable development, emphasis on interests of employers and employees, and so on, to be added. At the same time, we consider it necessary to supplement the major tasks to be carried out for the purpose of facilitating business operations. Second, the Democratic Party has always advocated for the establishment of a statutory body, that is, the Council for Sustainable Development, to evaluate existing and future legislation and administrative measures. Nevertheless, this assessment committee must not lay emphasis on the interests of only a certain party. The overall interests of the community must be taken seriously as well. I hope the Government will consider our opinions. It is also hoped that the amendment can incorporate the suggestions made by the labour sector and colleagues from the business sectors because they are relatively neutral and have accommodated the views from all sides. I hope Honourable Members can support it too. After all, our objective is to fully cater to the interests of both parties.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, I would like to make it clear from the very beginning that the Hong Kong Confederation of Trade Unions (CTU) does not object to improving the business environment. We propose this amendment today merely for the sake of clarifying two issues. First, I propose to add "affirm environmental conservation and the right to decent work" since I have no idea of how "business environment" should be defined. In presenting his amendment earlier, the Honourable SIN Chung-kai even added such elements as promoting fair market competition, which should be an integral component of the business environment as a whole. We will therefore support the amendment proposed by Mr SIN. Second, we do not support the idea of setting up a business environment assessment committee. I will later on explain why we do not wish to see this committee to come into existence.

I have been expecting this debate since the Chief Executive proposed in the policy address to subject new policies and legislation to business environment assessment.

A colleague from the business sector once made these remarks in this Chamber: "On the Mainland, you are free to do anything as long as you have the money to do it. After making enough profit, you may even cancel the registration of your company and you will be completely free from encumbrance". If these remarks really reflect how the business sector views and defines the business environment of the Mainland, that is, operators are free to do what they wish to do without regard to the injuries they might possibly inflict on the natural and social environment, such a narrow definition will lead to catastrophic consequences. This explains why I hope "business environment" is not defined in such a narrow and shortsighted sense.

Actually, it is my personal view as well as my fear that this business environment assessment committee might stage a modern version of "Fall of Troy", depicting the final destruction of an entire city by soldiers and horses concealed in a beautiful and appealing wooden horse. The committee looks really neat as no one will object to improving the business environment. However, if we interpret it in a narrow sense, will this neat committee in which soldiers and horses are concealed destroy sustainable development and stifle labour protection and eventually bring misery to the people who will burn the city in anger? Social and political instability will conversely impact on the business environment adversely.

There is something that scares me and I hope the business sector can appreciate my concern. What scares me is the "authority with teeth" mentioned by the Honourable Kenneth TING earlier in the debate for it will bite the environment and all wage earners in the territory. These bites will impact on the political stability of Hong Kong adversely. We must not forget that political stability is conducive to business operation. However, the maintenance of political stability hinges upon democracy, equity, openness and social justice. In the absence of a democratic electoral system, we fear that Hong Kong will eventually be ruled by businessmen. The business environment assessment committee will only help institutionalize "collaboration between government officials and businessmen". Consequently, government policies will be inclined

to the short-term interest of the business sector — I would like to stress that the interest is only short-term. Society as a whole will thus lose its balance and social unrest will follow. It is hoped that the Government can carefully consider where the point of equilibrium should lie. I am also concerned that constant assessments will eventually upset the equilibrium and, in the end, it will all be tilted to the short-term interest of the business sector.

When it comes to "short-term interest" and "long-term interest", I would like to quote a remark which provides an insightful analysis of the issue pertaining to short-term interest. It reads to this effect: Chief Consultant of China Securities Regulatory Commission, Mr Anthony NEOH, pointed out, when attending a conference hosted by an Asian sustainable development investment society, that investors have become increasingly short-sighted. Their emphasis on short-term returns has caused mismatch of resources and fuelled market fluctuations. He was of the view that investors should consider the social and environmental protection responsibilities of their investment targets, including the impact of business investment on the sustainable development of the environment, the relationship of various members within the company, such as providing relief to financial hardship through wage reductions, rather than layoffs, during the economic depression (I do not entirely agree with this example).

It is perfectly clear to Members that Mr NEOH pointed out in the conference that we should not lay emphasis on short-term returns. Instead, we should look at things in a longer-term perspective and have regard for our social and environmental protection responsibilities. I think we should pay attention to this area too. Should we look at the business environment purely from the angle of short-term costs and forget about long-term returns as well as our social responsibilities?

The amendment proposed by me on behalf of the CTU seeks to introduce sustainable improvement to the territory's business environment in terms of environmental conservation and the right to decent work. Insofar as environmental protection is concerned, an environmental assessment mechanism is already in place to prevent our ecological environment from being damaged by large-scale infrastructural projects. However, nothing has been done so far in safeguarding the right to decent work.

The so-called "right to decent work" actually refers to reasonable wages and treatment, full employment protection and development opportunities, safe working environment and dialogue between employers and employees on an equal basis. These are no novelties and have actually been embodied in the International Covenant on Economic, Social and Cultural Rights. Neither are we attempting to add anything new. These elements have already been put into implementation in Hong Kong through the Basic Law. The provisions of the Covenant, including the right to decent work, have been affirmed by the international community. We consider all these elements essential to maintaining social stability and harmony. This is because social stability and harmony will in turn improve the business environment.

As regards the issue of reasonable wages, I mentioned in today's oral question time that 10% of the people from the lowest income group earn even less than what they used to earn a decade ago. With the widening gap between the rich and the poor, Hong Kong is facing the most serious disparity problem when compared to other developed economies in the world, with its latest Gini Coefficient hitting 0.525.

The present phenomenon of uneven income distribution in Hong Kong will not last long. Social division has made it difficult for consensus to be reached on some important policies. As a result, the Government often labours hard to little avail in implementing its policies, making it impossible for the whole society to progress. In the event that social injustice is not appeased, Hong Kong may face great social unrest next year, and it will be much more serious than what is believed by many people. When the worst comes to the worst, riots may even occur. It may appear that I was quoting from some texts just now. True, I was quoting an article written by someone else. It was not written by me. Members might think that I was trying to raise alarmist talk when I mentioned something so serious as riots. Let me give a clear account of the source then. It was actually a warning issued by Mr William OVERHOLT, Head of Asia Strategy and Economics of the Nomura International, before he left Hong Kong. The remark was not made by me. It was Mr William OVERHOLT, not me, who made the comments concerning social division, failure to appease social injustice and the possible social instability problem.

Therefore, safeguarding the right to reasonable wages and exploring ways to narrow the income gap are an important component in improving the business environment.

As a result of the economic recession and restructuring, many people are now facing severe hardship. Families were supposed to provide people with emotional support and a sense of security to make it easier for the community as a whole to overcome difficulties. Regrettably, families had been worn-out a long time ago. On the one hand, there is a greater need for family members to offer emotional support due to work pressure and employment insecurity. On the other, increasing long working hours have made it virtually impossible for the people of Hong Kong to spare time for their families. As a result, their relationship with their family members is deteriorating.

When it comes to employment protection, the Chief Executive always urges the people of Hong Kong to overcome their financial hardship and regain economic momentum and stresses the importance of confidence. Without full employment protection, how can we gain confidence? Should public confidence collapse, what is the point of improving the business environment?

Finally, vocational safety and health. There have been a lot of voices from the business sector, saying that vocational safety measures have subjected the business sector to excessive regulation and hindered business operations. I must appeal to the business sector not to sacrifice the workers' health for convenience in operation. The storm arisen in connection with the Occupational Safety and Health (Display Screen Equipment) Regulation serves as a good example illustrating that we are indeed sitting in the same boat and there is no dichotomy between the interest of employers and employees, as pointed out by Mr Kenneth TING earlier. However, the present situation has given us a feeling of dichotomy. I do not wish to see this happen for it is necessary to protect workers' health. In the final analysis, if all the workers in Hong Kong suffer from glaucoma or bone spur, we will be unable to secure quality manpower and maintain high productivity. Eventually, we will not be able to sustain a good business environment. This is why I hope the Government can keep the community in equilibrium by looking after the business environment and the right to decent work and environment conservation at the same time. If we can view the business environment in a longer-term perspective, we will find that both the right to decent work and environment conservation are already embodied in it.

Thank you, Madam Deputy.

MR HUI CHEUNG-CHING (in Cantonese): Madam Deputy, Hong Kong is a free port with many advantages. For example, the import and export of goods are basically restriction-free and the relevant procedures are also very simple. Besides, Hong Kong has a simple taxation system with low tax rates, freedoms of speech and information, market-oriented currency and monetary policies, and so on. However, I think the business environment in Hong Kong has actually major problems, internally and externally.

Internally, there are problems with the costs of various industries and businesses such as transportation fees, terminal handling charges, rentals, wages, and so on, whereas wages are particularly much higher compared with those of our neighbouring regions. Moreover, some legislation and policies which are outdated or good-intentioned have invariably aggravated the problems. For example, the catering business is now barely surviving. Why do they still have to pay a higher rate of sewage charges and trade effluent surcharges? Why is the Government still trying to impose a total ban on smoking in the public places across the board? The retail and wholesale business is now struggling for survival. Why is the Government "flying the balloon" time and again that a sales tax has to be introduced? Why does it generally take restaurants, food establishments and bars half a year after they have started their businesses before they can be issued the liquor licences? The Government must know that policies and legislation should be simple and easy to comply, in order not to cause unnecessary troubles to businesses, especially the small and medium enterprises (SMEs) which account for 98% of companies in Hong Kong. The Government should provide a one-stop service for the application of licences necessary to starting a business as soon as possible, so as to shorten the time required for licencing. And it should also enable prospective investors to see all at a glance the list and procedures of licence application for the business concerned. In addition, the Government certainly has the responsibility to promote the awareness of occupational safety and the protection of employees' interests. However, it should also avoid making the relevant legislation overly cumbersome because it will cause an increase in costs, unnecessary conflicts between employers and employees, and the possibility of giving rise to a large number of lawsuits suddenly. Government officials have also failed to understand the actual operation of the industrial and business sector, thereby unnecessarily bringing the sector especially the SMEs worries, and deterring prospective investors.

Externally, Hong Kong has yet to turn the edges in the Mainland into those of its own so far, thereby giving rise to a negative trend in which both places are competing rather than co-operating with each other. For example, Hong Kong has to compete with Shenzhen and Guangzhou in terms of air services, import and export and the logistics industry; the financial industry has to compete with Shanghai; whereas the northward flow of capital, talents and spending is larger than the flow southward. Despite the fact that following the mainland China, Hong Kong has attracted most foreign investments in Asia, and that the number of regional headquarters or regional offices set up in Hong Kong by multinational companies rose from 2 068 in 1995 to over 3 200 in the middle of this year, this is most probably due to the effect of China's accession to the World Trade Organization (WTO) rather than an obvious increase in investment opportunities in Hong Kong. If Hong Kong cannot turn the edges in the Mainland into those of its own and fails to facilitate foreign companies entering mainland markets, foreign companies may give up Hong Kong and go to the Mainland direct in case the business environment in the Mainland keeps improving.

In order to attract foreign investors to come to Hong Kong, the Government of the Hong Kong Special Administrative Region (SAR) must make them feel that Hong Kong is still the hub of China economy after its accession to the WTO, the hub where people, goods and capital converge and disperse. Regrettably, the cross-boundary infrastructure projects between Hong Kong and the Mainland have all along been either thunder but no rain or aborted. The round-the-clock cross-boundary cargo clearance policy does not involve any large-scale infrastructure construction, but it still takes four and a half years after the reunification before it has a chance to materialize. Many enthusiasts in the industrial and business sector have proposed the construction of a Guangdong-Hong Kong-Macao bridge to connect with the airport in Hong Kong, Tuen Mun and the west shore of the Pearl River Delta Region, enabling goods produced in the hinterlands including the western part of Guangdong, or even Guangxi, Yunnan, and so on, to use Hong Kong as an entrepot. But unfortunately, we have not seen any positive response from the Government to date. When South West China is considering constructing a railway travelling direct to Singapore, the infrastructure in the northern and western parts of Hong Kong have yet fully integrated with those in the Mainland. It is tantamount to Hong Kong severing its own arms. In this way, how can we convince foreign investors that Hong Kong can bring about a radioactive effect in China or even in Southeast Asia? I

propose that the Government should accord priority to putting resources on cross-boundary infrastructure, so as to consolidate the status of Hong Kong as an import and export trade and logistics centre.

Insofar as market development is concerned, SMEs from overseas will be more active in looking for business opportunities in China since China has acceded to the WTO. At the same time, SMEs in China will also be very interested in doing import and export businesses. Hence, the SAR Government should help local SMEs give better play to their roles as an intermediary. I hope the Trade Development Council's offices and the Government's Economic and Trade Office in the Mainland can give better play to their functions, enabling SMEs to have much better development.

Finally, I would like to stress that in view of the Government's deficits in the last few years, the deficit next year is very likely to reach an all time high. Therefore, I hope the Government can actually implement the principle of small government as espoused in the policy address by streamlining the government structure and compressing expenses as soon as possible. It should also conduct a comprehensive review of the remuneration and welfare structures of the Civil Service and public-sector organizations at the earliest possible time, thereby making them closer to those in the private market and ultimately lowering the proportion of public expenditure in the Gross Domestic Product. Otherwise, if the Government keeps failing to make ends meet year after year, it will have to wield the axe at enterprises and the public by increasing taxes sooner or later, which is even more harmful to the business environment.

Madam Deputy, I so submit.

MISS CHOY SO-YUK (in Cantonese): Madam Deputy, perhaps we can quote a famous line from *A Tale of Two Cities* — "It was the best of times, it was the worst of times" — to describe Hong Kong's current situation. Does China's accession to the World Trade Organization (WTO) signal infinite business opportunities and abundant hope for Hong Kong, or faded glory and vanishing prosperity? It is indeed hard to draw a conclusive conclusion at this stage. On the other hand, the Chief Executive warned Hong Kong of the possibility of facing negative growth in the next several quarters on the day the Heritage Foundation ranked Hong Kong as the freest economy in the world for

the eighth consecutive year. This reflects that the Government's evaluation of the economy is even worse than what many people expect. Given the uncertainties in the future and a mixed feeling of optimism and pessimism, the only thing that remains certain is that Hong Kong must maintain its prosperity and even scale new heights. We must know our strengths and shortcomings very well for we will lose our edge unless we persistently draw on the strong points of others to make up for our deficiencies.

Faced with the current economic hardship, the Chief Executive has stressed repeatedly that he has no miracle cure that could rejuvenate the economy. The Financial Secretary also urged people to acquire the skill of fishing. But before we go fishing, we must ensure that the fishing pond is fit for the survival of fishes to prevent the people from ending up with empty hands after busying themselves for some time. By the same token, it is imperative to improve the local business environment and rationalize the institutions to enable enterprises of all sizes to maintain their competitive edge under the stringent business environment and to prevent them from being eliminated.

Madam Deputy, in order to improve our business environment, the Government must first of all change its attitude. It must not use its non-intervention policy as a protective shield and remain oblivious of the hardship faced by the business sector. In particular, China's exports are expected to rise dramatically after it has become member of the WTO. It is essential for the Hong Kong Government to capitalize on our strengths in such areas as trade financing, transportation, insurance and logistics, and to propose pragmatic improvement measures to the related hardware and software, including airport highways, the Airport Railway, piers, training of local talents and means to attract talents from other parts of the world, so as to help the business sector to grasp this precious opportunity.

Madam Deputy, sound infrastructure will not only create good conditions for the business sector in competition, but also attract inward flow of capital given matching favourable policies. Most countries and regions in the world do have policies on admitting investment migrants. The Hong Kong Government has earlier on indicated that it is studying the feasibility of putting in place a mechanism for the admission of investment migrants to attract foreign businessmen to invest in Hong Kong. I consider this proposal practicable to save Hong Kong, and it should be approved.

Though Hong Kong possesses excellent airport facilities, the Government is still unwilling to open up the sky. Such a move appears to run counter to the Government's development direction of strengthening the position of Hong Kong as an air freight centre. As I have mentioned repeatedly before, we need to introduce competition and break the long-standing monopoly enjoyed by Cathay Pacific Airways. In addition, the Government should liberalize air rights, explore the international air courier market, and strive to make Hong Kong a hub for the market. This will enable enterprises to set up headquarters and production departments in places other than commercial centres at lower costs and, at the same time, maintain close liaison with their clients and suppliers. This is undoubtedly an essential requirement for Hong Kong to develop high technology and high value-added industries. The SAR Government must not hesitate any longer.

Apart from this, the survival of small and medium enterprises (SMEs) must not be neglected. At present, there are more than 300 000 SMEs in the territory, accounting for 98% of the total number of enterprises in Hong Kong and employing approximately 60% of our workforce. SMEs are the backbone of Hong Kong economy. It is therefore necessary for the Government to fully look after their interests in enforcement of policies or legislation. I have actually cited some examples in previous motion debates concerning this question. For instance, many operators of small-scale manufacturing industries are still operating in industrial buildings in old districts. They will immediately face the problem of finding alternative means of living if the Government decides to demolish the relevant buildings for redevelopment. They have been struggling very hard to maintain their business, so if the Government does not offer them sufficient and reasonable compensations, they simply cannot relocate and resume their operations. In carrying out redevelopment of old districts, the Government must therefore consider the situation of small businesses and render them proper assistance. In addition to redevelopment, the levying of sewage charges is another good example. Although the general principle of protecting the environment is supported by the community, we find the sewage charging mechanism unreasonable and unfair, causing great hardships to many small businesses. We therefore suggest the Government to carry out studies and propose strategic improvement measures to tackle the various drawbacks in existing policies and laws.

Madam Deputy, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, seven minutes are simply not enough for me to cover all those topics related to the catering industry. Therefore, I can only confine my comments to the most important issues within the time limit. It is indisputable that the catering industry is operating in a very bad environment. I believe many people do not appreciate how difficult it can be. The catering industry, of which I am a representative, covers holders of 11 different types of licences, namely Restaurant licence, Bakery licence, Factory Canteen licence, Milk Factory licence, Cold Store licence, Food Factory licence, Frozen Confection Factory licence, Siu Mei and Lo Mei Shop licence, Marine Restaurant licence, Light Refreshment Restaurant licence and Fresh Provision Shop licence.

The names of the licences alone are already confusing. What makes the matter more complicated is that operators are very often required to apply for more than one licence before they can start their business. For instance, there are two types of licences for fast food shops. Those with a seating area and those without will have to apply for a General Restaurant licence and a Food Factory licence respectively. A 24-hour convenience store needs both a Food Factory licence and a Frozen Confection Factory licence. Market poultry stalls selling chicken, beef, mutton and pork are required to apply to the Food and Environmental Hygiene Department (FEHD) for different types of Fresh Provision Shop licences. Stall operators intending to sell quails, pheasants, chukars or guinea fowls alongside chickens have to apply to the Agriculture, Fisheries and Conservation Department (AFCD) for an Animal Trading licence. It is also frequently the case that pork, beef, mutton and chicken are sold in frozen meat shops. In that case, the shops need to apply for several licences and pay separate fees for each of the licences issued. The licences required of a supermarket are even more. A Bakery licence, Frozen Confection Factory licence and Fresh Provision Shop licence are required for the purpose of selling bread, ice cream and fish and meat respectively. Additional licences are also required for the purpose of selling sushi, sashimi, "siu mei" and "lo mei".

In addition to applying to the FEHD for a Restaurant licence, restaurants are also required to apply for a Liquor licence. Operators intending to sell cigarettes need to apply for a licence for this purpose and to the Environmental Protection Department for a licence. In addition, they need to apply to the Fire Services Department for fire safety certificates with respect to the use of solid and liquid fuels, fire installation, exhaust and air conditioning devices and apply to the Buildings Department for certification of the safety of building structure

and fire exits. As for the operation of karaoke establishments, a Light Refreshment Restaurant licence and a Liquor licence are required at the same time. Dancing establishments also require an additional dancing endorsement. Now the Government has even proposed to introduce a licensing regime for karaoke establishments. However, there is overlapping between the new licence and some of the existing licences such as the Restaurant licence and Liquor licence. At the same time, the conditions imposed by various government departments are even more stringent than those of existing licences. Is it really necessary?

When it comes to licence fees, separate fees are levied on each type of licences. A chicken stall owner is required to pay \$3,600 for a Fresh Provision Shop licence annually, and an additional \$3,200 or so for the licences issued by the AFCD with respect to the sales of such fowls as quails, pheasants and chukars. Licence fees levied with respect to restaurants and light refreshment shops, on the other hand, are calculated on the basis of the total area. For a licence issued to a 600-sq-ft restaurant and a light refreshment shop of the same size, the fee is approximately \$14,000 and \$10,000 respectively. As for a licence issued to a 5 000-sq-ft restaurant and a light refreshment shop of the same size, the fee chargeable is approximately \$125,000 and \$90,000 respectively. Such other charges as business registration fees, sewage charges and the "money-ripping" trade effluent surcharge levied with respect to the industrial and commercial sectors are not yet included.

Owing to the handsome pay of civil servants, the exorbitant administrative fees and the "cost-recovery" principle, licence fees are exceedingly high and they are not conducive to business operations. Why must a Fresh Provision Shop licence charge more than \$3,000? Are the levels of licence fees reasonable? According to the requirements imposed with respect to the issue of sewage licences, restaurants are required to meet six standards with respect to sewage discharge, including such stringent requirements as Chemical Oxygen Demand and grease component. This is unique to Hong Kong, since no other places in the world impose such requirements. While sewage charges have risen to such an unreasonably high level, the related penalties are even more stringent. The penalty for first-time offenders is \$200,000, \$400,000 for second offenders, and \$500,000 for third-time offenders. Moreover, the fines carry a daily surcharge. As for the trade effluent surcharge, I have described it as "money ripping" earlier in the debate. The appeal mechanism is also unfair since it will cost an appellant \$200,000 to \$300,000 a year to lodge just one appeal. As the amount

of money paid by more than 80% of restaurants is less than this sum, they would rather not to appeal. Of the 10% or so of restaurants that chose to appeal, more than 90% of them won their appeal. This shows that the charges are not reasonable.

Another example relates to the Animal Trading licence issued with respect to birds as mentioned by me earlier. The licence was meant to allow the sales of partridges, teals, quails, pheasants, chukars and guinea fowls. However, the sales of partridge and teal have been prohibited since 1997. In spite of this, we have not seen any reduction in licence fee. The proposal of prohibiting the sale of quail was brought up again recently, but the licence fee still stands at more than \$3,200 a year. Is it reasonable?

After overcoming a series of hurdles, paying exorbitant licence fees and waiting for a protracted period of time, an applicant may eventually obtain the licence required and formally start his business. However, the story does not end here for a restaurant still stands to face prosecutions initiated by different government departments. While the police may visit the restaurant any time of the day to inspect its Liquor licence, the FEHD may come to inspect the hygiene conditions and the Fire Services Department may inspect the fire exits, fire installations, and so on. At the same time, the Labour Department (LD) may inspect whether there is any contravention of labour laws. Even the Occupational Safety and Health Branch (OSHB) under the LD may inspect whether there is any obstruction of fire exits. Finally, the FEHD is responsible for inspecting the restaurant in relation to the amount of discharged fume, levels of noise, and sewage. There is one very interesting thing. In order to maintain the cleanliness of the restaurant, the kitchen floor must be kept clean or the restaurant will become extremely dirty. However, if the OSHB comes for an inspection when the floor is being cleaned or not yet completely dry, a summon will be issued to us on the grounds that our workplace is not dry. Under such circumstances, what should restaurants do?

What is most fatal is that the Government frequently resorts to issuing summons. It is stipulated in many ordinances that licensees or persons in charge may be held criminally liable. In the course of inspection, staff of the LD and the OSHB always try to conceal their identities by not showing their warrants and issue summons frequently. This is most unfair to business operators.

However, the Government has no intention to review such an unreasonable regulatory system. What is more, it has incessantly introduced a number of new laws to regulate the trades. I have scrutinized an appalling number of legislation in this area over the past year since joining this Council. The Government has also published a large quantity of relevant consultative documents. The legislation we have scrutinized cover those concerning smoking, hygiene managers, classification of restaurants, and so on. All these laws are very important. Recently, the Government even proposed to cease the sale of quail. If fewer and fewer choices of poultry are available for sale, not only will local poultry shops suffer, restaurants will have nothing to offer too. What can we do?

How can business operations be facilitated given licences of a great variety, complicated application procedures, exorbitant licence fees and the strict penalties? I hope various government departments can expedite the implementation of the specific measures proposed by Mr Kenneth TING in order to achieve the objective of improving the business environment as proposed by the Chief Executive in his policy address.

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

MISS LI FUNG-YING (in Cantonese): Madam Deputy, in the small hours this Monday, in Doha, Mr SHI Guangsheng, Minister of Foreign Trade and Economic Co-operation of China, signed a protocol on China's accession to the World Trade Organization (WTO). The various chambers of commerce in Hong Kong all welcome this with exultation and elation, thinking that there will thus be endless business opportunities for Hong Kong. Meanwhile, when both the business sector and the Government were talking so optimistically about the unlimited prospects for Hong Kong businesses, the Liberal Party passed a decision to permit Mr Kenneth TING to move a motion on improving the business environment. This motion talks not about the bright prospects for Hong Kong businesses following China's accession to the WTO, but on how best to create a better environment for the development of the business sector in the face of these bright prospects.

What constitutes a "business environment"? What should be the ingredients of a business-friendly environment? In the government booklet promoting Hong Kong as a premier business city, it is said that our business-friendly environment is constituted by a legal system based on the rule of law,

free trade and a free market, a corruption-free and stable society, low and predictable tax and a good workforce and sound education. Right at the beginning of the description on the workforce and education, it is said that there is no legal requirement on a minimum wage in Hong Kong, and that the prevailing wage level is essentially determined by the interplay of supply and demand. It is then pointed out that last year, the number of working days lost due to labour disputes per 1 000 salaried employees was only 0.31, as evidence of Hong Kong's outstanding record of labour relations. Looking at these statistics positively, one can well say that the willingness of local employees to put up with various kinds of unfair treatment has contributed to the achievements of Hong Kong today. When viewed negatively, however, these statistics actually tell us that the absence of a minimum wage system and the lack of bargaining power suffered by local employees seem to have become one of the ingredients constituting Hong Kong's business-friendly environment.

We may look at these ingredients together with Mr Kenneth TING's original motion, which urges the Government to "establish a business environment assessment committee to ensure that the impact of new policies and legislation being formulated on the business environment will be fully assessed, and at the same time review existing legislation and administrative measures that are unfavourable to the business environment, so as to facilitate the overall economic development." What policies and legislation will affect the business environment, and what existing legislation and administrative measures should be reviewed with a view to making them consistent with the so-called business-friendly environment? From the business perspective, policies and motions on increasing employees' welfare obviously fail the standards of a business-friendly environment; though the existing provisions on employee protection in labour legislation are full of inadequacies, they are still considered not conducive to doing business, and so they must be reviewed and amended to bring in more latitude.

I have reasons to believe that there is a ulterior motive behind the motion moved by the Liberal Party this time — it aims to reduce labour protection in the name of improving the business environment. Why do I say so? I am not over-worried, nor am I over-sensitive, for there are many examples to justify my worry. One recent example is that during the discussions on the Occupational Safety and Health (Display Screen Equipment) Regulation, the Liberal Party opposed the Regulation on the ground that it would add to the burden of the commercial sector. And, even after the Subcommittee had completed its scrutiny of the Regulation, the Liberal Party still exerted pressure on the

Government and urged it to reverse the decision, in total disregard of the established procedure. Another example is that about a month ago, top-level members of the Liberal Party publicly called for an overall review of our labour legislation and a relaxation of the requirements imposed on employers, again under the very beautiful pretext of improving the business environment. The newspapers yesterday also reported a survey conducted by the Liberal Party; one of the findings of this survey was that most SMEs were of the view that it was necessary for the Government to review the existing Employment Ordinance and suspend or even abolish contributions to Mandatory Provident Fund Schemes.

Madam Deputy, if the proposal of the Liberal Party today is accepted by the Government, the commercial sector will indeed have a double blessing. Outside Hong Kong, it will be able to access the huge China market freely. Inside, it will be able to exploit the wage earners as it likes.

I agree that given the drastic economic restructuring of Hong Kong, the Government must introduce policies to ensure the sustained economic development of Hong Kong. But the Government should at the same time improve the existing labour legislation to make sure that the rights and interest of wage earners under the new economic conditions can be protected. Besides, we must not forget that the wealth gap is widening very quickly nowadays. In the course of improving the business environment, if employees' rights and interest are ignored, social conflicts will only intensify, thus leading to social instability. It is hoped that all sectors of the community can work with one heart to tide over the current difficulties.

With these remarks, I oppose the original motion. Thank you, Madam Deputy.

MS AUDREY EU (in Cantonese): Madam Deputy, the Chief Executive pointed out in the policy address delivered on 10 October that the Hong Kong Special Administrative Region (SAR) would have to consider or assess the impact on the business environment in drawing up any new policies or bills in the future; and that government policies or laws should not cause unnecessary obstruction to business operators in a free economy. This is of course reasonable.

The Members proposing the two amendments today have actually tried as much as possible to point out what they think should be the ingredients of a

business environment — the promotion of fair market competition, realization of sustainable development, protection of employees' and employers' rights and interests and elimination of unnecessary trade regulation. I support all these ingredients and the spirit behind them. But I do have some reservations about one point in the original motion.

THE PRESIDENT resumed the Chair.

The motion urges the Government, among other things, to establish a business environment assessment committee. Madam President, when I heard Mr Kenneth TING say that he wanted the committee to have real powers, I felt especially strongly that my reservation was justified. I do not wish therefore to support this particular part of the motion, because this would give people a wrong impression that the Government will only stand on the side of businessmen or business operators.

Madam President, actually, there are always two sides of a picture, always pros and cons. I naturally agree with many colleagues that employers and employees are actually in the same boat. This is a fact that cannot be avoided. However, when it comes to an issue so specific as enacting legislation, conflicts of interests and divergent views are bound to arise. We need look no farther than the Bills Committee meeting this morning on scrutinizing the bill relating to company rescue to see the antagonism between employers and employees. Very often, businessmen or investors may find themselves caught in a difficult position in relation to some ordinances. For example, in the case of amending the Mandatory Provident Fund Schemes Ordinance, the Mandatory Provident Fund Schemes Authority (MPFA) may wish to increase its powers, so that it can revise some approved requirements and conditions. Some trustee institutions may of course think that there are problems with this. But the MPFA may think that it is necessary to protect consumers or investors.

I am not sure what position a business environment assessment committee may take in similar conflicts if it is established. The Liberal Party proposes that the committee must be adequately representative, with members drawn from employees, employers and conservation experts. This is of course ideal, but when it comes to actual operation, it will be very difficult for a committee which is too huge in size to operate. But if the committee is too small, it will not be

representative at all. If there are too many representatives, and if the committee is to look into every matter, then perhaps, the only benefit to the Legislative Council will be a significantly lightened workload for us. The reason is that a serious "bottleneck" will be created at the committee, and all proposals can only be submitted to the Legislative Council after the committee has completed the relevant discussions. This may be the only benefit.

That is why I have some reservations about this proposal. But I very much support point (b) of the original motion, that is, the point on streamlining the existing licensing mechanism and expediting the provision of one-stop licensing services for various trades. Actually, the Government should review the existing licensing mechanism to see if it is possible to delete or cut some unnecessary procedures. Earlier today, when we considered the amendment in relation to the Massage Establishments Ordinance, some colleagues also mentioned that the licensing mechanism would lead to many unnecessary problems.

Besides, the Karaoke Establishments Bill which I talked about during the policy address debate a couple of days ago is another example. The original intent of the Government in introducing the amendment is to regulate enclosed karaoke establishments. But because the definition is so broad that even many private clubs with karaoke facilities will also be brought under the regulation of the licensing system. In fact, this kind of over-regulation will not only affect the business environment, but also waste public money and become a nuisance to people. That is why I strongly support point (b) of the original motion.

Madam President, for all these reasons, I will abstain from voting on the original motion, but I will support the two amendments. Thank you, Madam President.

DR LUI MING-WAH (in Cantonese): Madam President, improving the business environment is an "evergreen" topic. All economies must at all times improve their business environment to promote economic development. The economy of Hong Kong now is sluggish, and the unemployment rate high, so it is necessary, and advisable as well, for the Government to seek to maintain Hong Kong's competitiveness by improving the business environment.

From the late 1950s to the mid-1990s, the economy of Hong Kong experienced three recessions, but most of the time, it managed to recover and pick up again within one to three quarters. Every time when there was an economic downturn, the people of Hong Kong could tide over the difficulties by their perseverance and hard work; they never lost their confidence in the future, and they upheld the spirit of Hong Kong, much to the envy of the rest of the world. Moreover, since the 1950s, Hong Kong has undergone three rounds of economic restructuring, but meanwhile, no major changes have been made to the laws and statutes. That is why I fail to see how the laws and statutes have contributed in any significant manner to the current economic sluggishness, nor can I see any need for the establishment of a business environment assessment committee to monitor the impacts of bills, legislation and policies on the business environment. The reason is that the existing framework already possesses such a function.

In fact, the existing economic conditions and social discontent in Hong Kong cannot be improved simply by improving the local business environment, because what the commercial and industrial sector is facing now is not domestic competition, but competition coming from the outside, from other economic entities. Because of the competition among different economies, because of the high costs in Hong Kong, and because of differences in living standards, Hong Kong has been plunged into a very disadvantageous position, with the result being fundamental changes to the economy of Hong Kong over the past 20 years. Put simply, such changes are as follows. First, the manufacturing industries in Hong Kong have shrunk by 75%, resulting in a loss of several hundred thousand jobs. Second, the domestic consumption of Hong Kong is fast disappearing. From the surveys conducted by the Government, Members can notice that every year, the people of Hong Kong spend about \$30 billion on consumption and shopping outside the territory, and this has produced a marked impact on the local catering industry and retail businesses. Third, because of the need to reduce costs, the commercial and industrial sector is moving their support and back-up departments out of Hong Kong, thus accelerating the loss of local "knowledge" posts. Fourth, the entrepot status of Hong Kong is also being threatened. During the period from April to September this year, the re-export volume of Hong Kong dropped by an average of 5.4% when compared with the same period last year. And, in September alone, the drop was as high as 9.5%. How can we not be worried as a result?

The structural changes in our economy have obviously given rise to two negative economic consequences, namely, the shrinking of wealth in society and the reduction of jobs. These consequences have inflicted serious harm on the people's livelihood and society as a whole, eroding people's confidence in their economic prospects. As the Government fails to satisfy their demands, grievances emerge, much to the damage of the Government's ruling authority.

To improve our economy, the Government must change its mindset of governance and conduct a comprehensive review to ascertain the strategic position of Hong Kong in the globalized economy. It must reassess the position of Hong Kong in global competition and formulate economic policies under which Hong Kong can capitalize on its edge to revitalize its local manufacturing industries as a locomotive of economic development. Only this can give the economy of Hong Kong any hope of revival; only this can enable all in Hong Kong to give full play to their abilities, to get jobs, to restore their confidence in the future and to realize the Hong Kong spirit.

The governments of many different countries have always emphasized the importance of local manufacturing industries to their own economies. In all industrial countries, manufacturing industries, which represent around 20% of the Gross Domestic Product, are developed as impetus to economic growth. Recently, the Japanese Government has also come to realize the strategic importance of manufacturing industries to the economy, so it now discourages enterprises to move their production lines out of Japan. In order to retain the manufacturing industries, the Japanese Government is even considering the importation of workers.

The brief description above can show that Hong Kong is in dire need of upgrading its overall competitiveness, in particular the competitiveness of its manufacturing industries in the global market. The reason is that these industries will create additional wealth for Hong Kong economy, and provide job opportunities, customers for the consumption market and clients for the financial, insurance and freight transport businesses. It is hoped that government officials can conduct serious and in-depth studies on the economic situation of Hong Kong and formulate policies that can increase wealth in Hong Kong. It is also hoped that they can actively implement such policies to provide a better domestic business environment so necessary for local industries to compete in the world market. Only this can give the economy of Hong Kong a ray of hope and improve the well-being of the people of Hong Kong. Thank you.

MR CHAN KAM-LAM (in Cantonese): Madam President, since Hong Kong is now facing an economic downturn, to improve the business environment is conducive to enhancing its competitiveness. I think the spirit of the motion moved by Mr Kenneth TING today is worth supporting. However, it would be unacceptable if all emphasis were placed on the business environment to the neglect of the interests of workers and the general public. The Democratic Alliance for Betterment of Hong Kong (DAB) thinks that improvements in the business environment should tide in with the latest development of the world economy, take on broadened perspectives and have regard for the significant changes brought about by China's accession to the World Trade Organization (WTO). A new mindset and a more positive and open strategy should be adopted to remove man-made obstacles to economic and trade co-operation with the Mainland, in particular Guangdong Province, so as to create a better business environment for Hong Kong.

China's successful accession to the WTO on 11 November clearly demonstrates a major breakthrough in the reform and opening up of the Mainland and in the development of market economy. Thus it has entered a new phase in integration with the world economy. Though China's accession to the WTO may bring enormous impact on the textile, electrical appliances, as well as traditional manufacturing and agricultural industries of China, the Central People's Government has been striving to reform its enterprises, in resolving the unemployment problem and preparing to face challenges without remorse. This boldness of vision is not seen in other governments. Although a few days ago, the Heritage Foundation of the United States and the *Wall Street Journal* named Hong Kong the freest economy in the world for the eighth consecutive year, the people of Hong Kong generally tend to interpret the principle of "one country, two systems" most inflexibly. Some people still harbour wrong ideas in face of the intensified reform and opening to the world, rapid economic development and growing competitiveness of the Mainland. They wrongly assume that the competitive edge of Hong Kong can be highlighted by artificially obstructing the integration between Hong Kong and China and trying hard to draw a clear line between the two places. Some people support the idea of levying a land departure tax to stop Hong Kong people from heading north for spending. They are not positive about 24-hour freight and passenger boundary clearance; they are not interested in cross-boundary infrastructure development; and they think that the import of mainland talents should be restricted. All this indicates that some people are extremely backward in their thinking, running counter to the trend of "economic integration". Frankly

speaking, if this enclosed and protectionism mindset remained unchanged, we certainly would not be able to catch up with the general trend of regional economic integration.

In fact, Hong Kong has already been reunited with the Motherland for four years, why do we have to wait until today to realize that we should attract mainlanders to come to Hong Kong for investment, trade activities, business trips and visits? Is this because we have been too slow in our realization or that we are still resisting "overlords from the north"? Hong Kong definitely cannot maintain its status as an international financial, trade, tourist, shipping and information centre without the co-operation and support of the Mainland. Recently, we have seen that the Chief Executive and the three Secretaries are travel-worn and weary with making frequent trips between Hong Kong and China, to fight for relaxation of the admission of mainlanders to Hong Kong and explore business opportunities with the Mainland. The DAB commends them for their efforts. The DAB thinks that the Government should expeditiously formulate a policy on full-scale integration with the Mainland, so as to create a favourable macro-economic environment for Hong Kong.

Hong Kong is now transforming into a knowledge-based economy and in order to meet the demand for talents, the fundamental solution is certainly to increase investments on education and enhanced training, but the admission of talents is also a pressing task. In recent years, the Government has respectively introduced the Admission of Talents Scheme and Admission of Professionals Scheme but the two schemes have not been very effective. According to the Immigration Department, it received 569 applications under the Admission of Talents Scheme between December 1999 and September this year and only 174 of those applications were approved. Between June to August this year, it received 159 applications under the Admission of Professionals Scheme, and only 60 of those applications were approved. This is far from meeting the needs of the economic development in Hong Kong. In order to improve the business environment, we think that the Government should review the Admission of Professionals and Admission of Talents Schemes, so that talents can be assembled for purposes of enhancing our overall competitiveness. There is a saying that "investments will go elsewhere if talents cannot be retained". Hong Kong people should understand this very well.

Given the rapid development of the logistics industry of Guangdong and Hong Kong, 24-hour freight and passenger boundary clearance is a definite trend

of development. So it is welcome news to the DAB that the Guangdong and Hong Kong Governments announced the other day to extend the opening hours of boundary control points. However, we really cannot understand why the Government has only made 24-hour opening of the boundary as a long-term target and employed delaying tactics. The reasons it has offered are that resources will be wasted; that there will be technical difficulties because round-the-clock clearance will affect the KCRC's normal maintenance work; and that some people have expressed the concern that this would affect the property market and retail business in the New Territories North. The DAB does not think that these are valid reasons. We believe that the abnormal congested conditions at the boundary crossing would be greatly relieved after 24-hour clearance for passengers has been implemented; some major chambers of commerce in Hong Kong also agreed recently that round-the-clock clearance will not have a negative impact on the local manufacturing and retail industries. It would only promote further developments in economic exchanges between the two places. The DAB proposes that 24-hour freight and passenger boundary crossing should be expeditiously introduced at Lok Ma Chau.

Co-operation between Guangdong and Hong Kong is significant to the economic development of Hong Kong and the Central People's Government also fully supports the strengthening of co-operation between Guangdong and Hong Kong. The day before yesterday, the Chief Executive, Mr TUNG Chee-hwa, also indicated that co-operation between the two places should be extended to cover the financial, trade, tourism, transport as well as real estate industries. This could undoubtedly provide significant business opportunities for Hong Kong and greatly improve its business environment. However, we know that co-operation between the two places will certainly involve a great deal of legal and administrative problems and investment projects that requires the participation of the Government. The absence of timely communication and co-operation between the two governments will only result in double efforts with half the return. I think the Government could no longer use positive non-intervention as an excuse to shirk its responsibilities.

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

MR NG LEUNG-SING (in Cantonese): Madam President, the Chief Executive proposed in the policy address that before the formulation of new policies and legislation, their potential impacts on the business environment must first be assessed, and that government departments must also be guided by an awareness of the need to improve the business environment. This principle, which

attaches great importance to the business environment, should be welcomed. I pointed out in the policy address debate that the proper implementation of this principle would require the setting down of specific and objective standards with respect to business environment assessment. This would create a sound basis of assessment and prevent the whole endeavour from degenerating in empty slogans. In this connection, the Government should join hands with the commercial and industrial sector to conduct discussions and studies, and if necessary, it should establish an assessment body that does not duplicate the relevant function of the legislature and invite chambers of commerce and the like to take part. Such an assessment body should also make reference to the practices of those professional institutions specializing in assessing the business environment. During the course of policy formulation, in case any measures may potentially affect the business environment — though they are not directly related to commerce and industry — all the relevant assessment information and data should be submitted to the Executive Council and Legislative Council for reference by decision-makers and monitoring by the legislature.

For the above reasons, I basically support the proposal of the motion on the establishment of a business environment assessment structure, but I must point out that the terms of reference of this structure must be set down clearly, and it must be able to assist this Council by providing views, information and data relating to the work of assessment. I also expect this body to have reasonable a degree of representativeness by at least including members related to business groups. I also think that the Government should provide adequate administrative and operational support to the committee. Such support should cover assistance to the committee in learning from the experience and practices of professional bodies specializing in business environment assessment, the setting down of specific and objective assessment criteria and the formulation of an operational mechanism. That way, the committee will be enabled to discharge its duties properly. If all the relevant relationships can be sorted out properly, I am sure that instead of causing any unnecessary delay to government policy-making and administration, the committee will enable the Government to receive more support and co-ordination for its proposals and policies from the commercial and industrial sector.

Madam President, one major point connected with improving the business environment is that the Government must fully consider the inconvenience and nuisance that may be caused by legislative proposals to the industrial and commercial sectors; it should not instead think only about facilitating

enforcement actions. However, my recent experience in scrutinizing bills tells me that many new legislative proposals of the Government often give people the impression that it thinks only about convenience in enforcement. A more recent example is the Drug Trafficking and Organized Crimes (Amendment) Bill. Using difficulties in prosecution as an excuse, the Government sought to replace the proof of the subjective intentions involved by objective criteria and broaden the definition of money laundering and the scope of the disclosure requirement, thus leading to the possibility that people may unknowingly commit an offence. This will create huge frustrations for financial and accounting professionals in actual operation, and is definitely not conducive to the business environment in one way or another. What is worth noting is that the amendment related to the crime mentioned in the example above, finds no similar legislative approaches in overseas jurisdictions. The amendment is probably the result of a lack of any assessment, which means that the only consideration was convenience in enforcement and expedient conviction, regardless of the effects on business operation.

Besides, the Government has also widened the definition of "manager" in the Banking (Amendment) Bill 2001 introduced recently, with the result that more bank employees will be caught by the strict liabilities under the ordinance. The Government has said that it can only try to remedy the possible unfairness through long-term legislative review, and at this stage, it can only amend the relevant ordinance to the effect that when prosecutions connected with strict liabilities are staged, it may not necessarily prosecute every director, chief executive or manager of the authorized institution (AI) concerned. This is definitely undesirable, because once strict liabilities are established, all these people who are regarded as managers, whether or not their actual scope of duties can enable them to exert any influence on the relevant acts of the AI, will be guilty under the law. As for whether or not they will be prosecuted, it will depend on whether the Government will exercise any discretion during the process of prosecution. This will create inconvenience to AIs in the course of their actual operation. The cause of such undesirable result is probably the fact that the Government focused only on supervision when this legislative proposal was first considered. The negative impacts on the operating environment of the relevant businesses were obviously overlooked.

I hope that the principle of attaching importance to the business environment as laid down in the policy address by the Chief Executive, while

serves as a guiding concept for government departments in policy execution, can also be genuinely put into practice by them. In particular, when it comes to legislative work, government departments must not think only about the administrative convenience in relation to supervision and enforcement; they must consider whether the affected industries can operate smoothly and what difficulties they may encounter. They must also listen adequately to the views of the affected industries. Only this can improve the business environment, maintain the vitality of our economy and contribute positively to employment and the long-term prosperity and stability of the SAR.

Madam President, I so submit.

MR ABRAHAM SHEK: Madam President, in the current gloomy economic atmosphere, the same questions have been raised over and over again: How can we improve our economy? What has gone wrong with our competitive edge? There are no easy answers to these questions. And for the moment we, the Hong Kong people, seem to have lost confidence in ourselves. This must be arrested.

Hong Kong has always been unique. Our people have turned Hong Kong from a "barren rock" some 150 years ago to a world-class financial, trading and business centre. Hong Kong has no natural resources except its people, and we have relied on our entrepreneurial skills and ability of adaptation to turn crises over the years to our own advantage. The rest of the world, even our competitors, admire these qualities of ours. Singapore's Senior Minister, Mr LEE Kuan-yew, once praised us as people full of life and energy.

We are facing challenges that we have never met before. We are in a global economic recession worsened by the terrorist attacks on the United States. Our service-based, export-dependent economy has made us more vulnerable to the economic downturn. There are also the uncertainties posed by the accession of mainland China to the World Trade Organization and the threat of being replaced by other aggressive mainland cities.

Undoubtedly, Madam President, these unfavourable external factors are beyond our control, but I believe that our people have retained their entrepreneurial skills and spirits. It is our Government that seems to be running out of solutions to our problems. Just in this Chamber this afternoon, many

Members asked the Government what solutions it has given for us. It said that it has no more solutions to be given. That was not a right attitude indeed. The Government's assistance to the business sector has been criticized as lacking in magnitude and vision. A recent business risk assessments survey by the Political and Economic Risk Consultancy only too readily confirms this. Among 12 cities or regions in Asia, Hong Kong is the only place to be given a vote of no confidence by foreign investors or businessmen. They are disappointed with the leadership of the Government of the Hong Kong Special Administrative Region (SAR) and its limited assistance to the business community. Hong Kong, for the second time, ranks second to Singapore in the chart of Asia's best business hub.

In my view, our Government's problem is that it intervenes too much in the market and gives too little assistance to the business sector. Claiming to be a believer in *laissez-faire* policy, I have noticed that the SAR Government has actually intervened in our market far too often and far too much. On housing, transport, financial to environmental protection issues, the Government has made more and more regulations which only serve to restrict industry players and deter them from expansion. These regulations have done more harm than good to the relevant trades. It is high time for the Government to change its mind-set. I believe in the importance of maintaining order, but I also believe that it is most urgent for the Government to redraw the line between order and freedom of development.

I, therefore, totally agree with the Honourable Kenneth TING's proposal for the Government to establish a better mechanism to assess the impact of new government policies or existing regulations on the business environment. The role of the Government is to ensure a favourable business environment which would create investment opportunities for investors.

How should we achieve this objective of building a friendly business environment? I believe that apart from deregulation and over-legislation, we have to identify new investment opportunities. We are in need of exploring new industries that will create wealth for Hong Kong. The Chief Executive has named innovative technology as one of such new industries. Logistics industry is another. Mainland China offers us the necessary talents, skills and market to support such new industries. Only our Government can assist our industrialists to benefit from our proximity to the Pearl River Delta and grab these development opportunities.

We are not the only one who sees these new opportunities. Our competitors in the region have already offered attractive terms, such as land grant, tax holidays, research and development support, adjusted labour import policy, and so on, to lure investors. We have to be quick if we want to beat our competitors in this "courting" game.

Mr Kenneth TING's motion also urges the Government to streamline existing licensing mechanism and lower various licence fees. Very often, such licensing requirements and procedures only hinder the business sector in carrying out their businesses. For example, in order to construct a building in Hong Kong, a developer has to go through a long process of applying for different permits from different departments, such as the Planning Department, the Lands Department, the Environmental Protection Department, the Transport Department, to name but a few. To streamline service and enhance efficiency, a one-stop service is desirable. To achieve this, the Government has to inculcate in civil servants a need to help businessmen, thereby improving the economy and not creating obstacles.

Madam President, Hong Kong has been a phenomenal success in the past and in this century. Let us work together to continue this success with faith and determination.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, Hong Kong is now facing a critical economic recession. It is estimated that the unemployment rate will break through 6% next month. I believe that the general consensus of the community is to improve the business environment, attract investment and create more employment opportunities. Therefore, in our discussion on how to improve the business environment today, I think we should not simply discuss whether or not a business environment assessment committee should be set up. Instead, we should find out what problems there are exactly in the business environment of Hong Kong, and study which group of people is most significantly affected under the current circumstances. Only after identifying the crux of these problems can we then address them more effectively and seek the solutions.

In the last couple of years, the business sector in Hong Kong, especially the large consortia, has been criticizing that the business environment in Hong Kong has worsened. They have lashed out at the exorbitant labour costs for

lowering the competitiveness of Hong Kong. However, some anomalies have emerged recently. More and more SMEs or even small businesses have approached grass-roots representatives like us. They did not complain about exorbitant labour costs. Instead, they complained about continual bullying and oppression by the large consortia, causing their room of survival to shrink incessantly. Some of them, for example, were stall operators in housing estates and they complained that supermarkets owned by large consortia had monopolized the retail markets in public housing estates. Some stall operators in markets also blamed the Housing Department for outsourcing the operation of markets to contractors, and for giving contractors a free hand to charge them rents indiscriminately under all sorts of names. These examples are indeed very common under the current circumstances. I have just cited several examples to Members, but I believe they are more than the tip of an iceberg, because they have reflected that the business environment today really has a big problem, that is, monopolization by the consortia, and SMEs are exactly the most badly affected.

In fact, circumstances in which large consortia "swallowed small businesses" and destroyed the business environment have long existed, and the culprit is the Government which has always favoured the large consortia. Large consortia were absolutely influential under the colonial rule in the past, and Members of the Executive and Legislative Councils were mostly representatives of these consortia. With the changes in the political system, such circumstances were changed. However, the influence of large consortia on the Government has not yet reduced because the Chief Executive elected by way of a coterie election still looks up to the consortia for direction. For example, owing to the pressure recently exerted by property developers, the Government immediately stopped the sale of Home Ownership Scheme flats in order to prop up the market. But in fact, apart from these problems, a report of the Council of the European Union last year also strongly criticized that a quarter of the listed companies in Hong Kong were under the control of LI Ka-shing's family. As regards issues like the Cyberport project, and so on, there were also cases of favouritism by the Government. I think this is exactly where the problem is.

Moreover, the assessment on the business environment of Hong Kong in the next five years made by *The Economist* early this year also pointed out that factors like the political environment, equity in doing business and the rule of law had continued to worsen, causing Hong Kong's rating to drop sharply from the third to the 12th. One of these changing factors was the political

environment, the score of which having dropped from 7.5 in the past to 6.7, representing the most substantial drop among other factors. This fall was even more substantial than that of the labour cost problem criticized by the business sector in the past or at present. These comments exactly reveal that the crux of the problem concerning the current business environment in Hong Kong lies in the collusion between the Government and large consortia, creating an unfair business environment which has made investors lose confidence and refrain from making investments. Therefore, the problem of improving the business environment today cannot be resolved simply by setting up a business environment assessment committee. Instead, we should endeavour to promote a fair competition system and environment. Madam President, the former and existing Legislative Councils passed motions on fair competition four times. However, the Government has failed to follow up in this respect. I feel that such a practice has exactly reflected the Government's attitude of "making decisions but not implementing them" in handling things.

The original motion today is to support the proposal made by the Chief Executive in the policy address this year in respect of the assessment of business environment, demanding to set up a business environment assessment committee. I do not know if colleagues from the Liberal Party have made a mistake or they have other plans to make. In fact, some workers have actually expressed their concerns to us because they feared that the proposal made by the Liberal Party to establish a business environment assessment committee this time might be a duplication of the "salary-cut incident". Superficially, it is to assess the impact of legislation and policies on the business environment, but actually it aims to use this committee to oppress some legislation that improves workers' remuneration. To those large consortia, the so-called improving the business environment would mean reducing labour cost as far as possible and maximizing profits. We can imagine that according to previous practice, the Government will definitely appoint many representatives of consortia or the business sector to the committee if eventually established. By then, the committee will possess this "imperial sword" which can influence the business environment assessment, and workers' treatment will just "continue to be slashed". By then, the rights and interests of workers will really be at risk. Therefore, we oppose the establishment of this committee.

The Financial Secretary always stresses that the public should effect a "paradigm shift" and change their traditional way of thinking under the economic restructuring. I think the Government must change by not condoning with the continual monopolization by large consortia and tycoons, or them trying every

possible means to oppress labour rights and interests. The most important thing is that apart from making money, whether it is possible for the consortia to consider their commitment to society by striking a balance between private gains and justice, enabling society to have more justice. I think this should be the general direction of improving the business environment.

Madam President, I so submit.

DR LO WING-LOK (in Cantonese): Madam President, when I learnt of the contents of this motion, I really wanted to ask these questions. Have colleagues of the Legislative Council got into such a plight that we are unable to trust themselves? Are we actually not content with our position, or things are really beyond our ability? Have we completely forgotten our primary role and function, that is, to monitor the administration of the Government and to approve or disprove legislation?

Colleagues should not be unaware of the fact that new bills drafted to deal with policy demands have to be ultimately passed by the Legislative Council before implementation. Furthermore, to monitor the administration of the Government, its effectiveness and results comes under the ambit of the Legislative Council. As a result, on each occasion when we deal with new policies and scrutinize new bills, we should weigh the long and short-term interest of every stratum, as well as the losses and gains *vis-a-vis* the development of society at large before casting our votes. We are an important gatekeeper. Even if we find deficiencies in existing legislation or policies or if we find they are unable to cope with the needs of society, Members of the Legislative Council may still urge the Government to review the existing legislation or policies, then to draw up amendments and submit them to the Legislative Council for endorsement.

Under this mechanism, officials and Members perform their respective duties, and Members should be able to bring their monitoring as well as check and balance function into full play. Outside the Legislative Council, an advisory body on business, the Business Advisory Group, is already in place. I am completely puzzled by the fact that since all new bills and amendments to relevant legislation are scrutinized and approved by Members of the Legislative Council, why should our colleagues still propose to establish a business environment assessment committee to scrutinize relevant policies and bills, and

to review those existing legislation and administrative measures which are allegedly unfavourable to the current business environment? To expand the bureaucratic structure is not just redundant, worse still, the tasks of the proposed committee are basically the duties of Members of this Council, and under which the Panel on Economic Services is already in place to deal with such matters. Now that we have asked someone else to do the job for us, are we actually belittling ourselves, or are we just trying to make us a mere figurehead where we should originally represent the interests of all social strata, putting the so-called business environment above all the interests of society?

As to the details of the motion regarding the improvement of business environment, according to the existing structure and system, after a policy is drawn up, the Government will surely consult the Legislative Council. By this logic, the views of this Council on the current licensing mechanism should have been sought beforehand. As to the determination of licence fees, most of them have also been approved by this Council before implementation. Certainly Members have the responsibility to urge the Government to amend outdated systems, but we should not forget that the legal basis for the existing system and the fee-charging criteria have been approved by this Council. As a result, if there are problems with the existing system and charges, this Council should be partially responsible.

As the term suggests, improving the business environment should mean keeping the overall picture in view, so a business-friendly environment could not be established simply by the withdrawal of some bills which are allegedly conducive to doing business; or by the launching of some fine-tuning measures such as streamlining the licensing procedures or reducing the licence fees.

I consider a favourable business environment should comprise a Chief Executive with the charisma of a leader, officials with competent performance, legislators with the ability to deliberate on political and public affairs, a general public with determination and persistence, society with the eagerness and morale to compete, as well as a sound legal and taxation system, a principle of consistent law enforcement, an attitude of behaving according to law and be law-abiding, a sound infrastructure, an education ideal insisting on persistent improvement of the quality and cultivation of the people, and a living environment with high-level rule of law and public health. I believe only if we have the above qualities, Hong Kong can become the heaven of investment and paradise of doing business.

Such being the case, Hong Kong should not throw itself into confusion and undermine the balanced development of all sectors of society in times of an economic downturn.

Madam President, I so submit.

DR RAYMOND HO: Madam President, only a few days ago, Hong Kong was chosen as number one of the world's freest economy in the Heritage Foundation's annual economic freedom index. Now we are here discussing ways to improve business environment. I am glad that we are doing this. It shows the world that this Council has not been carried away by the good news and we do mean "business".

As a matter of fact, there is no room for our complacency despite the latest findings of the Heritage Foundation. As we all know, Hong Kong was downgraded by the World Economic Forum — Harvard Business School to the thirteenth place in its competitiveness survey last month.

While I agree that we need to improve the business environment to maintain our competitiveness, I have reservations on the proposed business environment assessment committee. Without any doubt, the proposal is filled with good intention. But that is not enough.

The proposed committee is supposed to ensure that government policies and legislation being formulated are in line with the requirement of being favourable to the business environment. In defying the current trend of streamlining, the proposed committee would form an additional layer in the policy and legislation formulation processes. At best, it would become a drag on these processes. At worst, it would be counter-productive as the new arrangement looks more bureaucratic.

For those colleagues who are not convinced, the continuing controversy on the Environmental Impact Assessment Ordinance and the Advisory Council on the Environment (ACE) offers some enlightenment. While it is debatable if the Environmental Impact Assessment Ordinance is effective and the ACE is fulfilling its expected roles, it is certain that related statutory requirements and procedures have been causing delays to the implementation of the approved infrastructural projects.

Without setting up a business environment assessment committee, we can still work in a number of areas to improve the business environment. Streamlining the existing licensing mechanism and expediting the provision of one-stop licensing services for various trades would be among the options. In the present economic situation, lowering the licence fees would also help.

Meanwhile, Hong Kong must continue to practise free market economy. In this connection, the Government has to make more efforts to promote fair market competition. In addition, the Government should also implement sustainable development without imposing unnecessary rules and regulations on the business sector.

Madam President, continuing to improve the business environment is the only way for Hong Kong to survive in this highly competitive world. Nevertheless, any improvement measures to be taken must be in line with the requirements of a free market principle which is the essence of our economy. I so submit.

Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): Madam President, the subject of debate today is about improving the business environment. Over the past several decades, the Hong Kong Government including the former colonial British Hong Kong Government seldom discussed how best the business environment could be improved or how a good one created. At that time, Hong Kong was actually adopting a *laissez-faire* system, allowing businessmen to run their own courses. In a flash, we are four years into the reunification. In the interim, it is evident that the economy has substantially plummeted and many problems have emerged. Today, that the motion on improving the business environment has been moved implies to a certain extent that the business environment is in fact not good.

Many colleagues have discussed issues relating to law, institutions, policies, and so on. But I would like to talk about our leader, especially the problem with the attitude adopted by the bureaucratic structure. I think this is very important because policies, institutions, and so on, are just "lifeless objects". More often than not, people's attitudes are of the utmost importance.

Madam President, I would like to make two points insofar as attitude is concerned. Firstly, senior officials always encourage or even appeal to investors in Hong Kong to go back to the Mainland for investment, but this is in fact a very queer phenomenon. Whenever the local economy hits the doldrums, the senior echelons of the Government should encourage Hong Kong people to stay here to invest as far as possible, telling them what advantages Hong Kong has and what special benefits they have to invest here; or say more about some crucial points such as the uniqueness and edges conducive to the investment environment in the territory. All of these should be recounted to capitalists in Hong Kong so as to retain them here to make investments as far as possible. However, our leaders are very strange. Within the last two years, I have never heard them encourage Hong Kong people to invest in the territory. Instead, they have kept encouraging people to go to the Mainland for investment. Some even led inspection visits to the Mainland by consortia in Hong Kong, and encouraged these consortia to invest in the Mainland afterwards. This is really a very queer phenomenon. I do not know what advantages it will certainly bring to the local economic development by investing in the Mainland. I hope the government official can explain in his reply later how local economic development can be pushed through investment in the Mainland.

The Hong Kong Government often sends officers overseas for promotion, encouraging foreigners to come to Hong Kong to make investments. This is what the Government should do. However, I think that to encourage those consortia which have made profits in Hong Kong to invest more in the territory is the most important and practical task. If the Hong Kong Government does not encourage Hong Kong consortia to invest in the territory, how can it encourage foreigners overseas to make investments in Hong Kong? When foreign consortia invest in Hong Kong, the Government will offer them many preferences, such as those privileges obtained by the Disney Company. However, I cannot see any particular preferential treatment for Hong Kong investors intent on making investments here. I hope the Government can take note of this. If the Government keeps encouraging people here to invest in the Mainland, it will impact on the investor confidence in the territory, because people will get the impression that senior government officials, especially the leaders, appear to have no confidence in Hong Kong too.

Secondly, the Hong Kong Government always says that the local economy is in recession and we should create a better business environment. But in the last couple of years, the Hong Kong Government has used various means to

throttle and drive away many SMEs. In the last decade, I have handled quite a number of cases and I wish to cite several examples. The case of Wah Kai Industrial Centre can be said a very familiar case to all Members. Some factories located in Wah Kai were famous worldwide. One of them was an electrical switch manufacturer which was almost the only factory of its kind in the whole Southeast Asia, and several tens of countries had already issued licences to it. However, since the Government had to resume the land, the switch factory could not continue to operate. The Hong Kong Government did not implement any policies to encourage it to carry on with its business but set down many obstacles instead, causing this factory to find another place to continue with its business under very difficult circumstances, and to nearly close down its business. However, the Hong Kong Government had never rendered any assistance to enable it to continue to operate.

In addition, there was a unique leash factory throughout the territory. The Hong Kong Government might think that leash manufacturing was not of any significance and neither could it make Hong Kong exceptionally reputable. If it had to be closed down, just let it be. Eventually, this factory, the only leash manufacturer in Hong Kong was also closed down.

In talking about the closing down of some unique industries, examples are actually numerous. In early 1990, since the Government wished to develop North Lantau, the size of log ponds at Yam O was reduced by half. The Government is now planning to resume part of it in 2004, and the remaining part may be resumed several years later. By then, the only log pond in Hong Kong may also disappear. In this case, the Government has so far offered no plans to help this industry to carry on with its business.

Two years ago, the Government resumed the land at Area 40 in Tsuen Wan for auction. There were just several factories throughout Hong Kong for certain industries, and they were at Area 40 in Tsuen Wan. I heard that there were three foundries in that district. There were only seven factories of this kind in Hong Kong but three were at Area 40 in Tsuen Wan. Finally, these three foundries also disappeared after the Government had resumed the land. These foundries manufactured parts to replace damaged turbines for dockyards, and they could immediately start up the furnace to cast iron for specific parts of a vessel during repairs. But now these three foundries have also disappeared.

In the past, many factories closed down due to land resumption by the Government. For example, several dockyards in North Tsing Yi were closed down because of this.

Examples of farmland resumption are also plenty. In the past, the farmland on which a hundred-odd thousand orchids were cultured also disappeared suddenly owing to the construction of the Northwest Railway in Hong Kong. The largest polyfoam factory in Hong Kong also disappeared because land had to be resumed for the construction of the Northwest Railway. In addition, owing to the "avian flu" incident, the supply of fresh geese and ducks also came to a halt. A certain panel of the Legislative Council talked about live quails yesterday, and this retail trade will soon disappear. It is evident that the Government has been smothering the survival of these trades. To improve the business environment, it is hoped that the Government can give some existing SMEs the chance to survive, which is already a form of help in itself. I hope the Government can reconsider these problems, and protect some trades in Hong Kong actively so that they can continue to operate. Thank you, Madam President.

MRS SELINA CHOW (in Cantonese): Madam President, Hong Kong is renowned in the world for its pursuit of free economy and the Government often emphasizes that its positive non-intervention policy has rendered outstanding service to our free economy. In fact, we must clearly differentiate the primary from the secondary. The success of Hong Kong mainly relies on the unremitting efforts made by Hong Kong people to improve themselves, and their enterprising spirit and flexibility. The matching support by the Government comes in minimal obstruction to people's thinking and actions and achievements in overcoming challenges.

Our economic environment has recently changed. External competition is becoming increasingly intense and the blow dealt by the financial turmoil and the opening policy of China have impacted on and challenged the business sector. The Government can no longer stick to policies and measures that are out of keeping with the times. It must change its way of thinking if it wishes to maintain our economy and competitiveness.

The outcome of the survey released by the Liberal Party the day before faithfully and explicitly reflects that the business sector is very discontented with

the business environment. Those who do business understand very well that it is impossible for the Government to improve their situation for business is the expertise and responsibilities of businessmen. However, the Government should and can definitely do something to ensure a favourable business environment. The Chief Executive has also pledged this objective time and again.

Everybody knows that the wholesale and retail sector that I represent has been badly hit in recent years. Before this debate, I consulted proprietors of businesses of various sizes of their views on the business environment today. I am going to summarize their views.

They unanimously think that the biggest problem is rising costs and the increase in rent is one of the most important factors. A proprietor of a small shop has stayed in business for three years. When the landlord of the shop space found that the proprietor had good business and balanced books and had not incurred losses, the rent was immediately increased by 30%. The proprietor could only move to another shop and he had to spend a lot of money. Similar incidents take place every day and commercial tenants of various scales have to face shortsighted owners. Conversely, although the Housing Authority (HA), a large property owner, claims that it has to follow the steps of the market, it has actually driven the market. Although the Retail Management Association had been asking for a 40% rent reduction, its members were notified of a 30% rent increase by the HA last month. As a result, all members of the Association were discontented. Shopping malls have introduced famous brand chain stores to drive the visitor flow, but the owners drastically increased rents regardless of dwindling business. Should reasonable owners do so? For many years, we have been asking the HA to impartially handle the rents of commercial tenants but we have never got any objective response. The most frustrating are their bureaucratic look and their remark that "tenants can wind up at any time if they can hardly stay in business". When tenants fail to stay in business and do not renew their lease, the rents of the vacant shops offered for lease would fall below the original level. How could this convince the original tenants who have already wound up their business?

The Government and public organizations should not think that business must be profitable. If there is really a 30% rent reduction as requested by the eight-party coalition, tenants would be directly benefitted and the private shopping malls would follow suit. It would then create a favourable business environment. I call upon the HA to thoroughly reform its rental policy and

evaluate rents on the basis of the professional assessment made by independent surveyors as a matter of fairness.

The survey of the Liberal Party shows that proprietors are fed up with increased regulation. Businessmen of the sector to which I belong are disgusted with increasing legislation and disturbing enforcement as well as tiers of bureaucratic structure. Taking the electrical appliances trade as an example, there will be changes in the lower-tier enforcement after a senior official has been replaced. As a result, many meetings of lengthy discussion will be held. The Chinese medicine sector has also told me that the consultation conducted in the course of the legislative process has progressed slowly and this has kept the sector in constant worries. Yet, all this is absolutely unnecessary and inappropriate.

Recently, the Government often emphasizes knowledge-based economy. However, companies have to downsize and reduce wages in order to survive at a time of difficulties. Though employers do not want to do so, they cannot help doing so. With a manpower shortage, how can proprietors allow employees to receive training during working hours? They have not refused to do so, but it is merely impossible for them to do so. The training fund for small and medium enterprises (SMEs) has recently insisted that employers should allow employees to receive training and meet half of the expenses. This has completely failed to encourage and urge a lot of workers to receive training. To really reap good results with this training programme, the only way is to provide employers with substitute workers when the incumbents are sent on training sessions. Then, the objective of training a lot of workers on the job could be achieved, and temporary jobs could be created.

Madam President, to create a favourable business environment, it is certainly important to reduce expenditure, but it is all the more important to increase income. Besides, the future of Hong Kong is tied up closely with the Mainland. With the efforts recently made by the Government and the Tourism Board, and the support of the mainland Government at various levels, a large number of mainland visitors would be travelling to Hong Kong. We all agree that it would be favourable to the services industry that cannot move. But entry to the enormous mainland market would provide the greatest benefits to the future development of Hong Kong. I do not agree with the remark made by the Honourable Albert CHAN just now. To enter the mainland market, we must make investments. For instance, the retail sector has to open shops in the Mainland. Industries and businesses in Hong Kong have always been very good at market development and the outstanding achievements have been

obvious to all. However, the situation in the Mainland is complicated given its vast expanses and complex human relationship. A retailer has told me that it is impossible to run a wholly owned business and the tedious and complicated formalities deter prospective investors. Now that the Government knows that Hong Kong businessmen would like to enter this enormous market, is it clear about the assistance required by various trades? Does it have any strategies to systematically work for the interest of Hong Kong businesses? Large groups have sufficient resources open chain stores in the Mainland, but many SMEs have told me that they cannot depend solely on the Government to give them assistance or promote their business. This is an immense issue and it provides Hong Kong businesses with enormous room of development in the next decade or so. If the Government does not take action at once, Hong Kong will lag behind many countries whose governments have sincerely given nationals assistance following China's accession to the World Trade Organization.

A businessman has told me that he simply wishes to ask the Government not to obstruct doing business in Hong Kong and gives local businessmen in foreign countries protection. If his wish is granted, he is going to thank heavens.

MR LAU PING-CHEUNG (in Cantonese): Madam President, I am very grateful to Mr Kenneth TING for proposing a debate on the motion on improving the business environment in this Council. Under the present economic conditions, the construction industry to which I belong is in an abyss of misery. I am going to focus, however, on the points made by Mr SIN Chung-kai and Mr LEE Cheuk-yan on sustainable development and environmental conservation in their amendments.

In February this year, the Planning Department published a consultation paper entitled "Hong Kong 2030: Planning Vision and Strategy." The Hong Kong Federation of Youth Groups also conducted a similar study and interviewed a number of Honourable colleagues of this Council, including me, experts and academics as well as some young people.

On the question of striking a balance between improving the business environment and environmental protection, the survey conducted among the youth might somehow give us some enlightenment. 87% of the interviewees agreed that human beings and natural organisms had equal rights while 82% thought that planning and maintaining economic growth were prime considerations in respect of the development of a city. This indicates that the

youth, while agreeing that environmental protection was very important, also attached importance to economic growth. The construction industry is convinced that the conclusion of the survey indicates that development and environmental protection can co-exist without any conflict so long as there is appropriate planning.

Having reviewed the present situation of Hong Kong, however, I must admit that development and environmental protection are antagonistic to and competing against each other. On the one hand, we have a genuine need for development; on the other, we have not given the major principle of environmental protection a positioning. Specifically, do we have natural resources that merit conservation for the future generations? What exactly does environmental protection mean? Some people say environmental protection is trying our best to preserve the original state of nature. This definition is too superficial, and it fails to meet our requirements.

Let me illustrate this with two examples. Firstly, the Environmental Protection Department has turned down the Lok Ma Chau Spur Line project. I have cited this example not because I wish to reverse a verdict for any party, but because I wish to initiate deeper discussions. I do not need to elaborate that the construction of an elevated railway at Long Valley would certainly have impact on the migratory birds dwelling there. Have we considered factors related to environmental protection? According to the information provided by the Kowloon-Canton Railway Corporation, constructing the Spur Line with the Long Valley section as a bored tunnel would require the removal of an additional 1.5 million tonnes of waste and an additional 500 000 tonnes of construction materials. As trains will have to travel down ramp and up ramp as well as go through the tunnel, the relevant stations would consume an additional 20 million kilo joules of electricity a year. From the perspective of environmental protection, the additional construction waste and electricity consumption will do damage to the nature.

The second example is a report in *Ming Pao* on 17 October this year related to the slope stabilization works at Tai Lam Country Park. As there was a large bunch of wild bamboo orchid near the slope, it was reported that environmentalists had expressed concern that such small-scale works, for which environmental assessment is not required, would easily do damage to rare plants. I consider such concern not helpful. If bamboo orchid is a rare plant, we should try every means to transplant it instead of obstructing the works. In case of a landslide, all plants on the slope would be damaged. Unfortunately, the report was not followed up and the matter just disappeared into obscurity.

In fact, similar cases often take place. I have seen mangrove scattering in the river valley in Southwest Lantau. Since nobody bothers about or intentionally plants it there, the precious species has become more exuberant. If the Government develops Lantau, I am sure it will give rise to controversies again.

Madam President, I proposed a motion last year requesting the Government to review the distribution of the natural and landscape resources in Hong Kong for the purpose of formulating a territory-wide landscaped development and greening policy. I hope that a balance could be struck between development and environmental protection so that the public could reach a consensus on the future development and confirm which sites could be developed and which should be designated as closed areas. Similarly, in respect of urban renewal, how can we redevelop the old areas if we oppose the development of new towns for it would do damage to the nature and ask for the preservation of buildings with traditional features and the construction of more community facilities?

Madam President, I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, with the aggravating economic downturn, interested parties have demanded the Government to take the initiative to remove unnecessary rules on business and relieve the burden of enterprises. The Government has voluntarily said that it would create a favourable business environment to maintain the competitiveness of Hong Kong. Apart from endeavouring to create a favourable business environment, comprehensive matching medical services and a hygienic environment are more important. Otherwise, however simple a licensing mechanism and lower costs would not be able to attract investors to Hong Kong.

Although Hong Kong has always been handling medical and health problems in a very satisfactory manner, the avian flu incident and the cholera and infectious disease incidents taken place in recent years may not be as frightening as anthrax, still they will have extremely serious consequences if not controlled properly. The most classic example in respect of environmental protection is that as a result of serious air pollution in Hong Kong last year, an international conference scheduled to be held in Hong Kong at the beginning of last year was forced to be held in another place. Hong Kong businessmen were very concerned about the incident and the business sector even formed an

environmental protection coalition and requested the Government to improve the air quality.

Actually, Hong Kong has always been reputed as a cuisine paradise. Tourists from all parts of the world travel to Hong Kong to enjoy international cuisines. But if there is something wrong with food safety in Hong Kong and tourists fall sick, our reputation would be ruined. There was the poisoned crab rumour not long ago when fresh water hairy crab was in season. People were deterred and the incident spoiled the fun.

Madam President, with closer co-operation between Guangdong Province and Hong Kong, the sanitation conditions of the Mainland would directly or indirectly affect Hong Kong. For example, the Dongjiang water that we drink every day, the poultry imported from the Mainland and the degree of confidence in the medical and health services of the Mainland would determine whether or not Hong Kong could compare favourably with first-class advanced countries in the world in the long run. It would also determine whether it could live up to its reputation as an international cosmopolitan.

The Government of the Hong Kong Special Administrative Region (SAR) should not decline to shoulder the responsibility and it should take the initiative to play the role of a co-ordinator in respect of medical and health services. With its experience in Hong Kong, it should co-operate with, conduct exchanges and communicate with the Mainland. Our medical technologies would contribute to the Motherland and promote its long-term development.

One of the main points of the original motion is urging the Government to establish a business environment assessment committee to ensure that the impact of new policies and legislation being formulated on the business environment will be fully assessed. Under the current economic downturn, creating a favourable business environment to attract investments is an important link in the development of our economy. Theoretically, I adopt a neutral attitude towards setting up a mechanism for reviewing the business environment but I would certainly support improving the business environment. Yet, the role, authority and composition of the committee must be clearly drawn and defined. Unfortunately, I am concerned that the business sector may frequently oppose the adoption of legislation or policies on labour protection under the pretext that it would constitute an obstacle to the business environment. In view of its role and authority, would the proposed business environment assessment committee be a consultative body, or is it to be vested with vetoing powers? Mr Kenneth TING has said that the committee should be an authority with teeth and I hope

that he would give a clearer account of this point. There would not be significant problems if the committee only serves a consultative function. However, I would certainly oppose it if the conceived committee intends to remove all provisions and proposals that are unfavourable to business, and employ tools to deal a blow at proposals to protect workers. In that case, the workers' fight for fair interests would only be regarded as constituting an obstacle to the business environment and workers would not have any bargaining power.

In a civilized society, the Government, while endeavouring to create a favourable business environment, should also take care of the development in other areas. I believe investors would not oppose this point. If the Government could expeditiously realize sustainable development and establish the relevant committee to strike a balance among economic and social development as well as environmental protection, it would ensure that the implementation of policies would not be biased towards any one party.

It has been reported that the Netherlands will implement a comprehensive set of policies on sustainable development by the end of this year, under which the policy-making process will fully incorporate guidelines on sustainable development. The SAR Government might as well follow the example of the Netherlands. Madam President, I would be very unhappy if the fair interests of workers are adversely affected under the pretext of an economic downturn. With these remarks, I support Mr LEE Cheuk-yan's amendment.

MR HENRY WU (in Cantonese): Madam President, I very much support today's motion on "Improving the business environment" because the financial services sector, that I am representing, is being disturbed by the fact that the business environment is under threat. Looking around at the various trades and industries in Hong Kong, it seems that they are all being affected by an unfavourable business environment albeit at different degrees. The underlying problem is: Policy Bureaux have often overlooked in the course of policy-making the impact of its decisions on the actual operating environment of the related industries, and even the stability of the community as a whole.

In this regard, I would like to quote an example about which I felt most strongly, and this example was also mentioned in the third oral question today, that is, with effect from April next year, the rule which sets a minimum rate of brokerage commission will be removed. Though the Administration has emphasized that it would not interfere with the decision of the Hong Kong

Exchanges and Clearing Limited (HKEx), it has openly declared that the removal of the minimum commission rule is imperative. However, the hard fact is, under the impact of unfavourable external factors such as a dwindling global economy, the local securities industry has suffered a certain degree of impact. Some securities companies are forced to lay off staff in face of difficult operations, and worse still, some even have to close down. At this critical moment, the Administration should come up with effective measures to help the securities industry to tide over this global economic crisis and find ways to stimulate the local securities market, so that the industry can find reasonable vitality under the principle of fair competition.

As such, I support the proposal of the motion on establishing a business environment assessment committee and the amendment proposal on enhancing the business environment assessment work of the Business Advisory Group. The authorities concerned should fully consult the views of the relevant industry and assess policies that may have impact on the business environment before formulating such policies. They should also review the relevant policies from time to time and make appropriate revisions in the light of changes in the environment. Under the globalized world economy in this information age, external factors are changing rapidly and unpredictable whereas the formulation of government policies requires a long lead time, so any assessment will be meaningless in the absence of a timely review mechanism.

Madam President, as I have mentioned earlier, the decision on removing the minimum commission rule was made by the relevant authority in May last year. At that time, the Hang Seng Index was at over 17 000 points and on a continuing rising trend, while the unemployed population dropped from the peak to 170 000, and there were good signs in the whole economy. Encumbered by the influence of external factors and the "September 11 incident", the economy of Hong Kong could not escape the fate of suffering some blows, with the Hang Seng Index falling to below 9 000 points and the unemployed population soaring up to 186 000. It is believed that the unemployment rate will continue to rise for a long time. Under this rapidly deteriorating business environment, the securities industry has to face the imminent removal of the minimum commission rule which virtually adds to the burden of the industry.

If a timely review mechanism could be set up by the business assessment committee proposed by the original motion, and policies that are unfavourable to the business environment can be withdrawn or revised in time, then we could

effectively stop the implementation of policies not conducive to business operation and help various trades and industries to operate efficiently under fair and reasonable principles. Thus, the Hong Kong economy and the development of the community as a whole could have better prospects and more local and foreign investors could be attracted to make investments in Hong Kong. This would free the SAR from the bounds of a weak economy and maintain prosperous and stable development in Hong Kong.

Madam President, I agree to the proposal of the original motion on streamlining the existing licensing mechanism so as to reduce the operating costs. For a long time, the securities industry has been the victim of exorbitant licence fees. Though the Securities and Futures Commission (SFC) always have an ample fiscal reserve, no reasonable downward adjustments have ever been made in the licence fees of the securities industry in difficult times of the past few years in order to reduce our operating costs. It was pointed out in the newly released second quarterly report of the SFC that though a deficit of \$18 million was recorded in the first half of the year, as of the end of September, it still had an enormous reserve of \$660 million and retained a sizeable organizational framework.

I also fully support the amendment proposal on promoting fair competition in the market, but the prerequisite is that there must be a level playing field. As there are some grey areas in the existing legislation whereby exempted dealers and online brokers are not subject to the regulation of the HKEx, they can charge commissions below the permitted rate under the minimum commission rule. Such unfair practices have violated the proven rules and order of the market.

Madam President, I think that a responsible government should work with the industry in seeking effective measures to reduce the impact of external factors on the local economy and industries as far as possible. It should not encourage the formulation of rules and institutions that would undermine local business prospects. Therefore, I support the proposals of the motion on urging the Government to expeditiously implement the proposals in the policy address, improve the business environment so as to ensure that Hong Kong maintains its competitiveness and review policies that are unfavourable to the business environment.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, with the gloomy economy and when all trades and industries are now under serious hardships, everyone hopes that the Government will introduce tax relief measures to deliver them from their plight but, so far, such policies are still lacking. On the other hand, policies and regulations affecting the business environment are introduced in succession, and ordinances regulation business operations have become more stringent than ever. Apart from making business operations more difficult, this also undermines the overall competitiveness of Hong Kong.

Let me quote a few examples to illustrate this. In order to protect intellectual property rights, the Government introduced the Copyright Ordinance. This has made many persons-in-charge of the companies worry about the copyrights of their computer software; and in face of such uncertain economic prospects, they still have to deploy extra manpower and resources to ensure that their companies would not violate the law. Though big companies may manage to survive, small and medium enterprises (SMEs) will sometimes have cash-flow problems for they need to spend several tens of thousands of dollars on computer software. Operators who have a narrow profit margin can only swallow their own grievances.

Another example is the Mandatory Provident Fund Schemes Ordinance. The Government introduced this legislation in order to cut enormous expenses to be incurred by the ageing population in the future. Though, we could certainly appreciate the intent of the Government, the Ordinance was not introduced at an opportune time. Under the prevailing gloomy economic conditions, most SMEs have requested that both employers and employees be allowed to suspend contributions for one year, as they cannot cope with the extra administrative fees and costs brought about by the Ordinance.

Legislation introduced by the Government has not only increased operating costs, but also broken conventional "trade rules" long accepted by the trade, to the effect that operators are held responsible for violating the law. Take the retirement age of air stewards as an example. Due to the job nature, need and individual preferences, male air stewards are required to retire at 55 while female stewards are required to retire at 45. This requirement is accepted by both the air services industry and its staff and has been in practice for many years. However, with the passage of the legislation on equal opportunities, this requirement becomes an offence and the retirement age has to be standardized, otherwise it will be in contravention of the Sex Discrimination Ordinance. The

implementation of the Ordinance has implicated operators of the air service operators in legal proceedings and extra manpower and resources are required to deal with such proceedings.

Recently, the Government has intended to introduce the Occupational Safety and Health (Display Screen Equipment) Regulation to protect the health of employees who often use display screen equipment. Both employers and employees will be subject to prosecution if the Regulation is violated. I am somewhat worried that the relevant legislation will repeat the same consequences as the Copyright Ordinance that increases the operating costs of operators. Industries that first employed the use of display screen equipment can be traced back to airlines and travel agencies of 20 years ago, and not banks, stock exchanges or the telecommunications industry which use those equipment most often nowadays. In recent years, the use of computers have become so popular that not only employees, but even employers and Legislative Council Members also often use computers and display screens in their daily work. If the Government implements this legislation, we are afraid that operators will have to spend a lot of money to replace existing equipment, in order to meet the statutory requirement. This will directly add to the burden of operators, and eventually dampen their investment incentive.

We hope that before the Government introduces any new policies and legislation, it can first assess their impact and effect on the whole business environment, and examine whether there is any real urgency and whether it is an opportune time. Given the prevailing gloomy economic conditions and high unemployment rate, if the Government fails to improve the deteriorating business environment and continues to impose unnecessary regulation on the business sector, I believe China's accession to the World Trade Organization will not really benefit Hong Kong business operators, even if it creates business opportunities for Hong Kong.

As regards the licensing system, I can also quote some examples. Travel agencies are different from other industries in that a two-tier regulatory regime is in place to protect the interests of tourists. The government department responsible for regulating the activities of outbound travel agencies by way of licensing is the Registry of Travel Agents; whereas the Travel Industry Council is a regulatory authority established by the practitioners themselves, for purposes of enhancing the professional ethics of the industry.

Under the Travel Agents Ordinance, all travel agencies are required to apply for a Travel Agent Licence, and they have to pay a renewal fee of \$5,000-odd every year. The basic requirement for obtaining a licence is that the travel agency must be a member of the Travel Industry Council and it also has to pay an annual membership fee of \$1,000 to retain its membership. However, in order to become a member of the Travel Industry Council, the travel agency must first become a member of one of the eight recognized member associations and pay an annual subscription of several hundred dollars. Since there is duplication in the regulatory regime, the travel agency has to pay double expenses each year. Under the prevailing poor economic conditions, the relevant fees will only add to the heavy burden of the agencies. Let me quote another example. According to the provisions of the Travel Agents Ordinance, outbound travel agencies have to pay a levy at 0.3% of the outbound tour fees to the Travel Industry Compensation Fund (the owners have to pay this from their own pockets). Though there is a balance of \$325 million in the Fund, the Government has not been sympathetic to the plight of travel agencies. Not only has it not reduced the amount of the levy, nor has it even considered stop collecting the levy under the prevailing gloomy economic conditions to relieve the cash-flow problem of the agencies.

In fact, the relevant authority should exercise different level of supervision over travel agencies. It should not adopt an across-the-board approach. As in the case of food establishments where there are different types of establishments such as cafes, restaurants and fast food shops, there are also different types of travel agencies such as those specializing in selling flight tickets, reserving tickets and those organizing tours. Travel agencies that actually bear risks to consumers are only those which organize tours. Since "money and goods change hands on the spot" for other types of agencies, no risks will be involved. In that case, is it really necessary to deploy the same level of manpower on regulating all travel agencies? Should there be streaming in the regulatory system, or should a review be conducted on the establishment of the Registry of Travel Agents? Since 75% of the licence fees collected by the Registry is spent on staff costs, the Government should really redeploy its manpower resources according to the different nature of the travel agencies and the amount of risks involved. As regards the direction of the review, it should aim at a "one-stop" regulatory system, so that the overall costs, in particular those on human resources, could be reduced in order to reduce the licence fees.

Madam President, I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, the aspiration of the business sector to improving the business environment is understandable, but we should also be concerned about the interest of employees. It should be noted that employers and employees are not on opposing sides, and in addition to protecting the interests of employees, our labour legislation also helps both parties to work together happily. Therefore, this point should also be noted in formulating new policies and bills.

During the past three decades, the scope of protection offered under the Employment Ordinance has been extended, thus proving that reasonable work-related rights is one of the factors conducive to improving the business environment. It is true that there was rapid development in the economy of Hong Kong during the economic boom in the seventies and eighties. At the same time, labour rights have also been gradually enhanced, for example, from merely offering protection for manual workers in the beginning to covering all salaried employees at a later time. Furthermore, the legislation also requires employers to take out insurance policies for their employees so that they could work with peace of mind, thus increasing their efficiency greatly.

Labour protection should advance with the times in any developed country or region, and it is not in inverse proportion to its economic development. This shows that the more advanced or developed a region, the greater is the need for sound labour legislation. Let me take the Occupational Safety and Health (Display Screen Equipment) Regulation as an example. If the health of employees could be protected by early awareness of the potential hazards, they can be protected against job induced illness, thus indirectly increasing their productivity. In the past, we only had legislation on protecting factory and construction site workers, but times have changed, and office workers should also be aware of occupational safety and health.

When the business sector faces difficulties, workers will also be implicated. If the enterprises, be they big, medium or small, have to close down due to operational difficulties, a large number of workers would also be in trouble for this might lead to layoffs and salary reductions. In order to create more job opportunities, the Government should also review whether the existing policies will create difficulties for business operators. As in the case of the 3 000-odd government fees and charges, the individual sum of several tens to several hundred dollars for each item does not seem to be a very great amount. But, business operators usually have to pay dozens of fees and charges, and it would be a great burden on them if all the fees and charges are added together.

Take the catering industry as yet another example. The Trade Effluent Surcharge imposed by the Government has caused anxiety among many workers. They are worried that the restaurants they are working in will eventually fail to cope with the burden and have to close down and they will be laid off. Even if investors are interested in applying for restaurant licences, they have to go through various government departments such as the Fire Services Department, Environmental Protection Department, Drainage Services Department and Business Registration Office before they can start operations. Applicants are usually required to wait for a month or so for the approval of each government department and this is a waste of the operators' time. If a "one-stop" licensing service can be offered, greater efficiency can be achieved and this will help investors to create job opportunities.

The business administration bureau of Singapore launched a "business facilitation campaign" to openly seek the views of the business sector on its policies, in order to revise day-to-day administrative procedures of the government as far as possible, to suit the needs of business operators. For example, in July this year, the bureau received complaints from employers saying that the procedures for application for employees' technical development fund was too cumbersome and requested that all applications be handled by the same organization. The bureau responded positively by streamlining the application procedures.

Perhaps the Administration can borrow this spirit of improving the business environment by looking at all components of individual policies from the perspective of improving business operations. At the same time, reasonable work-related rights are also an essential factor to improving the business environment.

Though the existing economic prospects are not good and employees should ride out the storm together with business operators, the Government should seek the co-operation and understanding of both employers and employees in enacting legislation on improving labour rights. I urge the business sector to take into account the rights of workers while improving the business environment. The interests of employers and employees are not conflicting.

Madam President, I so submit.

MR AMBROSE LAU (in Cantonese): Madam President, the Chief Executive proposed in his 2001 policy address some policies and measures aimed at improving the business environment, including enhanced commitments to four funds which support small and medium enterprises (SMEs), the construction of a new exhibition centre, the establishment of a Logistics Development Council, supporting the development of professional services, attracting more mainland visitors to Hong Kong and facilitating the admission of foreign and mainland enterprises. Generally speaking, these measures to improve the business environment are basically medium-term measures. Since Hong Kong is being buffeted by the worldwide economic slowdown and the "September 11 incident" in particular, consumer and investor confidence has plummeted to the bottom. It is imperative that the Government adopts some suitable and timely measures as medication to give instant relief to the business environment. As far as the "medication" is concerned, no government investment is called for. It is only necessary to eliminate outdated rules and undesirable practices not conducive to the livelihood of the public and the development of the economy.

One of the outdated rules and undesirable practices is the rigid mentality of the Government when formulating new policies or legislation. A broad-brush approach that constrains and even stifles the operation and development of certain industries is often adopted. A prime example is the legislation to impose a total ban on smoking. This piece of legislation has enormous impact on the businesses of Western and Chinese restaurants, pubs and karaoke establishments. According to a survey conducted by the consultancy concerned between July and August this year, if a total ban on smoking is implemented in food premises, the revenue of hotels and food premises will drop by 10% and their turnover will decrease by several hundred millions of dollars. As a result, the industry may have to cut more than 20 000 jobs. Another example is the Mandatory Provident Fund (MPF) Schemes, the implementation of since 1 December last year has increased the costs of many SMEs already in difficulties and further aggravated their plight, as well as forcing many grass-roots people to cut back on their living expenses, leading even harder lives. Yet another example is the "user pays" sewage charge which has increased the costs of the catering, dyeing and laundry industries.

Madam President, there is nothing wrong with the underlying rationales of these legislation and measures. The problem is that when the Government formulated the relevant policies or bills, it did not take into full account the repercussions on the relevant industries, the immense pressure on their operation and whether they have to wind up or lay off employees in view of the present

sluggish economy. Therefore, the Hong Kong Progressive Alliance considers that for the Government to truly tide over this difficult period together with the public, it is crucial that it changes its mentality and role and show greater concern, support and care for the development of the economy on which the livelihood of the people depends. As long as there is a change in its mentality and role, it will not impose a total ban on smoking in an across-the-board manner, or display a lack of understanding for the difficulties in the operation of SMEs and the livelihood of grass-roots people by refusing to adopt flexible measures in respect of MPF contributions as did Singapore.

Madam President, the existing licensing mechanism also exemplifies the Government's outdated mentality and role. For example, open air cafes at scenic spots at the Tsim Sha Tsui East waterfront, in Sai Kung and Stanley were included in tourism development projects a long time ago. However, projects on open air cafes have remained on the drawing board to date because various government departments are passing the buck to one another. Another example is the application of licences by business starters and small business operators. This often involves many government departments and applicants have to clear hurdle after hurdle and wait a year or half before they are permitted to start their business. In addition, some of the licence fees are excessively high and increase the burden of operators. Therefore, it is imperative that the Government streamlines the existing licensing mechanism to provide "one-stop" licensing services for various trades as soon as possible.

Madam President, to improve the business environment, one important element is the transformation of the mind-set and role of the Government from red tape and bureaucratism to a display of greater concern, care and support for economic development of the community. With China's accession to the World Trade Organization (WTO), officials on the Mainland all consider that the government must change its role. However, the mind-set of the Hong Kong Government in formulating policies and bills, as well as its long-standing licensing mechanism are all lagging behind the times. In the face of challenges arising from globalization of the world economy and China's accession to the WTO, it is inadvisable for the Government to adhere to rigid rules and conservatism. Instead it should keep abreast of the times, change its mind-set and improve on its role to work for the public's livelihood and the economy. This is the immediate task awaiting the Government.

Madam President, I so submit.

MR JAMES TIEN (in Cantonese): Madam President, with China's accession to the WTO, Chinese all over the world feel very proud and excited. For the people of Hong Kong, this means a challenge, but with each challenge, there will be opportunities. In the business environment under which we will find ourselves in the days to come, there should be more opportunities available, but how are we to seize them?

The Liberal Party thinks that Hong Kong should improve its own business environment so that it will be able to share the benefits of China's accession to the WTO. In recent years, the world economy has been declining, and our economic figures had already begun a downward trend, even before the occurrence of the "September 11 incident". The Chief Executive has said recently that in the few quarters to come, we may experience negative economic growth. In such circumstances, if we cannot improve our business environment, what kind of prospect can we expect? Madam President, one of the big issues we have is the linked exchange rate which the public generally approves of, and under this major premise, a lot of things cannot be changed. Take the wages as an example. Since the Hong Kong dollar is pegged to the US dollar, the wages we have been paying are in fact comparable to wages in US dollar. Some Honourable colleagues have asked, why can we not set up a minimum wage? If Hong Kong is to set up a minimum wage with reference to the US dollar, does this not have any effect on our competitiveness in the global market? Just give it a little thought and we will be able to know that there are bound to be some effects on us. Countries in Southeast Asia may devalue their currency to reduce the wages. If they devalue their currency by 30%, that will mean that their wages will be reduced by 30% as well. One may argue that this would lead to inflation, for some amount of wages will have to be increased. Nevertheless, their wages are paid in local currencies.

Looking at the issue from another perspective, though some people may argue that business costs are high in Hong Kong, and there are in fact many places in the world where costs are also high. Then why can they still do business? There are two reasons to this. The first is that the productivity and quality of their people have to be raised substantially. Workers are more efficient in doing the same kind of work as they used to, that is, they are able to achieve a high value-added performance. Can we do the same? Over the years, our retraining organizations have done a lot of work, but can this raise the quality of our human resources substantially to the effect that the problem of expensive wages can be offset? To date, I am not aware of such an effect.

The second is speed. Speedy responses are much valued nowadays. Can our manufacturers make an immediate response to the needs of the overseas market? Can they make the products so required right away? If this is possible, then we can survive. In this regard, the Liberal Party thinks that improving the business environment will enable us do a lot of things, and with greater speed. We propose the provision of one-stop licensing services for various trades. We are not demanding that a licensing authority be set up, or that a single department shall take care of all licensing matters. We are asking that all kinds of licences related to one single trade should be issued by one single government department. It goes the same for manufacturers, the catering industry, the services industries and even the property development sector. Can we issue all licences related to a particular trade all in the same place and at the same time? This will not only save more time, but also help improve the business environment, for we can deliver our products more expeditiously.

Looking at the matter from yet another perspective, there are more than 3 000 items of service in Hong Kong where fees are charged to achieve cost recovery by applying the "user pays" principle. Why? It is because when a new piece of legislation is enacted, the Government will launch a new licence, or a new set of application documents or stamps and so when applicants make their applications, the Government can collect new charges. This kind of practice will make the businessmen feel that their costs have been raised when they assess the business environment. The speed of doing things will slow down too. If in future our business environment should come to such a state, we would think that the Government must do something to improve it.

In today's debate, it is unfortunate to see that many Honourable Members from the labour sector link up the issue with labour relations and labour legislation. Earlier on, the Honourable LI Fung-ying mentioned the amendment concerning display screens in the Occupational Safety and Health (Display Screen Equipment) Regulation. She asked why the Regulation was discussed in the House Committee again after it had passed the bills committee. It may be due to the fact that Miss LI is a new Member and she may not know about it. As a matter of fact, this is permitted in our system. The House Committee is not a rubber stamp and bills are not deliberated by all the 60 Members together. In most cases when a conclusion is reached by bills committees, it will be submitted to the House Committee for discussion. If it is agreed, then the bill concerned will be submitted to the Council meeting like

today for passage. Therefore, I do not think there is anything wrong with the practice, but I do not wish to talk about the bill today.

In addition, I think that when it comes to improving the business environment, the business sector attaches great importance to manpower retraining. Unfortunately, while we have been talking about economic transformation, it is still not yet clear in which direction we should go, and the business sector has no idea either. So we need to know what we should be doing in manpower retraining. In the 1960s, manpower in the manufacturing industries, after retraining, shifted to finance and service industries in the 1980s. However, we are unable to shift to hi-tech industries now, and hi-tech industries will not employ a lot of people either. So what can people do when so many of them have received retraining? If these people are unable to find any jobs, then what can these people who are between the age of 40 to 50 and whose numbers amount to several hundred thousands do after they have received retraining in five to 10 years' time? This is a problem we have to face.

Madam President, lastly I would like to talk about the business environment assessment committee suggested by us, and I would like to answer the question raised by Mr Michael MAK, that is, on the question of what is meant by being "teethed". Maybe we may say it the other way round, that is, "teethed" means effective, and the meaning of being effective does not necessarily mean that the committee will have the power to vote down proposals. One may regard the committee as an advisory body and that all matters will be submitted to it for consultation. I think that is workable. Mr SIN Chung-kai suggested making a review of the functions of the Business Advisory Group and enhancing its work in assessing the business environment. We support this proposal. However, the Business Advisory Group does not have such functions at present. I have asked my brother who is a member of the Group on this and I found out that the Group holds a meeting every three months. What it discusses are issues related to government departments and not the legislation passed by the Legislative Council. Our suggestion is that all the related legislation to be passed by the Legislative Council should seek consultation from this Group to see if the proposed legislation will cause any negative impact on the business environment. Of course, I agree entirely to the need to strike a balance between the interests of employers and employees and we will not vote against all labour legislation. Thank you, Madam President.

MR LEUNG FU-WAH (in Cantonese): Madam President, the topic for the debate today is "Improving the business environment". I think many people would agree that a good business environment is favoured by investors all over the world. To maintain a good business environment, not only should there be a sound legal system, excellent financial investment services and a stable political environment, there should also be an ample supply of quality manpower.

For almost three decades, I have handled countless cases of labour disputes and industrial injuries and deaths. In the course of handling these cases, I have certainly gained some understanding of how the business sector would see what a favourable business environment is.

Some investors who are far-sighted, conversant with politics and enterprising are the smart investors, and they are willing to get in touch and communicate with the trade unions which are pragmatic and rational. These investors will not rigidly adhere to a particular time, place and matter, but will think from the perspective of the overall interest of the company and take the initiative to improve the working conditions. It is precisely because these investors are willing to communicate with the trade unions and the staff and that they will think from a long-term perspective, so they will not only treat their staff fairly but are also willing to invest in the staff, such as providing them with training and practice opportunities. From this it can be seen that these investors realize that reasonable profits come from the clients and the market, and not from the employees.

From the perspective of a trade unionist, a good business environment should also include amicable labour relations and sound human resources. These will serve to add to the sense of belonging among employees. Under the present economic circumstances, amicable labour relations and a sense of belonging among employees to the company are all indispensable conditions to a successful improvement of the business environment.

The other kind of investors is those without any foresight and investment strategies. They all aim at reaping higher returns in a very short time. I would call them the less desirable employers. Often they are reluctant to communicate with the pragmatic and rational trade unions and the staff, and they would not think well ahead. They are only concerned about the reduction of costs and raising profits. They do not care at all whether their staff are treated

fairly, and as to providing training opportunities to the employees, that is an impossibility. To put it simply, this type of investors will only focus their attention on the costs and profits at the present moment, in complete disregard of the importance of human resources and labour relations to the improvement of the business environment.

As I have said earlier, under the present economic conditions, amicable labour relations and a sense of belonging among the staff to the company are indispensable conditions to a successful improvement of the business environment. Therefore, we should never give up any opportunity that will contribute to the creation of these factors of success. I would like to point out that the Government originally planned to submit the Occupational Safety and Health (Display Screen Equipment) Regulation to the Legislative Council next Wednesday for the Second and Third Readings and subsequent passage. However, in the House Committee meeting last Friday, since some Honourable Members raised their objection unexpectedly, the Government was forced to postpone the submission of the Regulation for deliberation in this Council.

Honourable Members from the business sector share the view that the enactment of the Regulation would add to the operation costs of the companies and it would have a very grave impact on the small and medium enterprises (SMEs). In the end, the business environment in Hong Kong will be destroyed. This morning, I listened to a radio programme and a vice-chairman of a SME association said that the SMEs were in support of the Regulation and they did not think that there was anything wrong with it. Why then are the views divergent in the business sector? I think most Honourable Members made a proposal to conduct fresh deliberations on the Regulation because they did not know the Regulation well enough. If the Regulation is enacted expeditiously, not only can it further protect the interest of employees, but it will also help to forge amicable labour relations, enhance the sense of belonging among employees, and in the end achieve the purpose of improving the business environment.

According to figures provided by the Labour Department, during the years from 1998 to 2000, there were about 206 cases of tendovaginitis, of which 47 cases might be attributed to the use of display screen equipment at work. Since these cases are only those reported to the Labour Department, so I would believe that the actual number is far greater than this. I do not know if Honourable Members know much about this occupational disease, but I can tell them that it

does not have any signs of external injuries, but it is extremely painful and the patients will find it impossible to work. Other symptoms include backaches and failing vision, and so on.

When the occupational safety and health of employees are properly protected, it is tantamount to creating a good business environment for the business sector. This is because if employees work in places with all kinds of potential problems and use the equipment there for an extensive period of time, they will easily suffer from all kinds of health problems. Some Honourable Members here or colleagues in the Legislative Council Secretariat may have encountered similar problems as well. It is true that it is getting more common for employees who have been working in unfavourable workplaces for a long time to sustain ailments.

Employees working in undesirable conditions will easily contract occupational diseases and this will ultimately affect their performance, increase the burden of medical expenses borne by employees and employers alike, and in serious cases, affect the growth of the company as a whole. How can it be possible to allow uncertainties in human resources in a good business environment? If the people in the commercial and industrial sectors recognize the importance of human resources to improving the business environment, then they should not object to the enactment of this Regulation on occupational safety and health.

Some people from the commercial and industrial sectors hold the wrong impression that the Regulation will require company owners to undertake danger assessment on the workplace of those who use display screen equipment. In order to avoid violating the law, company owners will need to make extensive changes to the design of the workplace and replace its equipment. But as the general public can well imagine, making changes to the equipment in the workplace to meet the statutory requirements is actually a very simple thing to do, for this would mean adjusting the height of the desks and chairs, installing pedals, and so on. These are very simple changes and they would not require a lot of efforts. Moreover, the expenses incurred on the employers, as the Secretary for Education and Manpower has pointed out, are minimal. It will certainly not cause any great impact on the operation costs, nor will it make the business environment any worse.

Madam President, in order that the business environment can truly be improved, employees should be put in workplaces that are reasonable and favourable. However, some Honourable Members have failed to notice this point precisely and they are not aware of the importance of human resources to a company. They do not realize that one of the important factors of improving the business environment is to protect the occupational safety and health of the employees, instead of the other way round.

Madam President, I so submit.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr Kenneth TING, you may now speak on the two amendments. The time limit is five minutes.

MR KENNETH TING (in Cantonese): Madam President, first of all, I would like to thank the 24 Honourable Members who have spoken on this motion. I would like to talk about the amendment moved by Mr SIN Chung-kai first. Mr SIN's amendment calls for the abolition of unnecessary business rules and regulations and reducing the burden on enterprises in complying with regulations, and so on. These proposals are broadly in line with the demands made by the Liberal Party. As to how the idea of business environment assessment can be put into practice, Mr SIN suggests that this should be handled by the existing Business Advisory Group, the functions of which should also be reviewed. The Liberal Party is of the view that the Advisory Group should be able to undertake business environment assessment work effectively and if after the review, it is found that its functions are able to meet the requirements of the Liberal Party and that it has a similar institutional framework in nature to the proposed business environment assessment committee, then we will be happy to accept the proposal.

The amendment proposed by Mr LEE Cheuk-yan highlights the rights of workers and it has the implications of overriding the interests of other strata. It

stresses the rights of the working class as a factor of vital importance and it gives one the impression that employers and employees are opposing parties. This runs counter to the principle of facilitating the overall economic development and the sharing of prosperity by both employers and employees alike as proposed by the Liberal Party today. The amendment smacks of overruling the public opinion which we have gauged through a recent telephone poll that the positions of employers and employees are consistent with regard to their interests. We think that the amendment is strongly underlined by an intention of sowing seeds of discord in labour relations and is also reversing the consequences as the causes.

I would also like to respond to the views put forward by Miss LI Fung-ying earlier. Miss LI was afraid that we might be setting up some traps or engaging in some conspiracies. But I must point out that during the three decades from the 1970s to 1990s when Hong Kong was in a more favourable business environment and the economy was booming, not only were the wages of the workers not reduced, but they were given a pay rise, for the economy at that time was very prosperous. We hope that the present situation can be like that as well. Most of the employers in Hong Kong are not unscrupulous employers and that they are not short-sighted. It is because most of them have been employees before. The Liberal Party looks at the issue from the perspective of mutual benefits and common good. Honourable Members should not think that there is any conspiracy in us simply because there are some unscrupulous employers around, for they are just a minority.

Madam President, Ms Audrey EU has raised the point that she was afraid that there might be someone with "teeth" who might harm them. The chairman of our party has clarified that the so-called "teethed" refers to those who are efficient and capable. So Ms EU may rest assured. As to the remark made by Dr the Honourable LO Wing-lok that the setting up of a business environment assessment committee would replace the work of the Legislative Council, I would also ask Dr LO to rest assured because we have absolutely no intention as such. We only hope that all the relevant plans will pass the assessment committee before they are submitted to the Legislative Council for deliberation so that there will be greater efficiency. If he is still worried, may I suggest he should first focus his concern on the work of the assessment committee.

Thank you, Madam President.

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, it has long been the policy of the Government to create a business-friendly environment. The Government appreciates that any regulation or licensing system will inevitably have impact on the operation and costs of the businesses. Thus, the Government strives to strike a balance between effective regulation and business-friendliness. I am prepared to respond positively to the motion moved by Mr Kenneth TING and the amendments proposed by other Members.

Let me first respond to Mr Kenneth TING's proposal to urge the Government to establish a business environment assessment committee.

In his policy address, the Chief Executive indicated that we would ensure that prior to formulating new policies and legislation, their impact on the business environment would be fully assessed. To implement this policy objective, the Government has issued internal guidelines to require all Policy Bureaux, in submitting new policies and legislation to the Executive Council for deliberation, to attach an assessment on the impact of such policies and legislation on the business environment, and the assessment must first be endorsed by the Government Economist.

To review the existing laws and administrative measures not conducive to doing business, we have the Business Advisory Group (BAG) which is chaired by the Financial Secretary. As pointed out by Mr SIN Chung-kai, the BAG's membership comprises representatives of the business sector and senior government officials. It studies government operation on a regular basis, with a view to eliminating over-regulation and cut red tape so that the business environment can be improved. The BAG also works in conjunction with individual Policy Bureaux and government departments to formulate specific business-friendly measures and periodically scrutinize the relevant progress reports. Since its inception in 1996, the BAG has dealt with 80 projects and made more than 600 specific recommendations, including:

- streamlining the licensing system for food establishments, allowing temporary licences to be issued on the same day of application;
- establishing open bonded warehouses, lowering the operating costs for business operators;
- extending the validity period of licences for hotels and guesthouses;

- shortening the processing time for land exchanges and lease modifications by one third; and
- establishing a business licence information centre to provide a one-stop information service to the businesses.

The above mechanisms offer channels whereby the impact of government operations on the businesses can be monitored and measures implemented to improve the business environment whether when new policies and legislation are formulated or when existing laws and administrative measures are reviewed. Hence, our view is that at this stage it is not necessary to set up a separate business environment assessment committee, to avoid an overlap of resources. However, we very much agree with the notion of Mr TING's proposal and we do understand that at a time of economic downturn, the people and the businesses have higher expectations of the Government to improve the business environment. Today, Mr TING and other Members have referred to some specific cases and certain laws, which may not be business-friendly. The Commerce and Industry Bureau will be happy to look into the issues further and conduct a study on them. If necessary, it will propose appropriate changes to them.

Mr LEE Cheuk-yan and Mr SIN Chung-kai have proposed supplementary amendments with respect to "improving the business environment". My response to them is that we not only agree to eliminating unnecessary regulation, reducing the burden of compliance by the enterprises and improving support services to the businesses, but we are also aware that we must not neglect promoting fair competition in the market, realizing sustainable development, protecting the interest of labour and capital and strengthening environmental conservation if we are to obtain the best results in improving the business environment.

At present, internal guidelines within the Government specify clear requirements for all Policy Bureaux to incorporate consideration for fair competition, sustainable development and impact on employment and the environment in all new policies and legislation they submit to the Executive Council for deliberation so that a suitable balance is maintained. I very much agree with Dr LO Wing-lok's idea about the role of the Legislative Council as a gatekeeper for all legislation to balance the interests of all parties.

Mr LEE Cheuk-yan opines that reasonable rights at work are a necessary element in improving the business environment. The Government agrees to the

importance of employees' interests because reasonable working conditions can bring the best out of employees. We also regard amicable labour relations an essential element in maintaining prosperity and stability in the community and in promoting the economic development of Hong Kong. The Government will continue with its hard work in promoting labour relations and paying attention to and balancing the interests of both labour and capital.

Regarding fair competition, we think the market forces should be left to operate freely on their own and intervention should be kept to the minimum. This is the best way to promote and maintain fair competition. Our target is to promote compliance with a "competition policy framework" among public-sector and private-sector organizations. We would encourage these organizations to take appropriate steps to ensure there is fair competition in their respective trades.

Regarding sustainable development, the Government undertakes to continue with its major initiatives and projects. To fulfill the undertaking, we will be putting in place a new "sustainability assessment" system by the end of the year, when the Chief Executive will appoint a "Council for Sustainable Development" to promote co-operation among the Government, the businesses and the general public in the work on sustainable development in Hong Kong.

Mr SIN Chung-kai's amendment requests that the BAG's work in business environment assessment be enhanced. In this connection, I would like to add one further point. The work of the BAG indeed encompasses assisting Policy Bureaux in conducting comprehensive regulatory impact assessments when they formulate regulatory proposals. Since the BAG is chaired by the Financial Secretary personally, it is not a toothless tiger at least as far as Policy Bureaux and departments are concerned. In the past year, for example, the BAG has dealt with:

- proposals on bilingual safety labelling of household chemicals;
- proposals to introduce a permit fee for road-opening works;
- proposed legislation on family entertainment centres; and
- proposed amendments to existing anti-smoking legislation, a topic of great interest to the Honourable Ambrose LAU and the Honourable HUI Cheung-ching.

Discussions are ongoing among Policy Bureaux for a wider application of the regulatory impact assessment.

In part (b) of his motion, Mr Kenneth TING urges the Government to streamline the existing licensing mechanism, which we will support. In his policy address, the Chief Executive undertakes to explore ways to further streamline licensing and reporting procedures. The BAG will strengthen co-operation with Policy Bureaux and government departments to this end and implement various improvement proposals.

In principle, we support the one-stop licensing services as proposed by Mr Kenneth TING. Indeed, in the past few years, we have introduced one-stop services for applications in a number of areas, which include:

- applications for location shooting;
- licence applications for residential care homes for the elderly; and
- licence applications for restaurants.

We will continue to examine the feasibility of extending the services to other sectors. We are exploring ways to implement the services in areas such as:

- licence applications for food premises. We will also be reviewing the licensing services for all sorts of food premises, as mentioned by the Honourable Tommy CHEUNG, for instance, roast meat shops;
- licence applications for places of entertainment;
- applications for road-opening works; and
- applications for type approval of imported vehicles.

Mr TING's motion also covers the lowering of licence fees. The Government sets licence fees on the general principle of cost recovery. When the cost of our services decreases, the relevant licence fees will decrease too. To reduce the financial burden of the businesses, the Government has been streamlining licensing systems. For example, it has been eliminating

unnecessary procedures, implementing computerization and so on in order to reduce licensing costs. Last year, the Environmental Protection Department drastically reduced all licensing costs thanks to a computerization programme and the streamlining of licensing procedures. There was a decrease of around 20% in fees for the application or renewal of a waste disposal licence. Moreover, there was a 44% decrease in the fee for the application of a new licence for high flow rate trade effluent discharge or deposit from industry, institutions or commercial premises.

In recent years, we have been looking into the possibility of extending the validity period of one-year licences to cover a period of more than one year. Licences effective for more than one year may save annual renewal procedures and costs of obtaining the licences for the licensees. This category of licences has been in issue for some years now. They include driving licences and business registration certificates. In addition, the validity period of licences for hotels and guesthouses will be extended from the existing term of one year to seven years. For a 200-room hotel or guesthouse, renewing a licence which is valid for seven years means a saving of up to 80% on the licensing costs for the operator.

Madam President, I hope my speech has described the effective mechanism already in place now for the Government to assess the impact of new policies and legislation on the business environment. I would like the Honourable Albert CHAN to understand that the above measures and work are meant to improve the local, not the mainland, business environment. We do encourage Hong Kong people to start their businesses in Hong Kong. We would also advise Hong Kong businesses to grasp as far as possible the huge economic benefits that the mainland market may bring to Hong Kong. We will continue to review existing legislation and administrative measures to eliminate over-regulation and cut red tape to improve the business environment. We understand that to get the best results, we must also take into account factors such as fair competition, sustainable development, impact on employment and the environment, and so on. We will continue to review the existing licensing mechanism to continuously improve our services and streamline procedures in order to reduce the financial burden on businesses in licence applications.

With these remarks, Madam President, I thank Members who have spoken.

PRESIDENT (in Cantonese): I now call upon Mr SIN Chung-kai to move his amendment. *(Pause)* As Mr SIN is not in this Chamber, the meeting will now be suspended but it will be resumed when Mr SIN is back.

8.17 pm

Meeting suspended.

8.19 pm

Council then resumed.

PRESIDENT (in Cantonese): Mr SIN Chung-kai, you may move your amendment.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I wish to apologize via you to all Members and government officials. I am very sorry.

Madam President, I move that Mr Kenneth TING's motion be amended, as set out on the Agenda.

Mr SIN Chung-kai moved the following amendment: (Translation)

"To delete ", as the Chief Executive mentioned in his 2001 policy address that in the face of economic restructuring, it is necessary to continue" and substitute with "this Council urges the Government"; to delete "improve" and substitute with "dedicate itself to improving"; to add ", in the face of economic restructuring, by promoting fair market competition, implementing sustainable development, protecting the rights of both employers and employees, abolishing unnecessary business rules and regulations, reducing the burden on enterprises in complying with regulations and improving the support services for the business community" after "the business environment"; to delete "in order to expeditiously implement the proposals in the policy address, this Council urges the Government to" and substitute with "to adopt the following

measures"; to delete "establish a" after "(a)" and substitute with "to review the functions of the Business Advisory Group, with a view to enhancing its work in"; to delete "committee" after "business environment assessment"; and to add "to" after "(b)".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Mr Kenneth TING's motion, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Members have been informed by circular on 13 November that Mr LEE Cheuk-yan would withdraw his amendment if Mr SIN Chung-kai's amendment was passed. Since Mr SIN Chung-kai's amendment has been passed, Mr LEE Cheuk-yan has therefore withdrawn his amendment.

PRESIDENT (in Cantonese): Mr Kenneth TING, you may now reply and you have up to seven minutes 54 seconds.

MR KENNETH TING (in Cantonese): Madam President, I have basically said all I wish to say. I hope that Members can support my motion as amended by Mr SIN Chung-kai. That is all I wish to say. I hope this can save Members' time.

PRESIDENT (in Cantonese): I now put the question to you and that is : That the motion moved by Mr Kenneth TING, as amended by Mr SIN Chung-kai, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Reducing the fares of various public transport services.

REDUCING THE FARES OF VARIOUS PUBLIC TRANSPORT SERVICES

MR LAU KONG-WAH (in Cantonese): Madam President, I move the motion as printed on the Agenda.

Amidst the economic recession of Hong Kong, the Chief Executive again predicted yesterday that there would still be negative economic growth for Hong Kong in the coming few quarters. Under such a situation, the people of Hong Kong, while doing the best they can to keep their jobs, can only try to save as much as possible and spend as less as possible.

There is a news story today about a survey on people's consumption patterns: nowadays, people are becoming more and more thrifty in buying food and daily necessities. The kinds of fish they buy nowadays are different from those they bought in the past — "Garoupa yesterday, but Silver Thread today", as a popular saying goes. In brief, people all want to spend as less as possible. But they cannot spend less on transport, because there is no way that "they travelled by bus or train yesterday but do so on foot today". There is simply no room for spending less.

Let me describe another phenomenon in society. Last year, the Employees' Retraining Board trained up 9 000 or so domestic helpers, and during the same period of time, the Labour Department recorded some 17 000 domestic helper vacancies. But in the end, only less than half of the retrainees got a job. Why? Well, the reason is that while many retrainees live in the New Territories, most of the employers willing to take them on actually live on Hong Kong Island, particularly Southern District. If a domestic helper travels across the districts to and from work every day, she will have to spend a major portion of her hourly wages on transport, and nothing much will be left. In that case, how can she be willing to take up a job? So even the supply and demand relationship of labour has been affected by high transportation fees.

The prices of clothes, food and accommodation have all dropped when compared with those of three years ago, but transportation fees have remained high. While the wages of wage earners are cut year after year, transportation fees have remained high meanwhile. Very obviously, unlike the prices of clothes, food and accommodation, transportation fees are not determined purely by market operation.

In fact, people's transportation expenses have become increasingly huge in recent years, and "exorbitant transportation fees" have become a widespread phenomenon. A telephone survey conducted by the Democratic Alliance for Betterment of Hong Kong (DAB) last month shows that over half of the respondents are of the view that the fares of the Mass Transit Railway (MTR), the Kowloon-Canton Railway (KCR) and taxis are much too high. Of these respondents, over 70% consider that MTR fares are much too high, and this percentage is even higher than that of those who think that taxi fares are too high. Next on the list is the KCR, followed by minibuses and buses, in that order.

The DAB launched a signature campaign in various districts early this month, urging public transport operators to reduce their fares. Nearly 60 000 signatures were collected within a short time. We also organized a march from Tseung Kwan O to Kwun Tong, which attracted some 100 participants, proving the strength of support for the cause! People are really very dissatisfied with the exorbitant transport fares now.

The Government has in recent years developed many new towns such as Tin Shui Wai, Tseung Kwan O and Ma On Shan. All these new towns are located in remote areas where very few commercial and industrial activities are found. Many residents thus have to commute every day to and from the urban areas where they either work or study. If one lives in Tseung Kwan O and works in Central, and if one travels to and from work by bus, the total bus fare daily will be more than \$30. This means that one's transportation expenses alone will be as much as \$1,000 a month, or at least 10% to 20% of one's monthly income. If a person earns just \$5,000 or \$6,000 a month, the percentage will be even higher. This is simply unbearable.

Madam President, when I watched the news on television last Sunday, I heard Kowloon-Canton Railway Corporation (KCRC) Chairman K.Y. YEUNG say that KCR fares did not impose a very heavy burden on the people; the proportion occupied by KCR fares in people's daily expenses was very small, just about 0.04%, or \$0.4 in every \$100 of expenses. This claim is of course not true. One with even the remotest understanding about people's livelihood will know that the proportion occupied by transportation expenses is far higher than the percentage claimed. There is a press report today about the salaries of top KCRC officials and other huge expenditure of the KCRC; this really outrages KCR passengers. Why can top KCRC officials be so generous to themselves, when they are so mean to passengers' requests for a fare reduction? The KCRC has even said that it will increase its fares next year. Is this fair? Is this a bit apathetic?

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

Our survey shows that people consider the MTR fares are the most exorbitant. Such a view can explain why at one time, there was a drop in the

number of MTR passengers and an over-supply of buses on the roads. Since MTR fares are still very high, it is only natural for passengers to switch to other modes of land transport. This will ultimately lead to an increasing number of vehicles operating on the roads, running counter to both environmentalism and mass transit principles. All of us do not wish to see this.

Some say that they have never heard of any fare reduction, but I can show them one such example. The fare charged by the Airport Express Line of Airport Railway was initially \$100. In the Legislative Council Panel on Transport, we urged the Airport Railway (AR) to reduce the fare to \$70, because \$100 was much too exorbitant. But they simply turned a deaf ear to our suggestion; for this reason, the passenger volume turned out to be far smaller than first expected, with just an average of 22 000 passenger trips a day in 1998. It was only when they saw the poor situation that they reduced the fare to \$70 as a concessionary offer. The rate of reduction was as high as 30%, and they even introduced a further two-month concession allowing each adult ticket-holder to bring along a maximum of three children under 15 years of age. Thanks to this fare reduction gimmick, the passenger volume in 1999 rose by 30%, to 29 000 passenger trips a day. The fare reduction experience of the AR proves that a reduction rate of 30% will lead to a 30% increase in passenger volume. Two lessons can be learned from this experience: first, fare reduction is after all not such an impossibility as claimed; and second, an operator may not necessarily lose out after a fare reduction.

I understand that it is very difficult to get unanimous support from all public transport operators for our fare reduction request. The reason is that some transport operators are still at the stage of initial investment. Since they cannot make any profits now, how can they afford a fare reduction? So if we ask all transport operators to reduce their fares, I am afraid that in the end, some of them may have to close down altogether. We do not wish to see such a vicious cycle arising. But I must still point out that most transport operators have amassed huge surpluses over the years, and so to ask them to make a bit less profits at the very unusual times this year is by no means an unreasonable request.

The past success of Hong Kong was no doubt attributable to its upholding of market mechanisms. But the KCRC was founded by law, and the Chairman of its Managing Board and its Chief Executive were both appointed by the Chief Executive of the SAR; it is therefore a public corporation. For the MTR

Corporation Limited (MTRCL), the Government is still its largest shareholder. Every time the two corporations ask for a fare rise, they must submit their proposals to the Legislative Council for discussion; all fare rises of buses, taxis and ferries must also be endorsed by the Executive Council. So if people say that the Legislative Council's discussions on urging the Government to ask transport operators to reduce their fares are a form of political intervention in market mechanisms, they must be reminded that such intervention has long existed. Let us look at the various concessions offered by the Government — route franchises for bus companies, fuel duty exemption, ex-gratia land grants for depot construction, vehicle licence fees exemption, and so on. Obviously, there is absolutely no operation of the pure market mechanisms to speak of. Madam Deputy, the Government is now willing to take such unusual measures like reduction of taxes, rents and rates at these unusual times. Why are all these profitable transport operators still so "adamant"?

Madam Deputy, KCRC Chairman K.Y. YEUNG, when responding to media questions about this motion earlier today, commented that he would have to see what "moves" would be taken by the Government. Secretary Nicolas NG, the people of Hong Kong are all waiting for your "moves". Do not let us down, Secretary.

I so submit. Thank you, Madam Deputy.

Mr LAU Kong-wah moved the following motion: (Translation)

"That, whereas Hong Kong's economy remains in the doldrums with the unemployment rate rising to 5.3%, the Consumer Price Index falling for three consecutive years, and the worsening deflationary situation, the fares of various public transport services remain high and have not been adjusted downwards in keeping with the movements of the Consumer Price Index; in this regard, this Council urges the Government to discuss with various public transport operators with a view to expeditiously reducing the fares of public transport services, thereby alleviating the burden on the public."

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

DEPUTY PRESIDENT (in Cantonese): Mr Jasper TSANG will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr Jasper TSANG to speak and move his amendment.

MR JASPER TSANG (in Cantonese): Madam Deputy, I move that the motion moved by the Honourable LAU Kong-wah be amended as printed on the Agenda.

Shortly before the announcement of the policy address last month, Legislative Council Members from eight different political parties and groups came together to discuss measures to alleviate the people's plight, and they subsequently put forward seven proposals to the Government. Members belonging to these political parties and groups who took part in this joint conference have since been keeping a close watch on various problems related to the people's livelihood, and the fees and charges of government services and public utilities have naturally become the central concern of the various political parties and groups.

Mr LAU Kong-wah has moved a motion on "reducing the fares of various transport services" on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB). Representatives of the political parties and groups in the joint conference have exchanged their views on the motion.

The joint conference notes that different political parties have in various ways put forward their requests for fee reduction to public utilities operators, including public transport operators; and, with respect to how the fees and charges are to be adjusted, the parties and groups have different views. In spite of this, the joint conference is still of the view that there should be enough room for the parties and groups to reach a basic consensus on the fares of public transport services.

All of us think that the expression of such a basic consensus in this debate will help us deliver a clear message to both the Government and the people. This is better than failing to pass any motion, for such a failure may well induce the public to think that the Legislative Council is unable to put forward any constructive proposals on this livelihood issue owing to factional disputes.

In order to achieve this aim, the representatives of other parties and groups in the joint conference advised the DAB to amend the original motion of Mr LAU Kong-wah, so as to make it clear that the various transport operators can take account of their respective operating conditions when adjusting their fares. Such an amendment is deemed desirable because most of the political parties and groups are of the view that since the financial conditions of public utilities operators are different, it will be unreasonable to ask them all to reduce their fees and charges.

This view does not conflict with the original aim of the DAB. During the signature campaign demanding public transport operators to reduce their fares by 10%, the DAB did not specify "with the exception of operators incurring losses", but this was just because we were aware of the feature of a massive signature campaign. The DAB, as explained by Mr LAU Kong-wah just now, certainly understands that when transport operators respond to people's demand for a fare reduction, they must consider their respective financial conditions. If an operator is suffering from losses and thus refuses to reduce its fares, people will certainly understand their difficulties, and the DAB will not put forward any irrational request.

In order to get the support of the political parties and groups for the formation of a consensus in this Council, the DAB decided to take the advice of the joint conference and asked me to move an amendment to Mr LAU Kong-wah's original motion. The motion after the amendment urges the Government to discuss with public transport operators and "encourage them to take account of their respective operating conditions and reduce their fares or offer concessions to passengers, thereby alleviating the burden on the public."

Besides, the motion as it is amended also specifies that "transport expenses account for a large proportion of the public's expenses", because this is the most important reason that has aroused the concern of the political parties and groups about this problem.

Madam Deputy, some critics dismiss this debate as a concerted effort of political parties and groups to exert pressure on the public transport operators, and some others even say that it represents a political intervention in market operation. But this debate is in fact no more than an expression of the views of Members and political parties and groups on the fares of public transport services, and I believe they also reflect the feelings and views of the public. I am sure that other Members of this Council will later on respond to the criticisms

mentioned above. The only thing I wish to say is that the weight of the pressure which the views of this Council can exert on transport operators will depend on how these operators look at public opinions. Besides commercial principles and considerations, these operators also attach very great importance to "corporate image". We frequently come across these operators' publicity, which claims that they are concerned about people's quality of living, community development and environmental conservation. The contents of these publicity materials are often warm and full of human touch, making us feel that these big corporations are more than just motivated by downright profiteering.

The economic conditions are very poor now, and people are facing reduced income and a general decline in living standard; we are all talking about "joining hands to tide over the difficulties". So this is precisely the time for public utilities, transport operators in particular, to show their care and concern for the people. This Council urges the Government and public transport operators to conduct discussions and "encourages" them to work out some ways to relieve the people's burden. The Council even says that they can "take account of their respective operating conditions". Should such an expression of opinions be regarded as a political attempt to interfere with market operation?

With these remarks, Madam Deputy, I implore all Members to support the motion and the amendment.

Mr Jasper TSANG moved the following amendment: (Translation)

"To delete "whereas" after "That," and substitute with "as"; to add "while" after "and the worsening deflationary situation,"; to delete "and have not been adjusted downwards in keeping with the movements of the Consumer Price Index; in this regard" and substitute with ", and transport expenses account for a large proportion of the public's living expenses"; and to delete "with a view to expeditiously reducing the fares of public transport services" and substitute with "and encourage them to take account of their respective operating conditions and reduce their fares or offer concessions to passengers"."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Jasper TSANG to Mr LAU Kong-wah's motion, be passed.

MR FREDERICK FUNG (in Cantonese): Madam Deputy, I believe all in this Chamber know that expenses on clothing, food, accommodation and transportation are indispensable to maintaining the basic living of a person. In the past, when the economy was booming and people could expect to have steady and predictable pay rises in the long run, the negative impacts brought about by the fare rises of some transport operators could still be offset. But given the prevailing declining economy and high unemployment rate, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I am very disappointed at seeing that some transport operators with satisfactory business performance are still unwilling to reduce their fares.

A person may only have to spend \$8 or \$10 a day on transport and this may seem like a very small sum, but "small sums will add up to a very large amount over a long period"; for those people living in remote places, their travel expenses are certainly very substantial. Let us look at a family of two living in Tuen Mun as an example. If the couple both have to commute to work in the urban areas, they will have to spend as much as \$1,600 monthly on commuting to and from their places of work. Assuming that their combined monthly income is \$10,000, which is the average median wage of Hong Kong now, their transport expenses will represent about 10% of their combined income. This is no light burden indeed. And, let us not forget that there are still other non-work-related travel expenses, such as those they have to incur when they seek entertainment. The proportion taken up by transport expenses in the case of poor families with yet a lower level of income will be even larger. From this, we can see that transport expenses are a major item of expenditure for the people in general, and for this reason, public transport operators cannot ignore this problem at all.

Public transport operators are commercial organizations in nature, and so some argue that it is reasonable for these operators to operate on the basis of free market principles and maintain a certain level of profits or returns as a show of their responsibility towards shareholders. Some others even say that Legislative Council Members should not interfere with their business operation. But I hope Members and the Government can note that: first, many public transport operators are financed to varying degrees by the Government; and second, some public transport operators do not have any rivals, and thus in the so-called "free market", they can operate as the only player, having a free hand to determine their own modes of operation and even fare levels. What is even more "outrageous" is that many public transport operators which have enjoyed

increasing turnover and profits over the years still refuse to reduce their fares or offer any concessions to their passengers. We thus feel that their sole concern is nothing but profits, and that they never care about the financial hardship of their passengers. Such an attitude cannot be justified at all.

Let me cite an example here. In many new towns, especially in the newly completed housing estates there, there are often just one or two bus routes. Since these housing estates are not near to the Light Rail Transit, and since they are not yet served by the MTR, buses and maxicabs have virtually monopolized the outbound transport of these housing estates. The residents are thus entirely "at the transport operators' mercy", having to pay whatever amounts of fares asked for, and being deprived of any choices. For this reason, the ADPL and I hope that at this time of economic downturn, public transport operators can join hands with the people to tide over the difficulties by reducing their fares by 10%.

In fact, many public transport operators have been spending millions on participating in or sponsoring various community activities as a public relations drive to build up a good image. But "image" is after all abstract. To the people, the best image actually comes with concessions and genuine fare reduction, for all this can deliver the message that the operator concerned is prepared to share the difficulties of the masses.

During the Question Time today, the Secretary for Economic Services, when replying to the fifth question asked by the Honourable Fred LI, mentioned a point which I think should be raised here. The Secretary said that the cumulative rate of adjustment of the Composite Consumer Price Index from October 1998 to September this year was -8.2%, and that in the case of public utilities operators and transport service providers, their major cost components such as staff salaries and prices of imported equipment and raw materials might not necessarily change with the local General Consumer Price Index. But I must point out that in the case of some public utilities operators such as the power companies, the coal gas company, the telephone companies and the three railway corporations, manual operation is often not the major mode of operation. For this reason, they need only to introduce changes by way of high technology or technology, or simply replace their machinery, and then they can already improve their overall operation. When they do so, they will be able to reduce costs. That is why I think we must consider this factor. I hope that the Secretary can give us some information later on about whether there has been

any cost reduction or increase in this respect. If there has been a cost reduction, can we say that there is an added reason for a fee reduction by public utilities operators?

Thank you, Madam Deputy.

MR ERIC LI (in Cantonese): Madam Deputy, before I go on, I must make a declaration of interest. I am an independent non-managing director of the Kowloon Motor Bus Holdings Limited. But Members will see clearly that this status will not affect my position both in this speech and the final voting on the motion. Quite the contrary, I shall state right at the beginning of this speech the viewpoints held by the seven core members of the Breakfast Group, namely, the Honourable NG Leung-sing, Ir Dr the Honourable Raymond HO, the Honourable Abraham SHEK, Dr the Honourable LUI Ming-wah, Dr the Honourable LO Wing-lok, the Honourable Bernard CHAN and I, on the consensus expressed in the motion.

First, we do not think that in addition to playing a monitoring role on the Government, the Legislative Council should play the further role of a "social adjudicator". As far as this topic is concerned, we do not wish to see any situation under which people may have the impression that the Legislative Council is employing some political tactics to pre-empt the operators' commercial decisions. But we wish to point out at the same time that if any major public utilities operator in a position of *de facto* monopolization ignores the fact that its services are part of the absolute necessities of the people, then the Legislative Council will have a case to intervene. But the intervention in that case should not be in the form of demanding any rate of fee reduction; rather, it should take the form of tightened legislative monitoring in the future, with a view to striking a balance that can better look after the interests of the public.

Legislative amendments are of course major moves, and if they are used all too easily to deal with situations that are not extremely unfair, then our investment environment will become uncertain and unstable, and the interests of those organizations which have already invested enormous capital will be jeopardized. Unfortunately, as I also understand, there is actually not any "milder" way for the Legislative Council to deliver its message on this very sensitive issue. In other words, there is no alternative that can enable the legislature to issue a warning or put across its common position before resorting

to the "ultimate means". That is why when considering this motion, we should first ask ourselves very clearly whether the direction laid down can really reflect public aspirations, whether the words chosen and approach recommended will in effect pre-empt commercial decisions, and whether there are any other more satisfactory and appropriate ways to put across the message under the rules of procedure of the legislature.

On the basis of the above considerations, and following discussions with other Members on seeking common ground, we have come to the conclusion that the Honourable Jasper TSANG's amendment represents an approach acceptable to this Council, for it can enable the legislature to impart a positive message to the community.

Shortly after Mr LAU Kong-wah had put forward his original motion, I immediately expressed reservations about its wording and direction on behalf of the Breakfast Group. And, I also reminded Members that when we stepped in to interfere with business operation and make concrete proposals in relation to commercial decisions, we must carefully consider whether that would adversely affect the business environment in Hong Kong.

There are three points in the original motion which we find it hard to endorse:

- (1) It is highly inappropriate for the Legislative Council to involve itself in any direct bargaining with commercial organizations over fee levels.
- (2) We should not ask for a "uniform" rate of fee reduction, particularly because the requested reduction rate of 10% is well beyond the ability of some individual organizations. Therefore, it can be said that the original motion fails to take account of the commercial realities.
- (3) The drop of the Consumer Price Index does not necessarily mean a corresponding drop in the operating costs index of public transport operators. This is particularly true given the fact that fuel prices, wages, government fees and taxes and costs of environmental protection measures have all been on the rise in recent years.

Mr Jasper TSANG's amendment has to a very large extent revised the controversial expressions and approaches contained in the original motion, and for this reason, it can bring people's demand closer in line with the commercial realities and achieve a balance in society.

First, what the legislature is doing now should be to impart a message to the Government and the public, not just to the commercial organizations. Whether its proposals are fair and in line with public opinions is clear to all and subject to public monitoring. In fact, the Legislative Council is not supposed to play any role in directly interfering with commercial decisions; in contrast, the Government's participation in making commercial decisions is already a fact. Government representatives are actually playing a leading role on the boards of directors of the two railway corporations, and they have also taken an active part on the boards of other public transport operators; they have frequently given their views during the making of major commercial decisions, such as those relating to fare rises. And, the Government also possesses the ultimate authority of approving fare increases. Why has the Legislative Council as a monitoring body failed even to give some general views and had to allow the Government a free hand in representing public interests? Besides, commercial organizations should have the final decision on whether or not to offer fare reduction or concessions. The principle is recognized by different political parties and groups.

Second, the amendment can take account of the respective situations of different operators instead of making any demand for a "uniform" fare reduction. Members have come to realize that it is reasonable and legal for commercial organizations to pursue reasonable profits. This is not to mention the fact that the profit levels of public transport operators are subject to reasonable ceilings under the law, and given close monitoring, they simply cannot make any excessive profits. The profits announced by many operators do not actually come from fares, but from other non-transport-related revenue sources, such as property development projects, technology projects (like Octopus) and even split listings and dividends. The Legislative Council has neither the power nor reason to require these commercial organizations to subsidize their transport services with returns from other investments. Therefore, comprehensive consideration of the overall operating environment and costs should form the main basis of determining appropriate fare levels. This is reflected in the amendment.

Third, commercial organizations are facing rising costs, not decreasing costs. Following structural rationalization, individual organizations have started to get good results in controlling costs by raising productivity. Over the past two to three years, thanks to healthy competition, some service providers have not only maintained quality services despite fare freezes, but also achieved good progress in environmental protection and the provision of value-added services. The legislature should really appreciate this instead of still asking them to reduce fares almost as a punishment, or else commercial organizations will have no incentive to raise efficiency. At the same time, though, I am sure that given the existing economic sluggishness, commercial organizations will also think very carefully before deciding on any fare increases; they may even be willing to take active steps to share their value enhancement results with passengers by reducing fares or offering concessions to them. In this connection, the amendment can also highlight a direction that organizations with a sense of social responsibility are themselves already prepared to consider.

Madam Deputy, public transport operators cannot and should not set their fares solely on the basis of public opinions, for they have to balance the interests of many, including shareholders, staff, creditors, customers, and so on. But this does not mean that customers will necessarily be denied the fruit of the operators' improved operation. Similarly, that the legislature is not supposed to meddle with commercial operation does not mean that it should be barred from making open, rational appeals. I am glad to see that during the co-ordination process relating to the motion, all political parties and groups could adopt a pragmatic attitude and seek common ground by exercising restraint. Therefore, I do not think that conservative business people should be so worried, because customers' opinions are also very important to commercial organizations.

Madam Deputy, Members belonging to the Breakfast Group and I are more than happy to support this moderately worded and restrained amendment.

MR HUI CHEUNG-CHING (in Cantonese): Madam Deputy, since the Asian financial turmoil in 1998 that triggered the economic downturn in Hong Kong, the expenses on clothing, food and housing of Hong Kong people have obviously cost less. The problem of negative assets aside, property prices and rentals have fallen by over 50% on average. The interest on home mortgages has also fallen from P+2% several years ago to the current rate of P-3%. On the other hand, statistics of the Government showed that in the past three years, the

average retail prices of consumer goods relating to the people's livelihood, such as rice, meat and poultry, marine fish, fresh water fish, fresh fruits, and so on, had mostly come down significantly. The index of restaurant receipts this year also showed a 4% decrease both in terms of value and volume under the category of "all restaurants", and the value index of restaurant receipts was even at an all-time low over the past three years. Clothing recorded an even greater rate of decrease than food, in that both its value and volume indices had dropped by 20%. Despite reduction in the expenses on clothing, food and housing, the expenses on transport, that is, the various modes of public transport on which a great majority of people have to rely, can nevertheless go against the economic downturn. While their fares have not seen any reduction in the past three years, some public transport operators may even increase their fares next year.

Public transport operators certainly have the right to apply for fare increases on the basis of prudent commercial principles. But the question is: If their applications for fare increases can still be approved when the economy is in the doldrums and when they are neither subject to huge financial pressure nor facing operational losses and hence being forced to increase their fares, I am afraid that it will, all at once, lead to a surge of fees and charges in every sector across the board, making the people and business operators feel at a loss. Since the severe onslaught of the financial turmoil, many small and medium enterprises (SMEs) have been on "saline drip" and are very fragile. The surge of fees and charges will only bring them more pain. I personally know a lot of SME operators, and they all think that since the operation cost is unlikely to come down substantially, and as it is getting more and more difficult to do business and profit is diminishing, is it not better simply to fold up as early as possible? Will the Government come round to the seriousness of the problem only when it sees businessmen becoming disheartened one after another? Why can the Government not encourage public transport operators to adopt a broader perspective, by allowing businesses and citizens more chances to gasp for breath first and considering fare increases only after the economy is revitalized?

The main reason why public transport fares are always increasing but not decreasing is that many modes of public transport are protected by franchise and profit control schemes. Doubtless public utilities initially require massive capital investment with a long payoff period and so, providing them with such protection so as to attract participation from the private sector is certainly no cause for complaint. This also shows that the people and businesses, being

end-users, appreciate the importance of profitability to public utilities companies, and they do not mind giving the latter some measure of protection. However, given a deflationary economy, the income of most of the people is dropping continuously and the costs of various apparatuses for living, raw materials, and so on, have also fallen. So, the actual operation costs of these companies are believed to have dropped too. Therefore, I hope that these companies, while being responsible to shareholders, will have regard for their social responsibility and will not lightly ask for an increase in fares when the economy is on the ebb. Meanwhile, they should enhance their internal management to optimize cost-effectiveness, and this will further allow themselves the latitude for a reduction in fares.

Madam Deputy, I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam Deputy, the economy is in the doldrums and the income of the people has been dwindling. But as public transport fares still stand high, transport expenses have constituted a heavy burden on the people. Take New Territories West, with which I am familiar, as an example. Residents of Yuen Long, Tin Shui Wai, Tuen Mun and Tung Chung rely mainly on bus services for travelling to and from the urban areas. If we use the median income of \$10,000 as the basis for calculation, as the bus fare for a round trip to the urban areas cost \$40 daily, the monthly expense on bus fares alone will amount to 10% of the income, let alone the majority of the residents there are earning only a few thousand dollars.

Over the past three years, all trades and industries in Hong Kong have faced difficulties in their operation, and business operators have to cut their prices to stimulate sales. Public transport companies are, however, the only exception, for they have refused to reduce their fares by even a single cent. They even forewarned about a hike in their fares. This is so unfair to members of the general public who have suffered badly under the threats of layoff and salary cut. Over the past three years, prices in Hong Kong have kept on falling. The Composite Consumer Price Index was down by 9.1% in September this year, as compared to the figure in 1998; but the transport expenses of the public in the same period increased by 2.5%. From this, we can see that public transport fares have put a far greater burden on the people against the current economic conditions.

To relieve the people of their financial burden, a measure that can produce instant results is to encourage various public transport operators to lower their fares. In so doing, public transport service providers can also improve their corporate image and win public support. Apart from asking public transport operators to lower their fares, the Government can help alleviate the burden of public transport fares on the people, particularly people in the low income group, in three ways.

First, the Government should review the fare structure of the existing modes of transport and rectify any unreasonable practice or arrangement. For instance, in respect of franchised bus services, the bus companies have now replaced the ordinary buses by air-conditioned buses for most of the routes. The fares for air-conditioned buses are 30% to 40% higher than those for ordinary buses owing to a higher level of fuel consumption by the air conditioning system. But according to members of the industry, other than those of the New Lantau Bus Company, the air conditioning system of air-conditioned buses is driven by the main engine, which consumes far less fuel than an independent engine. This is very different from the basis of calculation used then to determine the fare level of air-conditioned buses. I hope that the Transport Department will give an explanation to the public in this connection. The review of the fare structure should also cover the possibility of introducing more sections for which sectional fares are charged, to ensure greater equity and to save passengers travelling for a short distance from having to pay excessive fares.

Second, the Government should introduce more competition for public transport services. The existing traffic management policy has restricted the development of such modes of transport as estate coaches, minibuses, and so on, making it difficult for them to compete with major modes of public transport. However, estate coaches are generally welcome by residents of new towns, such as Yuen Long, Tin Shui Wai and Tuen Mun, because they are less expensive than franchised buses, their service is good, and each passenger can certainly find a seat. The Government must look into ways to facilitate competition, with a view to providing the public with more choices of transport at lower costs.

Third, the Government should explore ways to provide low-income earners with transport subsidies so as to facilitate their employment. In October I asked a question in this connection in this Council, and the Health and Welfare Bureau stated that they had no plan to introduce a new transport subsidy in

addition to the Comprehensive Social Security Assistance Scheme and other employment and support services. Nevertheless, we found that in some districts, there are jobs not filled due to their remote geographical locations; whereas residents of other districts are unable to land a job for they cannot afford the transport fares. In the domestic helper sector, for example, there are abundant vacancies in the Peak area as well as Southern District on Hong Kong Island, but local domestic helpers mostly live in the New Territories, such as Tuen Mun and Tsuen Wan. The transport expenses for commuting to and from work will be fairly expensive as opposed to the level of their income. At the meeting of the Employees Retraining Board yesterday, we stated our wish that public transport operators could consider offering concessions to these helpers during non-peak hours, so as to encourage them to take up jobs in other districts. With regard to the provision of transport subsidies to the low-income group, the Government can make reference to the Student Travel Subsidy Scheme, or set up other forms of travel allowance schemes, so as to alleviate the financial burden on low-income earners and improve the overall employment situation.

Madam Deputy, to alleviate the plights of the people, the Government must expeditiously tackle the pressing problems faced by the people. Now that downward adjustments in the fares of public transport services are of the greatest concern to the people, I hope that the Government can positively respond to this aspiration of the people.

With these remarks, I support the amendment.

MR ABRAHAM SHEK: Madam Deputy, tonight's motion and amendment moved by two Honourable Members of the Democratic Alliance for Betterment of Hong Kong are most timely, as thousands of families are going through difficult times and transport expenses form one of their major burdens. It is necessary to assist them in alleviating this burden.

Daily, over 10 million passenger journeys are made on various forms of public transport. About 90% of the population depends on public transport. According to some survey findings, a large majority of respondents consider that fares of various public transport services are high. 70% of respondents believe that fares of the Mass Transit Railway (MTR) are the most expensive among all forms of public transport. In good times, travelling expenses have minimal

impact on family incomes. But in difficult times like now, they eat into the food bills, particularly those families whose breadwinners are unemployed.

According to the Annual Transport Digest 2001 published by the Transport Department, public franchised buses and railways form the core of public transport system which account for 39% and 30% of daily public transport passenger journeys respectively. Public buses in Hong Kong are operated by private franchised companies without government subsidies. Market competition has been introduced in recent years to maintain the provision of good quality bus services at reasonable fares. In compliance with the Public Bus Services Ordinance, scales of bus fares are determined by the Chief Executive in Council. Fare adjustments are regulated by the rate of return on average net fixed assets and a price-cap formula. In view of the open market competition and various schemes of control, applications of bus fare adjustment are commercial decisions made by individual public bus operators. Members of this Council should not "politicize" and must not "interfere" in these commercial practices.

However, I hold a different view about the two railway operators. The Kowloon-Canton Railway Corporation (KCRC) is wholly owned by the Government, and the MTR Corporation Limited (MTRCL) was privatized in 2000 to become a public limited company with the Government remaining as a major shareholder. Unlike other commercial transport operators, the two railway corporations enjoy special privileges such as government provision of land for development, government subsidies and equity. Therefore, in their formulation of fare policies, they should adopt a more socially responsible attitude.

According to its Annual Report 2000, the MTRCL made a record of \$4.1 billion profit during the year and its profit on property development amounted to \$3,376 million. Therefore, without question, there is much room for MTRCL to consider a review to its policy by finding a balance between its obligations to the 400 000 shareholders and that of the public to which it serves.

For the KCRC, I totally disagree with its statement that "for three of the past five years (this is, from 1998 to 2000), only East Rail cross-boundary is profitable for passenger operation". Operation profit from railway operation should be calculated on a basis of the whole rail line, not on part of the rail line or on a station-by-station basis. It is, therefore, misleading to say that only the

operation of cross-boundary track to Lo Wu is profitable. This is not a reason, nor is it a justification, for the KCRC to increase its fares yearly. In fact, if you look at the figures, the whole East Rail line is profitable. According to the KCRC Annual Report 2000, its revenue from operations was \$4,731 million and the net profit after tax was \$2,288 million. I congratulate the KCRC in attaining such outstanding results. With such good foundation, is it not time for the KCRC to be more socially conscious and for it to review its fare strategy to help those people who contributed to its success?

Helping their customers in these difficult times is by far a better PR exercise than spending millions of dollars on advertisements. It is high time that the KCRC must return part of the profit to the passengers.

A more difficult point, I would like to stress, is that in Hong Kong, there is a close relationship among developments of railway, new towns and housing. New towns with large housing developments are built around rail stations. Railway becomes the most efficient and convenient means of transport for commuting between new towns and commercial business district. Bus services to the railway lines are restricted. As the Government's long-term transport strategy is to make "better use of railway as the backbone of the passenger transport system", commuters' reliance on railway is anticipated to increase. The two corporations should not take advantage of this and increase fares to obtain unreasonably higher profits.

Although the two railway corporations have the autonomy to decide on fares, I urge the two railway corporations, both the MTRCL and KCRC, to take into account the current economic conditions and to suspend the fare increase averaging 2.3% and 3.1% respectively to be implemented from 1 April 2002. I also urge the two railway corporations and other transport operators to carefully consider introducing short-term temporary measures, such as concessionary fares for the elderly and students so as to alleviate our citizens' financial burden in these economic hard times.

Madam Deputy, Hong Kong operates on a free market economy. The Council should not intervene and put pressure upon the public transport operators, that is, the public bus operators, to cut fares. I, however, urge the Government, as the main shareholder/owner of the two profitable railway corporations, to fully bear its social responsibility and adjust fares so as to alleviate the public's economic burden in the present difficult time.

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, at the present time, life is hard here in Hong Kong. As the income of the general public is falling, people hope prices can go down, so that they can minimize their expenditure so as to tide over the most pressing difficulties.

However, during the last couple of years, of the costs of basic necessities of life, that is, food, clothing, shelter and transport, the transport cost alone has not seen any reduction. The general public has been retrenching their expenditure in food and clothing, and prices have already gone down considerably. Yesterday, a survey report revealed that the expenditure on food of low-income families with a monthly household income below \$12,000 in the third quarter has dropped 13% from the second quarter. However, the expenses on commuting to and from work of the general public are still very high. To the general public, especially the lower-income group, these high expenses mean significant influence.

According to government statistics, the monthly transport expenditure of the 25% of households with the least monthly expenditure was twice as much as the top 25% of households. It is not hard to imagine how bad the situation is. Besides, it has impacted particularly seriously on the low-income group. However, whenever we ask various public transport operators to reduce their fares in order to weather the hard times with the general public, they would offer numerous excuses which I consider specious. Even if Legislative Council Members have reached a consensus to urge various public transport operators to reduce the fares, the most frequently heard remark, one that will definitely be made is: we are trying to interfere the free market by means of political pressure.

A lot of Members asked that question earlier: Are we interfering with the market? In fact, the Government is the shareholder of various public transport operators, so what we are doing today is just telling the shareholder our demand and hope that it will reflect our demand to the boards of directors. So where does the "political pressure" come from? If the various operators respect the fact that the Legislative Council is a representative organ of the people, then they should understand that we are just informing the Government of the public opinions, and trying to convey these opinions to various public transport operators via the Government. How can it be said that we are applying pressure on them? I really do not understand why they say so.

Just as Mr Eric LI said earlier (I think he has raised a very good point), the final decision rests with various public transport operators, and they may discuss the matter and take the opinions of their shareholders into consideration. Therefore, how can people say that there is any "political pressure"? With regard to interfering with the free market, in fact, everybody knows that when we talk about free market, most public transport operators have *de facto* monopolized or almost monopolized the entire market, where is the free market? They are simply looking for excuses. Now that when we ask them to reduce the fares, they say that we are trying to interfere with the free market; but when they ask for fare increases, why do they not cite these arguments? When they are making money, they will say that prices are going up, so they have to increase the fares. Actually, the so-called free market does not mean that. A free market allows competition. Unfortunately, there is no competition in the market, therefore such an argument simply does not exist.

Moreover, many public utilities have used "contractual spirit" as a reason and said that if we put pressure on the Government and the Government then puts pressure on them, it might violate the agreement on the profit control scheme. I have to put emphasis on our stance right from the start, in fact, we did not support the profit control scheme all along, as it only contains a mechanism to allow them to increase fares, but it has none to monitor the need for fare reduction. As a result, there is no way to propose a fare reduction, therefore, I do not agree with the argument of breaching the contractual spirit.

Furthermore, these organizations will usually advance another reason, that is, they will say that they have to maintain the operation costs, especially the wages and benefits of employees accounting for a great part of their expenditure. As a result, whenever they wish to increase or reduce the fares, they have to take the condition of the employees into account. I consider it empty talk too. Why? I can see that very often, when these organizations propose to increase the fares, there is a significant difference between the fare increase and the pay rise of their employees, so it can be seen that the fare increase does not bring about a significant pay rise to their employees. Therefore, I consider this another excuse, and the crux of the matter does not actually lies here.

Consequently, I hope the Government will consider this seriously. If the Government regards the Legislative Council as a representative organ of public opinion, in view of the consensus of many Members and political parties that

various public transport operators should weather the hard times together with the general public, why is it so reluctant to play the role, as it is the shareholder of various public transport operators, of voicing our opinion in the boards of directors of these companies, and urge these companies to weather the hard times together with the general public? For this reason, I support today's amendment, in particular the comment by Mr Jasper TSANG, that it was very rare for Members of this Council to come to a consensus unanimously. Therefore, we hope the Government will respect our views.

Madam Deputy, I so submit.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, the economy of Hong Kong is in the doldrums and on the verge of recession. The quality of living of the grass-roots people is worsening. When we read newspapers in recent months, there is always news about layoff, unemployment, salary freeze, salary and bonus cuts, and so on and so forth, news that is so worrying. Society is full of pessimistic sentiments. It is a very trying task to overcome the difficulties faced by Hong Kong and to restore the people's confidence, and the concerted efforts of all sectors in the community are required for it to succeed. In this connection, the Government of the Special Administrative Region has introduced a host of measures to alleviate the plights of the people. But apart from the Government's efforts, if public utilities that are financially capable and making reasonable profits can reduce their fees and charges or offer concessions to the public so as to ride out the hard times together with the people, it will be immensely helpful to improving the people's livelihood and boosting public morale. While public utilities are commercial organizations that can operate purely on economic and commercial principles, they should still assume certain responsibility to take care of society given the franchise or monopoly element of their operation.

Statistical data show that in recent years, the price indices of clothing, food and housing have all come down, with the exception of transport expenses which cost no less than before. Many people are now subject to salary freezes or cuts, but as public transport fares have not been lowered, they are virtually made to pay more in transport expenses. In this connection, the burden on residents of the New Territories are particularly heavy. In recent years, public housing estates were mostly built in the New Territories, particularly in Northwest New Territories. Residents there have to pay over \$10 or even \$20 for a single trip to and from the urban area. For example, it costs \$20.7 for a bus trip from

Yuen Long to the Central and Western District on Hong Kong Island, and \$16.5 from Yuen Long to the Yau Tsim Mong District in Kowloon. The monthly transport expenses of residents on commuting to and from work may well cost some \$1,000. To the general "wage earners" earning \$7,000 to \$8,000 a month, this level of transport expenses indeed means a large sum of money and takes up a substantial proportion of their income. If their children have to travel to other districts or even to the urban area to attend school, the transport expenses will put an even heavier burden on these families.

Therefore, the Legislative Council hopes that the various public transport operators can reduce their fares in the light of their operating conditions, and this fully reflects the aspiration of the people. The Hong Kong Progressive Alliance would like to emphasize that we have considered the relevant issues on the basis of two principles. First, we are just urging those public transport companies that are making reasonable profits and operating well to reduce their fares. We are not asking all companies to reduce their fares across the board. The rate of reduction should also be considered flexibly on a case by case. Second, when we urge the relevant companies to lower their fares, we have to take account of the interest of their staff in order not to induce any further salary cuts or layoffs.

Madam Deputy, despite the economic downturn in recent years, some public transport operators can still reap handsome profits over the past few years to the tune of hundreds of millions to even billions of dollars annually. Certainly, business is business and so it is understandable that these companies would not wish to reduce their fares so as to maximize their profits. However, under the present circumstances which are so exceptional, if these companies can sympathize with the plights of the people and tide over the difficulties with them together by taking the lead to reduce their fares, they will more readily command the blessing and support of the people. For instance, the MTR recorded profits amounting to \$2.819 billion, \$2.116 billion and \$4.055 billion in 1998, 1999 and 2000 respectively. As for the KCR, considerable profits were also made in the corresponding years, totalling \$1.639 billion, \$1.903 billion and \$2.288 billion in 1998, 1999 and 2000 respectively. The Kowloon Motor Bus Holdings Limited (KMB) also registered a substantial growth in profit this year, and the profits attributable to shareholders in the first six months totalled over \$800 million, representing a 143% increase compared to the corresponding period last year when the company also made a profit of over \$800 million. To these companies which have shown good performances, a fare reduction at an appropriate rate or an offer of concessions to passengers will only slightly reduce

their profits. It will not create a substantial impact on their operational cost and should not lead to layoffs and salary cuts. Rather, it will be an effective public relations tactic. As deflation persists, public transport operators have already seen their operational costs reduced. Furthermore, their franchised or even monopolized operations have given certain guarantee to the level of their profits and so, they are absolutely in a position to reduce their fares. I hope that public transport operators will sympathize with the plights of the people and will not turn a deaf ear to the voices of the people calling for a reduction in fares.

Madam Deputy, if the fares of public transport operators can be adjusted downwards in response to public aspiration, it will not only alleviate the people's plights, but also help reduce the cost of living, which is helpful in some measure to improving Hong Kong's competitiveness and business environment.

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

MS MIRIAM LAU (in Cantonese): Madam Deputy, the fact that some public transport operators recorded profits during the current economic recession would of course make people think that these operators are in a position to reduce their fares. Added to this is the fact that while the continuing deflation has led to a decline of the Consumer Price Index (CPI) for "clothing, food and accommodation" over the past three years, that for "transportation" has risen slightly by 1.2%. It is only natural that people would think that transport fares should be reduced. But as people are all demanding public transport operators to reduce their fares, I wish they can take note of several points.

First, I wish to point out that the CPI can only reflect the expenditure amounts of individual households and the proportions occupied by individual expenditure items. It cannot reflect the operating costs of individual public transport operators. The CPI and public transport operators' operating costs are not necessarily related: a drop in the former does not necessarily mean a corresponding drop in the latter. Earlier on, the Secretary for Transport, when replying to a question, pointed out that the staff costs of public transport operators have not seen any decrease over the past few years. The information I have shows that in the case of bus companies, for example, their fuel expenses, instead of dropping, have actually gone up over the past few years. The

average per-litre price of diesel has so far risen by nearly 100% since 1998, and fuel costs now represent about 8% to 10% of the operating costs of public bus companies. This percentage is by no means small.

In fact, most public transport operators have not increased their fares for three to four years already. The slight increase in people's transport expenses may have been caused by the abolition of the MTR last-ride bonus, by the 10-cent MTR fare rise resulting from the installation of platform screens, by the introduction of more air-conditioned buses, by a greater number of people moving to live in remote places such as Tin Shui Wai and Tung Chung (where rents are presumably lower), and perhaps also by a greater number of people going to Shenzhen for consumption on weekends.

Some think that since the MTR, the KCR and the KMB have all recorded profits, they should reduce their fares. I however advise caution in handling such an issue. Most of the profits recorded by the two railway corporations will in fact be ploughed back to improve services and develop new railway systems; actually, the two railway corporations still have to implement many large-scale development projects that require huge financial resources. If we force these two railway corporations to reduce their fares, there may well be more losses than gains for us, because hard pressed by inadequate financial resources, the railway corporations, having to maintain efficient railway services at the same time, may have to ask for additional capital injections by the Government or to increase their borrowings. While a capital injection will affect the Government's allocation of financial resources, increased borrowings will add to the interest expenditure. Moreover, if the railway corporations fail to maintain a stable source of revenue, their credit ratings may go down, and that would mean higher interest spendings for them. Who will bear such a consequence in the end? Passengers, of course.

Besides, the MTRCL and the KMB are both listed companies which must be accountable to their shareholders. If all these listed companies should disregard their own financial situations and they seek only to ease the people's plight, who will buy their shares? Whether these companies are listed or not, if we tell them, "Because you are making profits, you should reduce your fares," then what kind of a message are we trying to deliver to them? Are we actually saying that they should not make any profits, and that making profits is wrong, is a crime? Or, are we saying that though they are making profits, they should never have done so in the very first place, or should never have made that huge profits at least, which in any case should be a sufficient reason for them to reduce their fares? I hope we can all consider whether we really want investors in

Hong Kong to get such a message, and whether the delivery of such a message to investors in Hong Kong will do us any good in any way.

Actually, the number of public transport operators still recording profits is very small, so small that we can name them all very easily. As for the rest, most of them are only making very small profits, or are just being able to make ends meet; some of them are even incurring losses. Forced fare reductions will only make operators with small profits incur losses and inflict bigger yet losses on those already suffering. Transport operators with small profits and those incurring losses all share one thing in common: in recent years, they have had to purchase large numbers of vehicles or ferries to improve their services, to satisfy people's expectation of improved services — we naturally hope that they can do so, and we also encourage them to do so. We of course do not wish to see any public transport operator having to curtail its services due to poor finances, or to lower its quality of services, or to cut wages and dismiss staff, for all this will adversely affect the overall quality of public transport services.

Members may have overlooked the point that public transport services are labour-intensive in nature, which means that staff salaries usually occupy a very large proportion of their daily operating costs. For example, the proportion of staff salaries in a public bus company's overall operating costs is more than 50%, and in the case of a railway company, the proportion is more than 40%. Despite poor business turnovers in the economic recession over the past few years, most public transport operators have not followed the prevalent trend of wage cuts and staff dismissals, and some have even increased staff salaries and recruited more staff amidst poor market conditions. I have been told by one from the management of a medium-sized public transport operator that though the company is not making any profits now, it has still given its staff a small salary raise. Why? Because it is hoped that its employees can perform better to attract more passengers. But do not forget that these operators are still incurring losses. Has it ever occurred to Members that if we compel these companies to reduce their fares, they may be forced to sacrifice the welfare and benefits of their staff in exchange for praises that they are willing to help people tide over the difficulties? Do we really wish to see something like this?

Public transport operators are facing rising operating costs, and with no exception, they are all facing the pressure of fare increases. Most of them have been trying actively to create new sources of revenue to relieve such pressure. Advertisements used to be a significant source of revenue, but since the

"September 11 incident", advertisers have cut their budgets. We cannot therefore hope that public transport operators can continue to get any substantial revenue from advertisements.

Though public transport operators are facing different degrees of difficulties which have affected their respective financial positions differently, I still encourage them to take account of their own operating conditions, and then reduce their fares and offer concessions as much as they can. From my recent contacts with the people in charge of public transport companies, I notice that they are not apathetic as imagined. They can appreciate the people's plight; companies incurring losses have tried not to increase their fares as far as possible, and those making profits have also offered concessions as much as they can. They say that they have done their best to help, but I hope that they can still do something more as far as they can and without affecting service quality. If possible, they should introduce further measures to relieve the people's burden and help them live through this period of hardship.

DR LO WING-LOK (in Cantonese): Madam Deputy, in his speech Mr Eric LI has given an account of the discussion among the seven of us on the amendment. I will now focus on my views on the original motion. Indeed, the two motions proposed for debate in the Legislative Council today are in great conflict. On the one hand, colleagues have asked for a downward adjustment in fares by public transport providers, which may send a worrying message to investors about undue intervention in the future business environment; but on the other hand, a motion was also proposed to call for improvement in the business environment.

After listening to these two motion debates, many people may ask this question: What exactly do Members of the Legislative Council want? I would also like to ask: What exactly is the role of Members of the Legislative Council? Should we exercise macro control on the laws, regulations and institutions of society by virtue of the powers of the Legislative Council to ensure that all sectors of society can develop and operate in a more equitable and orderly manner, or should we, on the basis of political correctness, give knee jerk response to social changes or the voices of the people, exercising micro control on certain minor aspects or even ignoring the established laws and regulations only to satisfy the aspirations of the public at one time?

Recently, Hong Kong has again been rated as the freest economy in the world. What we have always taken pride in is a sound and healthy legal system which sets out laws and regulations for people to go by and guarantees that everyone is given due protection. As society progresses and develops, some established laws and regulations may become outdated or plagued with loopholes, or may impose excessive restrictions. Revisions or additions are thus warranted.

For Members of the Legislative Council, their primary duty is to monitor the Government to see if laws and systems in keeping with the needs of the time are formulated to cope with changes in the general environment, and to endorse or negative government proposals by way of the legislative procedure, with a view to ensuring more equitable and orderly operation of society, thereby maximizing benefits for the largest possible number of people. We should not lightly effect micro intervention in the operation of the market, for the consequential damage done to Hong Kong simply cannot be repaired by the benefits of a certain percentage of reduction in public transport fares.

Take this motion on the fares of public transport services as an example. Our role should not be putting pressure on the relevant public companies, asking them to lower their fares. Rather, we should adopt a rational attitude to conduct a comprehensive review of the worthiness of public utilities franchises, and to examine whether the existing regulatory legislation and mechanism is proper and adequate, and whether it is because of loopholes in the current profit control agreements that the fees and charges of public utilities have continuously increased despite a deflation in Hong Kong over the last four years. I think this is the direction that Members of the Legislative Council should pursue in their work.

We must bear in mind that all major public utilities companies operate in full compliance with the law and follow the book in their work. Their fee-charging mechanisms fully measure up to the profit control agreements signed with the Government, and they have not acted in breach of the stipulations. If Members have regard only for the present circumstances and hastily bring pressure to bear on them, asking the companies to lower their fares across the board, then we are completely neglecting the spirit of abiding by the law and contracts. Surely this will take a heavy toll on the favourable business environment of Hong Kong and do huge damages to the economic prospects of Hong Kong.

We must differentiate between public-funded public utilities companies and privately-run public utilities companies. The operational expenses of the former are borne by taxpayers and so, Members absolutely have the power to monitor these companies to ensure proper utilization of public resources and even to make appropriate adjustments under the major principle of sympathizing with the plights of the people. On the contrary, private companies are completely self-financed operations, and while it is not wrong to ask them to sympathize with the people's plights, Members absolutely cannot use this as a reason for intervention as long as they operate lawfully and in compliance with the agreements, or else it will set a very bad precedent of intervention in a free market.

As we can see monopolies in public utilities which have made the public feel that they are subject to the whims of these companies, and as it is impossible to rectify this problem within the parameters of the existing laws, the authorities should expeditiously look into the feasibility of opening up the public utilities market to introduce competition. The opening up of the telecommunications market is a good example.

Political pressure and political correctness may sometimes be a stumbling block to the development towards a knowledge-based society. Why can we call for improvements in the business environment on the one hand but speak sternly in a sense of justice, trying to sabotage the law and to override the legally binding agreements by exerting political pressure on the other? If even Members of the Legislative Council do not respect the established laws and systems, is it not naive to believe that a good business environment can be created in Hong Kong simply by streamlining the licensing mechanism?

With these remarks, Madam Deputy, I oppose the original motion.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, I speak on behalf of the Hong Kong Confederation of Trade Unions and the Coalition to Monitor Public Transport and Utilities. Our position is simple. We hold that as the Hong Kong economy is again moving towards a recession and with the unemployment rate surging, we believe that apart from public transport companies, other public utilities such as the two power companies, Towngas and the Government should all lower their fees and charges, in order to alleviate the burden on the people across the board. Today, our message is very clear, and I

wish to say this to all public transport and public utilities companies: The citizens have already suffered badly. Do you have the heart to see them suffering? Please lower your fees and charges to ride out the hard times together with the people. Thank you, Madam Deputy.

MISS LI FUNG-YING (in Cantonese): Madam Deputy, Hong Kong is experiencing the pains of economic restructuring. To weather the economic winter, the general public can only economize on clothing and food. Affected by the economic downturn, Hong Kong has registered a deflation for 35 months in succession as at September this year, which is record-breaking, with the indices of various consumer goods having fallen by nearly 8% in aggregate. As a general rule, the cheaper the goods, the stronger the people's purchasing power will be. But since 1997, as the salary and fringe benefits of employees have been cut drastically, the consumption power of "wage earners" has greatly diminished.

Among the four types of living expenses of the people, namely, the expenses on clothing, food, transport and housing, the first two types of expenses have come down significantly. In respect of housing expenses, for those who purchased their properties only in recent years, even the rates and management fees have been adjusted downwards. Quite on the contrary, the transport expenses have nevertheless increased by 1.2%. As we all know, under bad economic conditions, the people can refrain from buying new clothes or choose to consume cheaper food or rent a place that costs them less in order to cut down on their spending. However, the transport expenses are unavoidable, unless they choose to walk to their workplace, which is simply not an option.

According to the Summary Results of the 2001 Population Census published by the Census and Statistics Department, there are 860 000 people working on Hong Kong Island, half of whom do not live on Hong Kong Island; and there are 230 000 people living in new towns and the New Territories. This means that those 230 000 people have to commute between Hong Kong Island and the New Territories by MTR, trains or long-haul cross harbour tunnel buses every day. For example, a colleague of mine who lives in Stanley on Hong Kong Island and works in Sham Shui Po has to take a bus first and then switch to the MTR every day at a daily cost of \$40. If we calculate on the basis of 26 days a month, the travelling expenses will be well over \$1,000, accounting for as high as about 15% of his total income. This shows that the costly

transport expenses do constitute a key factor that leads to the lowering of the quality of living among the grassroots.

Recently, surveys conducted by the Transport Bureau showed that only 49 out of every 1 000 people own a private car in Hong Kong. The number of private cars owned by Hong Kong people compares far less favourably with such Asian territories as Taiwan and Singapore. The Secretary for Transport has said that, in Hong Kong, we rely on efficient and environmentally-friendly mass carriers to meet the demand. Secretary Nicholas NG is perfectly right in saying so. The demand for public transport of Hong Kong people has been increasing. In 1995, the total public transport ridership was 3.826 billion, and the figure increased to 3.971 billion last year, showing that more and more people are using public transport. Yet, Secretary Nicholas NG has missed one point, that is, the costs borne by the public for travelling on these mass carriers are nonetheless becoming increasingly high.

The results of the Population Census published by the Census and Statistics Department also indicated a gradual widening of the gap between the rich and the poor. At present, there is widespread discontent among the grassroots and family tragedies are on the rise. The Government is duty-bound to take practical actions to alleviate the people's plights. That said, does it mean that those public utilities closely related to the people's livelihood do not have any responsibility at all? The Government of the Special Administrative Region is the principal shareholder of the two railway corporations. Last year, the profit after tax of the East Rail was \$2.228 billion, whereas that of the MTR was \$4.055 billion. Since there is room for the fares to be adjusted downwards, I think the two railway corporations are also duty-bound to lower their fares or offer concessions to passengers, so as to tide over the difficulties together with the people. The various major public transport operators should therefore assume some measure of social morality and responsibility under the premise of making reasonable profits. In view of the hardships faced by the people, should they not offer some concessions to passengers as a token of thanks for their support over the past decades? Furthermore, in undertaking this magnanimous act for public good, the various major public transport companies can also build up a good image and win the confidence of passengers.

Madam Deputy, Hong Kong is in a difficult period. The Government must take decisive measures to alleviate the plights of the people. I think all major public transport operators should appreciate that they should shoulder

some degree of social responsibility whilst enjoying the benefits of their franchises. Considering from the long-term strategy of these companies, they should also work in keeping with the trend and make changes in response to public aspirations. Lowering the fares or offering some concessions to passengers can not only alleviate the burden on the people, but also help boost the confidence of the community in riding out the storm and demonstrate the sincerity of these companies in their commitment towards society. While their profits would be slightly reduced, they could obtain public confidence and trust in return. What is there against such a good deed?

With these remarks, I support the original motion and the amendment. Thank you, Madam Deputy.

MISS CHAN YUEN-HAN (in Cantonese): Madam Deputy, deflation is still with us, and as many colleagues have said earlier, we can see that prices of clothing and food have continuously come down. But only the rents and transport fares are still on the rise. Earlier in the debate, some colleagues cited the Composite Consumer Price Index, from which we can see an increase of 1.2% in transport fares. Certainly, as the Honourable Miriam LAU has said, there are many reasons behind the increase. But what I think is that transport fares can still go up after all, whereas other fees and charges cannot increase even if there is such a wish, and this, I think, is the fact.

The wages of Hong Kong people have dropped drastically, and the rate is shocking. The median wage now is about \$10,000. It refers to the income of a family. I mean the total income of a family of several members, not the income of an individual person. With this \$10,000, we notice that tenants of public housing estates generally have to pay \$1,000-odd to \$2,000 in rent. To a four-member family, the rent plus transport expenses will in fact constitute a rather heavy burden on them. According to the present distribution of population, many people live in the New Territories or newly-developed districts. Our statistics showed that the transport expenses borne by a four-member family are over \$2,000 monthly, excluding the costs for taking feeder buses. If residents have to take many feeder bus trips, their living expenses will cost them even more. For instance, a colleague of mine travelling from Tung Chung to his office in San Po Kong has to pay \$18 in transport fares (excluding the fares for feeders). As it takes \$18 for a single trip, it costs more than \$30 for a round trip. Do think about this: A single person already has to pay this much in

transport expenses. The transport expenses of a family made up of a couple and worse still, with children, will be costly indeed. For a household with an income of \$10,000, the rent plus transport expenses will almost take up 30% to 40% of the income, which is indeed a rather high proportion; and then there are also expenses on food and other living expenses, such as school fees. We can imagine the plights of the people under the current economic conditions.

THE PRESIDENT resumed the Chair.

Earlier on some kaifong told me that they preferred to walk given the expensive transport fares. But sometimes, they cannot even choose to walk even if they want to. I have recently talked to residents of Po Tat Estate at Upper Sau Mau Ping and learned that it costs them \$7 to go to the market for groceries or even a newspaper. As that estate does not have a shopping centre yet, they have to shop in Lam Tin and it costs them \$7 to travel to and from Lam Tin. I wish to point out that the expenses borne by the public in this aspect of living are enormous indeed.

Certainly, faced with the current plights, the people very often choose to walk. But if the elderly walk for too long, their knees will hurt. Even for middle-aged women, they will find it very tiring physically to carry a bag of rice from Lam Tin to Po Tat Estate on foot, for they will have to trudge uphill all the way and their knees will hurt too. What can they do? But they said that they still have to walk. This is what happens now in Hong Kong. This does not happen elsewhere, but in Hong Kong. Some people said that it would perhaps be better to ride on a bicycle, which sounds more like a joke. But these residents said that it would indeed be better to have a bike, for they can then travel between the housing estate and the railway station on it. The fact that this is common among residents in the New Territories is indicative of such a phenomenon. Sometimes, the residents will satirize themselves, saying that riding a bicycle is a far better option for it is good to health. But this is actually just a satire on themselves.

Earlier on both Dr LO Wing-lok and Ms Miriam LAU spoke of business operation. I will not dispute the fact that business operation is now very difficult. But the question is however difficult it is, the fees and charges of public utilities have, after all, increased over the years. While it is said that the

fuel price stands high and so do other expenses, we have seen that the salary of the employees of public transport companies is falling. The KCR is a case in point. I am not trying to settle accounts with them, but if all trades and industries said that they are facing difficulties in their operations, how can we tide over the crisis together?

Of course, some people may say that since businesses will surely set eyes on profits, what use is there in making all these appeals? When it comes to this, this society would be too cold and heartless. I believe no public transport operator will ever say this. Objectively, these companies have in the past repaid the community, making people feel that they are part of society. The question is if these companies can take some steps to ride out the hard times with the people together when the community is truly faced with difficulties (I think these activities are still warranted in normal times), I will have very good feelings.

Much to our regret, when Mr LAU Kong-wah proposed the original motion, all public transport operators asserted that they would not listen to us. I originally wanted to say only a few words on this motion, just as Mr LEE Cheuk-yan did. But I found that most Members, disregarding what political parties they come from, had made very similar speeches tonight. In juxtaposition, I am very disappointed with the statements made by the public transport operators, because they still do not wish to think of what they can do in view of the present hardships.

A Member had once suggested to a public transport company in a radio programme that it could introduce sectional fares or offer a free trip for every 10 trips made to passengers. But the spokesman of the public transport company said that he would not need that particular Member to teach him how to do business, and that he would know what to do. I very much agree with him. Having said this, however, I am so disappointed that he was unwilling even to give some sort of an undertaking about offering some concessions to passengers. Rather, he said categorically that his company would not only refuse to lower the fares, but would effect a fare increase in April next year. Having read the report on this, I felt disheartened; and I doubted if that is a company of Hong Kong. I have been thinking about this since. I know that any company may complain about their operational difficulties. For instance, I was recently asked to mediate a labour dispute (it is reported in newspaper today that I did not show up at a meeting for I had to attend a Select Committee meeting, but this is not true; and the Chairman knew that I was actually involved in the negotiation over

this case). The employer asked to talk to me at short notice. I talked to him and his reaction at the time was that he was sympathetic with his employees, but then, of course, he was unwilling to give any concession. But at least he had said that he was sympathetic with his employees.

I was terribly upset by the remarks of the spokesman of that public transport company. Hong Kong is now faced with scores and scores of difficulties. I hope that all public transport operators can look at these difficulties from the perspective of the Hong Kong community, and explore ways to tide over the difficulties with the people together. The Government should also exert pressure on these companies, asking them to sympathize with the situation of the people whose transport expenses account for a substantial proportion of their income. Why can these public transport operators not use the money they have earned to benefit the community in return?

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

MR ANDREW CHENG (in Cantonese): Madam President, public utilities, particularly franchised public transport companies, should have regard for the interests of the public, rather than putting profits before anything else and making use of the free economy as a pretext or excuse for turning a blind eye to the plights of the public and turning a deaf ear to their fare reduction requests. Nevertheless, as there are many companies providing transport services in Hong Kong and their operating conditions are quite different from each other, it is not an appropriate measure to indiscriminately ask all transport service operators to reduce their fares. Take the New World First Bus Services Limited (First Bus) as an example. Although the First Bus has recorded a total profit of \$70 million over the past 12 months, it may still consider a 10% fare reduction adding to its operating pressure. The Democratic Party therefore holds that the social responsibility of small-scaled transport service operators or operators having operating difficulties should be commensurate with their operating situation. Hence, if these operators impose a freeze on their fares or introduce a discretionary or token fare reduction, we will consider such initiatives as a show of their sympathy to the people.

As reported in the newspapers today, however, the Kowloon-Canton Railway Corporation (KCRC), which is one of the giants of transport services, has been giving extraordinary privileges to their senior staff including the

Corporation's Chairman. These include three luxurious pleasure boats, limousines and corporate membership of a number of clubs. What is more, the office premises in Central costing the Corporation \$200,000-odd monthly are rented for meetings only.

On the one hand, the senior staff of the KCRC are enjoying all kinds of luxuries and extraordinary privileges; yet on the other, they just keep turning a deaf ear to the people's requests for a reduction in train fares and insisting that the Corporation has to raise fares to maintain service quality due to the mounting financial pressure. In the view of the Democratic Party, all these have reflected the fact that the KCRC is unwilling to shoulder its social responsibility as a public utility to ride out the storm together with the public. The KCRC is but an extravagant club financed by the huge fares paid by the public for the enjoyment of the Corporation's senior staff. What dissatisfies us most is that the senior staff of the KCRC have repeatedly said in a threatening tone that if the KCRC were forced to reduce its fares, they might have to resort to wage cuts or layoffs. The Democratic Party wishes to emphasize that as the KCRC is able to record handsome profits despite its spendthrift ways mentioned just now, it should be able to operate efficiently without resorting to wage cuts or layoffs so long as it could spend in less extravagance.

Further still, the Chairman of the KCRC always claims that the reduction in fare per trip is just too limited to be of any significant help to the public. Here, I wish to make it clear to the KCRC Chairman through the Secretary that this is a psychological threshold: any attempts by the two railway corporations to raise their fares will further impact on the consumer sentiment of the public, thereby dealing an even heavier blow to the local economy which has been so weak already.

Madam President, the Democratic Party should like to speak on the Government's consistent policy on giving high priority to railway development. Although we agree to the major premise of this policy, the Democratic Party cannot agree to the policy objective that the business of the railway corporation concerned should still be safeguarded even after the railway trunk line has been completed. If a level playing field is not created for the various transport service operators, the public will be forced to pay unreasonably high fares for transport services in the end. Let me explain with an example. The recently introduced interchange concessions are in fact widely welcomed by the people, as they can save on some of their travel expenses when commuting between

certain areas. Actually, a large number of similar schemes had been killed even before they were introduced. The Government has banned those schemes for fear that they will attract the public to patron the MTR or the KCR less, thereby impacting on the business performance of the two railway companies. The Government has repeatedly made use of administrative means to safeguard the business interests of the railway corporations, and the effect of such attempts made by the Government is very obvious: the public have no other choices but to give their money to the two railway corporations in fares. Moreover, given the lack of genuine competition, the two railway corporations do not have to set their fares at reasonable levels. As a matter of fact, the Democratic Party has all along considered that because the fares charged by the two railway corporations are unreasonably high, the profits made by them are several times that of other public transport service operators. As the economy of Hong Kong is still in the doldrums, the two corporations should take up their corresponding social responsibility and offer to reduce their fares by 10%. That way, the two railway corporations can demonstrate their concern for the difficulties of the people on the one hand, and bring their fares to a more reasonable level on the other.

According to our calculation based on their net profits in 2000, even if the MTRCL and the KCRC should reduce their fares by 10%, the cost to their revenue would only be \$570 million and \$400 million respectively. So, reducing the fares will not give rise to any heavy financial pressure on the two railway corporations. Besides, as a positive effect of fare reduction, the number of passengers may rise, thereby helping to offset further the financial loss incurred from fare reduction. As regards the positive effects on the image of the companies, they are just too valuable to be assessed by monetary means only.

Last but not least, Madam President, I wish to point out that despite their different political affiliations, Members of the Council have once again joined together to reach a consensus on the wording of the amendment. I believe it will have the unanimous support of Honourable colleagues. We hope the Government will, and we urge it to discuss with the various public transport operators and encourage them to take account of their respective operating conditions and reduce their fares or offer concessions to passengers. We are not indiscriminately asking all operators to reduce their fares. We must emphasize one point. As Members from the eight political parties and factions have put aside their divergent views and come up with this "foolproof" proposal

despite the repeated claims made by the Government in the policy address that there were really not many measures to provide relief for the people, we just hope the Government will make an effort to encourage the various public transport operators to adopt some practical measures to genuinely help the people tide over the difficulties.

Thank you, Madam President.

MISS CHOY SO-YUK (in Cantonese): Madam President, as the reasons why the fares of public transport services should be reduced have been fully reflected in both the wording of the motion and the speeches made by Honourable Members, I really do not have any special points to add here. I just wish to respond to some views expressed by members of society regarding this motion today, with a view to explaining to the community that this Council is only trying to reflect the public opinion through this motion debate, and that we have no intention to and will not intervene in the operation of enterprises.

There has been a view that since the Government has signed franchise agreements with the various public transport operators, it is just reasonable for the enterprises concerned to handle things from a businessman's point of view. In other words, so long as the enterprises abide by the agreement terms and operate accordingly, there is no reason for them to take into account public opinions or even the voices of the Legislative Council, and doing so at a loss in profits. To put it more bluntly, these enterprises are not charities, they will not yield to the so-called irrational voices just to win the people's applause. Following this line of logic, any voices from the Council, including the motion debate in progress now, will only politicize the issue and interfere with the prudent business operation of enterprises, thereby causing the cost of borrowing of these enterprises to rise and jeopardizing the interests of small shareholders. Hence, it is not advisable for the Council to make any noise about this. If raised to a higher plane, the accusation may be even graver, such as damaging Hong Kong's proven spirit of contract, practising populism to the extreme end, and so on.

But then, Madam President, is that really the case?

I wish to point out here that it is only necessary and reasonable for any transport service operators to address the needs of the public, who are their

patrons. This is also a point emphasized by enterprises all along. Otherwise, they will not devote enormous resources and employ public relations veterans to organize various kinds of passenger liaison group or even late afternoon cafe to demonstrate their philosophy of "putting passengers before anything else". The irony is: If these public utilities really respect public opinions, why must they consider the Legislative Council so dreadful and the efforts made by the Council to reflect the public opinion harmful to the operation of enterprises?

Is it because these enterprises suspect that the opinions reflected by the Council are not really the views of the public? Let me quote a line from the Financial Secretary: "There is no franchised public opinion". I believe enterprises will not go as far as claiming that only the views they collect are reflective of the public opinion, the ones reflected by the Council are either fabrication or distorted views of a small coterie of people.

Or is it because they really cannot afford to make the fare concessions proposed by the Legislative Council? It appears not. Several public transport operators indicated in the past that in view of Hong Kong's less than favourable economic environment and out of their intention to ride out the storm together with the public, they decided to introduce various kinds of fare concession to help the public to reduce their transport expenses. I certainly support this measure, for it can address the needs of passengers and alleviate their financial burden on the one hand, and help improve the image of the enterprises concerned on the other. It really is an excellent tactic that kills two birds with one stone. What beats me is the completely different effect fare concession may have on enterprises. Fare concession initiatives introduced proactively by enterprises after assessing the people's view are "magnanimous acts for public good" that can address the people's sentiments without sacrificing the enterprises' profits or their small shareholders' interests. But if this Council reflects the people's opinion in this respect, we will be accused of politicizing things and thereby doing harm to enterprises. Are the enterprises not holding double standards?

Having regard to the different facts before us, we cannot help but doubt whether the enterprises really wish to solicit views from their passengers. Perhaps they are only interested in the views that suit their needs. As a Member of the Council, I believe the public opinion should be respected rather than being manipulated. I just hope government officials and the responsible officers of the various public utilities will bear this point in mind.

Furthermore, are the fares charged by public organizations really sacrosanct? Last Thursday, the Federal Reserve Board of the United States announced a 0.5% interest rate cut, yet the majority of banks in Hong Kong would only echo the measure with a 0.25% cut and thus incurred extensive criticisms. In the face of such an unreasonable practice, should this Council clam up for fear that the views we express would impact on the profit level of banks (which are private enterprises) and the interests of their small shareholders? Besides, with greater care one can easily see that the target of the motion is the Government rather than the various public transport operators. The thrust of the motion is to urge the Government to discuss with the enterprises concerned, with a view to reducing the fares charged by various public transport operators. If this mildly-worded motion on a most basic livelihood issue should be considered as outside the terms of reference of this Council, what else could be discussed in this Chamber?

Madam President, I just hope the Government and the various public utilities can be people-oriented and heed good advice, rather than concentrating on fooling the people and doing things arbitrarily.

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

MR MICHAEL MAK (in Cantonese): Madam President, today, we are faced with an economic recession. Caught in a wave of layoffs and salary cuts, all wage earners are on tenterhooks. The motion on "Reducing the fares of various public transport services" proposed for debate in the Legislative Council today aims to urge the Government to discuss with public transport operators, in order to identify ways to ride out the difficulties with the people together and ways as to how the general public can be best benefitted. What they should do is to lower the fares by all means, taking into account their respective operating conditions, so as to alleviate the public's burden and to bring a bit of warmth to the people amidst the chilling wind.

In fact, Hong Kong has seen a 35-month deflation preceding September this year. According to the statistics of the Census and Statistics Department, the Composite Consumer Price Index has registered a cumulative drop of 8.2%. The expenses on clothing, food and housing have all come down, but the transport expenses have cost the public more instead. During the same period

of time, almost every such public company has made colossal profits yearly, with their Chairmen, Chief Executive Officers or Managing Directors being remunerated at millions of dollars and even as high as \$10 million in some cases annually.

The reason why these "superior workers" are so well-paid is that they are protected by the franchises and therefore, competition is lacking and they are minded only to get money out of the people's pockets. As soon as the people step out of their doorway, whether they are going to work, going to school or going out to find a job, they simply cannot run away from the evil hands of public transport operators. All will have to hand in money in quite a large amount. Citizens living in remote new towns are bearing an even heavier burden. In New Territories East, for example, it costs over \$20 for a single trip on train to Hung Hom for an interchange to cross harbour tunnel buses. It will cost even more if they take the MTR to cross the harbour. In New Territories West, such as in the areas of Tuen Mun and Yuen Long, buses are the major mode of public transport for residents there because these areas are not yet served by railways. It is indeed common for many a resident to spend \$30 to \$50 a day on public transport fares alone to commute to and from the urban area, which is often enough for two or three lunch boxes. For workers earning a mere \$6,000 or \$7,000 monthly, their monthly travelling expenses will very often total some \$1,000, and this has indeed subject them to unspeakable plights.

For the unemployed and recipients of Comprehensive Social Security Assistance, how can they possibly afford this level of fares? So, even for jobs as domestic helpers which have been most popular recently, many people are unwilling to travel to other districts to take up such jobs owing to expensive transport fares. This has resulted in a mismatch of workers with districts, making it impossible for the relevant scheme to achieve the best results.

On the surface, there are many modes of public transport for people to choose from. For example, one can choose not to travel on the MTR which charges high fares and take the less expensive buses. But this is somehow just an illusion, because bus companies like to concoct new pretexts to charge higher fares by opening express lines or using air-conditioned buses that charge 20% to 30% more than ordinary buses. The Kowloon Motor Bus Company, for example, has made a profit of more than \$880 million in the first half of the year, representing an increase of 143% over the corresponding period last year.

Reports in today's newspaper are even more infuriating. We learned that members of the senior management of the Kowloon-Canton Railway Corporation (KCRC), who have all grown fat on their remuneration package, do not only enjoy very good pay and perks. They and their families are also allowed to use pleasure boats and luxurious limousines owned by the KCRC. They can also enjoy corporate memberships with dozens of golf clubs. These benefits alone will cost tens of millions of dollars a year. But when being asked by the public to lower their fares by just several tens of cents, the KCRC simply rejected their appeal and went further to say that a fare increase would be effected next year as scheduled.

I, however, wish to point out that according to the statistics of the Transport Department, the ridership of public transport in 2000 had increased by 2.5%, compared with the year 1999, and the daily ridership had reached 10.84 million. Franchised buses and railways have registered an increase in ridership of 4.3% and 2.2% respectively. Moreover, while the two railway corporations have each amassed profits amounting to billions of dollars, they still stated early this year that they wished to increase the fares in September this year. Thanks to my ally, the Honourable LAU Chin-shek, who took up the cudgels for the people and went on a hunger strike for 50 hours despite the fact that he had already fallen ill at the time. This had even touched a chord in the Chief Executive who then made his position clear, and the proposed increase was finally arrested.

Regrettably, the two railway corporations still refused to give up, and they neglected the unanimous demand made by Members of the eight major political parties. Not only did they refuse to lower several tens of cents of their fares. They even claimed that they had plans to increase their fares in April next year. While the KCRC has managed to save billions of dollars in the construction costs of the West Rail and the Ma On Shan Railway, its Chairman cum Chief Executive, Mr YEUNG Kai-yin, insisted on a hike in the fares for such reasons as massive costs incurred in acquiring new carriages, influence on the fares of the West Rail, construction works still in progress, and so on. He even stated that after the fare increase in April next year, a further adjustment in the fares might be required. These heartless words have really got on my nerves. Here, I must condemn these remarks that are devoid of social conscience.

I think that the management of public finance should have regard for the people's livelihood. As severe economic hardships prevail, refusing to lower prices or adjusting fees and charges downwards would go against social

conscience and be antagonistic to the people. Public transport operators cannot only set eyes on the so-called economic benefits and grow fat themselves. Certainly, every public transport company may have its own difficulties, and some companies, such as the Star Ferry Company Limited and the Hongkong Tramways Limited, can make only minimal profits or are on the brink of operating in the red due to the low level of fares. So, it is impossible to ask them to lower their fares by 10% or by a substantial rate across the board. That said, I still hope that the Government can make an effort to discuss this with various public transport operators, telling them not to always think about extorting from the people's pockets all their money earned by hard toil to add on to the unreasonable assets of public transport companies.

Finally, I urge all public transport operators to put down the butcher's knife and find ways to help the general public pare down their living expenses. As conscientious Members of the Legislative Council, we must stand up bravely, where appropriate, to balance the reasonable interests of all sectors in the community. Reaping extortionate profits is absolutely unacceptable. How can we not rise up to fight against it? Being spokesmen of the general public, we should indeed exercise the political powers conferred on us by the people and strongly demand those companies that are making extortionate profits to lower their fares.

Madam President, I so submit.

DR RAYMOND HO (in Cantonese): Madam President, the economy has been in the doldrums in recent years. News about salary cuts, layoffs, and closures of companies abounds. The people of Hong Kong are now in an abyss of suffering and their consumption sentiments are extremely low. To ensure their commercial viability, private companies have lowered their prices one after another, which has consequently benefitted the public. In the catering industry, for example, "one dollar for one chicken" has been a publicity tactic used to tout business in recent years. "Get one free for an extra \$1" is also a typical marketing strategy employed in the retail industry in recent years. Even in the real estate industry, property developers have also lowered the prices to boost sales since the financial turmoil in order to survive. All in all, the price indices of goods in Hong Kong have kept on falling amid an incessant deflation. This has greatly benefitted members of the public, but only in terms of clothing, food and housing. They have not been benefitted in terms of their expenses on transport. If the public transport companies in Hong Kong can lower the fares

in the light of their respective conditions, I believe it will definitely be conducive to alleviating the plights of the people.

Indeed, we cannot underestimate the impact of travelling expenses on the people. Take a two-member family as an example. If a couple living in Sheung Wan takes the MTR to their workplace in Mong Kok, they will have to pay about \$20 in transport fares each. If they work 26 days a month, the monthly travelling expenses of this couple will be \$1,040 in total. If they are the grassroots, this sum of money will definitely constitute an immensely heavy burden on them.

The MTR and buses are now the major modes of public transport in Hong Kong, accounting for two thirds of the total ridership. I am one of the patrons too, for I also travel mainly by public transport. The MTR charges the highest fares among the many modes of public transport. For this reason, some citizens will choose to take buses so as to economize on their travelling expenses. Yet, bus fares are not necessarily inexpensive. A trip from Tin Shui Wai to Central, for example, will cost \$20.7.

From these examples, we know that the public transport fares in Hong Kong are rather expensive. Given the high unemployment rate, the people are now in dire straits. I, therefore, hope that public transport operators can lower the fares for various public transport services. However, as Hong Kong has been named as the freest economy in the world for eight years in a row, I think government intervention in this regard is unwarranted. Otherwise, it may affect the confidence of foreign investors in Hong Kong, in which case the losses would eventually outweigh the gains in the long run. In fact, public transport companies know best about their own operating conditions, and we should encourage them to adjust their fares downwards or offer concessions to passengers to thank them for their support, circumstances permitting. Hong Kong is a free economy, and all companies know only too well the demand-and-supply rule. If they fail to satisfy the needs of consumers, they will definitely be eliminated by consumers. In fact, as there are signs indicating a slight fall in its daily ridership, the MTR has in recent years changed its usual practice and offered concessions. The underlying reason of this offer is to enhance its edge in the competition with buses. So, we can imagine that even if the Government does not force public transport operators to lower the fares, competition in the market will compel them to make adjustments.

To conclude, I hope that public transport companies can get our message and make some contribution to the Hong Kong economy and the people's livelihood, having regard for their respective operating conditions.

Madam President, I so submit. Thank you.

MR WONG SING-CHI (in Cantonese): Madam President, the Government has been offering a lot of concessions to public transport operators in respect of their operation. For instance, some bus companies are exempted from fuel duty, free land grants for depots or concessionary land premiums. Through offering these concessions, the Government hopes that these public transport operators can provide the public with inexpensive and efficient transport services. These operators actually compare more favourably against others since they will not face competition from other public or private modes of transport. For instance, the Government rarely gives estate coaches approval to operate on bus routes to facilitate the travel of housing estate residents to and from their workplaces. Obviously, public transport operators are obliged to provide the public with inexpensive and efficient services and assume a certain degree of responsibility to the community.

Regrettably, many public transport operators merely care about profit making and forget that they are supposed to provide the public with concessionary or inexpensive services. Senior staff of the Kowloon-Canton Railway Corporation (KCRC) have even shamefully spent tens of millions of dollars just for their extravagant enjoyment, while treating the earnest requests of the public for fare cuts by less than a dollar in a cold-blooded manner. They even threatened to resort to layoffs by putting their employees at stake should fares be cut. In my opinion, however, the most appropriate solution is to lay off the eight or nine officers of the senior managerial staff if the KCRC really decides to lay off its staff. Considering the amount of remuneration deducted and the perks abolished after the dismissal of these staff, we will find that there is much room for the KCRC to offer more inexpensive services to the public. With the availability of abundant capitals, the KCRC may even consider cutting fares.

It is a pity that officials of the Hong Kong Government, such as those from the Transport Bureau who also serve as Board members of the KCRC, have made no comment about these lavish perks. They are obviously encouraging

the KCRC to continue treating the fare-cut requests of the public in a cold-blooded manner. As the saying goes, behind the vermilion gates wine and meat turn to waste while out on the road lie the bones of those frozen to death. I think the saying best reflects the situation of the KCRC *vis-a-vis* the public.

Nowadays, many people are forced to face unemployment, wage reduction, dismissal and loss of financial power. Yet they cannot help relying on means of transport if they have to go out to hunt for jobs, travel to their workplaces or go elsewhere to take care of their personal business. Despite their hardship, the fares paid by them end up being pocketed by public transport operators, which can indeed be described as "robbing the beggars of their belongings". Why is it impossible for these transport operators to reduce fares? Why is it impossible for them to profit less of the money earned by the poor with sweat and blood?

I am now working in the North District. As far as I know, it will cost a North District resident who needs to travel to Hong Kong Island to work at least \$50 for a round trip each day. The travelling expenses of more than \$1,000 may account for 20% or even 30% of his income. Under such circumstances, how can these public transport operators remain so cold-hearted and insist on not cutting fares? Under the present circumstances, we need a caring community to help us tide over our difficulties. We hope more profitable operators can act according to their conscience for the sake of their employees and the general public, and to do more to relieve the predicament faced by the people of Hong Kong.

Madam President, it is our earnest hope that the Government can play an active role and ask the public transport operators to lower fares to enable the public to weather the hard times smoothly.

I support the original motion and the amendment.

MR IP KWOK-HIM (in Cantonese): Madam President, Hong Kong has gone through four years of painful and protracted adjustments of its economic structure since the financial turmoil. All people of Hong Kong, particularly the low-income earners, have indeed suffered badly during these four years of adjustment. The wages of low-income workers have been ever dwindling. They have to think twice before spending each dollar on transport and food, struggling on the brink of the labour market every day. The impoverished

elderly live on the Old Age Allowance, commonly known as the "fruit grant", in a few hundred dollars, which is enough only for fruits but not meals. The hardships that the people have faced in recent years are there for all to see, and we all do feel for their plights. Apart from wishing for an economic recovery to come, which is long overdue, it is all the more necessary for us to endure the hardships with dogged will and join hands to tide over the difficulties together.

Many middle-aged people are now unemployed. We have seen numerous people swarming to apply for a post of security guard in a public housing estate who is required to work 12 hours a day and work overtime on holidays with no vacation leave except at the end of the year for a monthly salary of \$5,000. Statistics show that workers employed by contractors for the cleaning service at MTR stations earn a mere \$3,000 monthly. With this meagre income, it is already a blessing to be able to support oneself. How possibly can it be enough to support his children? To members of the general public, the impact of the continually high transport fares is more than just adding to their burden. Earlier on, a number of Members have cited many examples to illustrate that the transport fares for travelling from the New Territories to work in the urban area are exorbitant. I would also like to cite some examples here. Crossing the harbour from such new towns as Tuen Mun and Ma On Shan costs \$18.2 for a single trip (fares for bus routes 960, 961, 680 and 681), meaning that a round trip will cost \$36.4 daily. The transport expenses alone will, therefore, total \$946.4 for commuting to work 26 days a month. While we cannot say that people bearing a burden as such are in effect working for the bus companies and the MTR Corporation Limited, it is certainly a great hurdle to the low-income people in seeking employment.

To the low-income earners, expensive transport fares are obviously a barrier to them in seeking employment. But to the impoverished elderly who have no income at all, it will even be a barrier to their daily activities. Following the successive interest rate reductions in the United States, the interest rate for savings in Hong Kong has dropped to a level close to a zero interest rate. To the elderly who live on the interest earning of their savings, a zero interest rate will mean that they will lose their meagre income and have to withdraw money from their savings of many years to make ends meet. With due respect, they have to eat into the money that they have been saving for their funeral. To save money, many elderly people will eat the same can of food for a couple of days, and \$10 will be their living expenses for several days. Although the elderly can enjoy half fares when travelling on public transport, going out to a

more faraway destination will still cost them over \$10 for travelling to and from their home by bus or the MTR, and the elderly will indeed find this level of fares too much for them to bear. Apart from sitting idly at home to wait for the night to fall, what else can they do?

Over the past four years since the financial turmoil, a deflation has persisted in Hong Kong and the prices of all kinds of goods have been adjusted downwards. The market now sees prices plummeting in such way as if it is mocking at the poor people. But under such circumstances, public transport fares have not come down accordingly. Worse still, they have even been increased comparatively speaking. It is true to say that over the years, the public transport operators have continuously made investments to improve their services, from which the public has truly benefitted a lot. However, the Government's profit control mechanism for franchised public transport operators has turned into a mechanism against fare reduction in times of an economic downturn. The public transport companies have continuously made investments to improve their services over the years and as the amount of investment is linked with the fares, the improvement of service has, in the end, turned out to be an impregnable spell shielding the exorbitant transport fares.

At present, all public transport companies are listed companies, except for the Kowloon-Canton Railway Corporation (KCRC). In making decisions these companies must consider the interest of shareholders and a fare reduction is of course a difficult decision. The management of these companies have served their shareholders loyally for years, and they have reaped considerable profits from the people for so many years. Should they now consider doing their part to fulfil their moral obligations towards the public? Is it that loyalty and moral obligations really cannot co-exist in a decision of fare reduction or should efforts be made to strike a suitable balance between them? I urge the management of public transport companies to seriously consider doing the best possible thing they can within their means. From today's newspapers, it is learned that the top management of the KCRC can enjoy extravagant perks. With a profit totalling as high as \$2 billion last year, it is indeed necessary for the top management of the KCRC to review its structure, economize on expenditure and lower the fares to answer public aspirations.

Franchise agreements have, over the years, provided public transport companies with opportunities to reap colossal profits. Given the present hardships, the various public transport operators should, for the sake of

passengers who have patronized them over the years and the purpose of improving the economic environment of Hong Kong, lower their fares and offer concessions as far as possible, having regard for their respective operating conditions. Only by doing so can the objective of the Government in granting franchises be met. I hope that all public transport companies can work in the interest of Hong Kong and stand together with all citizens of Hong Kong through thick and thin, in order to ride out the storm with the people together.

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

MR JAMES TO (in Cantonese): Madam President, the wording of today's amendment is the result of discussions among several political parties. We agree to urge the various companies to take account of their respective operating conditions and reduce their fares or offer concessions to passengers. Speaking of their respective operating conditions, I believe the question of whether fares can be adjusted downwards must really depend on the respective operating conditions of these companies.

In recent years, whenever the Government tabled fare increase proposals before the Legislative Council, we would ask the Government about the relevant costs and their effectiveness. Today, many colleagues mentioned a report about the extravagance and wastefulness of the senior management of the KCRC. In fact, I learned about this about 10 days ago and knew that the KCRC owns three pleasure boats and has squandered money for other purposes. It was the day when the spokesman of the KCRC announced that their fares, after being frozen for some time, would definitely increase next year. I found that cases like this in which officials had compelled the civilians to rebel had happened for a number of times before. In fact, why would so much news and information of this sort be divulged? It is precisely because some public utilities have become "independent kingdoms" and "spendthrifts". I do not know what role the Secretary for Transport and the Secretary for the Treasury actually play on the Board of the KCRC. Normally, we can see from overseas examples that on the Boards of public utilities, it is the Minister in charge of transport matters who devises the mechanism for fare increase or there are some formulae for determining the increase. In Hong Kong, the KCRC has an independent Board, and I believe the two Secretaries should play this role on it.

After I had got this news on that day, I tried to ask the Secretary for the Treasury during a meal a few days ago if she knew that the KCRC owned three pleasure boats. She replied at the outset that she did not know and then she added that she had never boarded these vessels before. That was her reply. I do not know if Mr Nicholas NG, the Secretary for Transport, has ever boarded these pleasure boats. When I was a member of the Board of the Land Development Corporation (LDC), the then Financial Secretary had written to many public transport companies and statutory bodies (this is an open secret now), drawing their attention to their staff costs, because society as a whole stressed effectiveness and so, they should make adjustments accordingly. The Board of the then LDC had at least taken this issue very seriously and conducted a review all over again, for each and every member of the Board would have to be held responsible, particularly as some government officials were ex-officio members of the Board.

I think many situations just do not arise overnight. I did not specifically criticize anyone in the debate on the policy address. However, I think that the KCRC has become an "independent kingdom". It is at liberty to keep on creating posts and taking on retired senior government officials to take charge of its various projects, that is, "recycling" them. As these former officials are well versed in the relevant businesses, they will readily have a wealth of knowledge to start on. But their salaries will be double as much as others in the same post with similar duties. Given this, we will be getting nowhere no matter how hard we try to call on them to economize on their costs. Today, many people interviewed the Chief Executive of the KCRC in public, asking him what this is all about. The most amazing thing, as far as I know, is he replied right at the outset that the KCRC had sacked 600 workers at the elementary level. I do not know how Members of the labour sector would see this answer. Mr MA Fung-kwok also asked a question about the total number of directorate grade officers in the last meeting of the Legislative Council. Indeed, the entire world now lays stress on effectiveness. In this particular corporation, the Chief Executive has already worked there for eight or 10 years. Some members of the Board, including our government officials, have not paid much attention to its operation, and non-full-time members outside the company have not monitored its operation very closely either. Coupled with the fact that the Chief Executive is also the Chairman, it really beats me as to what is actually going on in this corporation.

The Government is going to amend the Kowloon-Canton Railway Corporation Ordinance to the effect that the duties and functions of the Chairman and the Chief Executive will be separated. But the funny thing is that the incumbent Chief Executive will continue to hold the office of the new Chief Executive Officer. If the KCRC has long become someone's "independent kingdom", should the Government not introduce reforms more drastically? I do not know whether the authority should continue to be vested in Mr Nicholas NG, the Secretary for Transport. But since Mr Antony LEUNG is a newcomer, should he initiate and take charge of a review afresh? Are there certain inhibitions on Mr Donald TSANG, the Chief Secretary for Administration, as a result of his failure to keep a close watch on this corporation when he was the Financial Secretary? The Chief Executive is set to be re-elected for a second term. In view of the public sentiments now, and disregarding whether or not this motion is passed, if nothing can be done to make the public transport operators reduce their fares and if nothing can be done to make them control, in a responsible manner, the costs incurred from all the extravagance and indiscriminate spending of its senior management and from the creation of a large number of senior posts, I think not only Mr NG, the Secretary for Transport, or Miss YUE, the Secretary for the Treasury, should be held responsible. I believe the entire top echelon of the Government should be held responsible. Should the Government think that the reforms it is introducing now, that is, separating the functions and duties of the Chairman and the Chief Executive, keeping the Chief Executive and allowing him to continue to hold his office, can resolve all the problems, then the Government is putting an utterly heavy burden on itself. My remarks here are not targeted at any particular person. I just want to use this as an example. Once a public utility becomes an "independent kingdom", it will turn into a very horrible beast that we will not be able to control.

Sometimes I would wonder why Secretary Denise YUE cannot sit on the Board if Secretary Nicholas NG can sit on it? Is it that she does not have the seniority? Or are there other reasons? I hope that after this motion, the Government will introduce drastic reforms to the several major public companies in a manner that follows the pace of society as a whole. In particular, efforts must be made to stamp out those outrageous extravagance and spendthrift habits.

MR ALBERT HO (in Cantonese): Madam President, the impact of the economic downturn has swept through each and every trade and industry in Hong Kong. Yet, some public transport companies have indeed shown remarkably well performances against an economic downturn. Compared with the past couple of years, the fares charged by these companies have always been on the increase. While almost all citizens are worrying about loosing their jobs anytime and hence need to save and scrimp, their expenses on transport have nevertheless been ever increasing. Just take a look at the Composite Consumer Price Index and we can see this phenomenon even more clearly. Between 1998 and August 2001, the Index had dropped by 9.2%, reflecting signs of a downward adjustment in the various types of expenses borne by households (including those on clothing, food and housing). However, the transport expenses of households in the same period had gone up by 2.5%. It actually reflects that these public transport companies, the services of which target at the general public, have not made any effort to tide over the difficulties together with members of the public, to whom they are so closely related.

Earlier on the Honourable Andrew CHENG of the Democratic Party stated the opinions of the Democratic Party in respect of the two railway corporations. Now I wish to talk about the case of the Kowloon Motor Bus Company (1933) Limited (KMB), and to point out that the KMB is also duty-bound to reduce its fares. In the past four years, while the KMB did not adjust its fares, it had registered growth in profit every year. In 2000, its profit even exceeded \$850 million, representing a 15% increase over its profit of \$739 million in 1999. This was mainly because the KMB had increased the proportion of air-conditioned buses in its fleet and launched many new bus routes. Moreover, if we compare its half-yearly report published in 2001 with its performance in the corresponding period last year, we can see that the costs of spare parts, materials and the various types of fuel consumption totalled some \$320 million, showing a decrease of 18% over the same period last year. It is believed that fuel prices will continue to fall this year, meaning that the costs borne by the KMB in this regard will be greatly reduced. The Democratic Party considers that all these factors show that the KMB is not only financially robust, but also in a good position to reduce its fares, thereby alleviating the heavy burden of transport expenses on the general public, that is, patrons of the KMB.

In fact, the fares for some of the KMB routes have virtually been increased. As at last year, among its fleet of 4 338 licensed buses, 2 778 are air-conditioned,

accounting for 64% of the total fleet. Barring any unforeseen circumstances, the KMB will continue to increase the proportion of air-conditioned buses. When a non-air-conditioned bus is replaced by an air-conditioned one, the fares for the latter will be increased several folds. In this connection, while the ridership of the KMB last year only saw a small increase of 2.8% at 1.089 billion, its turnover was up by 6.8%, which is higher than the rise in ridership. The reason for this is that more air-conditioned buses have been introduced, which means that the public can be charged higher fares. Therefore, these statistics show that while it appears on the surface that the KMB has not effected any fare increase, it has in fact increased its fares by many other means.

Moreover, although the old profit control scheme for buses was abolished in 1997, a new scheme has already been put in place without being noticed. Last year when the Transport Bureau explained to the Legislative Council the considerations for an increase in bus fares, the so-called new proposals advanced were nothing but old wine in a new bottle. It is because in making decisions on fare increase applications from bus companies, the Government will still make reference to the rate of return of franchised bus companies measured on the basis of the average net fixed assets value in the past. In the past decade, the average rate of return was 13.5%. Therefore, to create pressure for a fare increase, bus companies can still use the method that has been used over the past several decades, that is, continuously increasing the value of its fixed assets. That the KMB has kept on increasing the number of air-conditioned buses at this juncture will indeed kill two birds with one stone, because while it can increase its revenue from fares, it can also increase its net fixed assets value, hence creating favourable factors for effecting fare increases in future. The Democratic Party considers that the KMB had already benefitted greatly from the old profit control scheme, and its strategy in recent years has tactfully pushed up its fares and revenue. Therefore, a reasonable downward adjustment in the fares by the KMB under the present economic conditions will, from a moral viewpoint, fulfil some measure of social responsibility towards the general public and its patrons.

Madam President, many Members have expressed lots of similar views on this issue today. That Members of the eight major political parties in the Legislative Council can join hands to clearly express our common wish insofar as this issue is concerned because we think that when the community is faced with severe hardships, we should join force to urge the Government to have regard for public aspirations and needs by asking the public transport companies

to try their best to alleviate the burden on the people. The Government is very clear about our determination. I hope that the Government will not underestimate our determination, and I ask it to also bear in mind that as long as our determination holds, the Government will face challenges when tabling the Budget.

Thank you, Madam President.

MR JAMES TIEN (in Cantonese): Madam President, the Hong Kong economy is poor this year. Everyone is aware of the various figures in relation to the deflation Hong Kong is experiencing. Economic growth changes from a low value to a negative one. In the circumstances, many companies have lowered the salaries of their employees. In many countries, this is accompanied by a lowering of the prices of goods and services. However, in Hong Kong, many wage earners have to spend a lot on transportation, especially residents in the New Territories who often spend around \$30 daily travelling to and from work. For a wage earner earning \$6,000 or \$7,000 a month, a nearly \$1,000 spent on transportation each month can mean a lot.

Therefore, the Liberal Party opines that, whereas the prices of goods and services are going down at present, we will fully support a reduction in the fares of various transport services. But with that support, what measures should be taken? Mr LAU Kong-wah's original motion gives us the impression that the fares of all public transport services should be reduced across the board, that is, reduction should be made irrespective of the rate of reduction, be it 5% or 10%. The request is made on fares charged by all public transport services. After it had taken part in an eight-party discussion, the Liberal Party decided to let Mr Jasper TSANG move the amendment on behalf of the eight parties. The Liberal Party considers the amendment acceptable. The most important difference between the amendment and the original motion is that the amendment encourages the service providers to take account of their respective conditions and reduce their fares or offer concessions to passengers.

We may indeed note the complicated structures of different public transport operators. For example, the Kowloon-Canton Railway Corporation, mentioned by Members, is a private organization still wholly owned by the Government. In the case of the MTR Corporation Limited, it is even more complicated. As it is a listed company, many people are its shareholders, though the Government remains the major one. The Kowloon Motor Bus

Company (1933) Limited (KMB) is a listed company but some of its shares are owned by the Government through some funds. New World First Bus Services Limited, New World First Ferry Services Limited and the "Star" Ferry Company Limited are all listed companies, but they have all been operating at a loss year after year. If we require these companies to reduce their fares, will they be forced to do so despite their losses so that the quality of their services is severely compromised, causing greater inconvenience to the public? If, at the end of the day, some of them are forced to fold, wage earners will have fewer choices in means of transport. This is not what we wish to see.

Members have also talked about the KMB, probably because it is a listed company, not owned in any way by the Government, and of the \$800 million surplus yielded by the \$6.1 billion turnover recorded in 2000. Thus, it seems we have good grounds to ask the KMB to do its fair share to help the people. Well, Mr Jasper TSANG's amendment encourages these operators to decide on a fare reduction taking into account of their respective conditions. I hope the Government may negotiate with them. This is why we think we may support the amendment.

Thank you, Madam President.

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

MISS EMILY LAU (in Cantonese): Madam President, I speak in support of the amendment proposed by Mr Jasper TSANG.

In fact, I owe the Honourable James TIEN my thanks for acting as the convenor of the meetings in the past few weeks which allowed Members from eight political parties in this Council to discuss the matter together. Right the beginning to end, I very much support the idea of different political parties in this Council co-operating among themselves on basis of common ground.

Madam President, I believe you will also realize that the public has often criticized us, saying that we will debate on issues over and over again, but in the final voting, things would turn out to be total disappointment, that is why they consider us inept. I feel that despite a lot of Members consider it a compromise only, at least something can be done this time, and it is better than saying a lot but losing everything at the end if the motion is negated. I am glad that we

can work as a team and do something together. Sometimes we may hold different political views, but as long as everybody is willing to sit down and talk, there is still room for discussion on every issue. However, the outcome will definitely be quite mild. Just like this time, the original amendment proposed by Mr Jasper TSANG to the motion of Mr LAU Kong-wah asks for a 10% reduction of fares, but at the end, it is unanimously considered not satisfactory. I agree with this point, because I do not wish to send a message to local and foreign businesses that the Legislative Council cares nothing about the business environment. A lot of Members have discussed this point, so I do not wish to repeat it here.

Today we have made a point and we will also take the condition into account. So if possible, I hope everybody can accept this point. I hope and I believe every Member will give unanimous support to the amendment proposed by Mr Jasper TSANG. Of course, I hope all the more the Secretary will bring the proposal into fruition more. Madam President, the greater meaning of what we do this time is that during the most difficult times, we can see a lot of colleagues are willing to set aside their prejudices for a compromise, with a view to reaching a consensus on certain issues of concern to this Council, as everybody considers them important. As both Members and the public consider such issues important, everybody is willing to deal with them.

However, Madam President, we met a big disappointment last night when 11 Members went to meet the Financial Secretary. The Secretary said that he had dealt with seven items proposed by us earlier, but he refused to deal with the rest of them. Tonight, we have gathered together here to show that we will fight for these proposals in solidarity. I hope that with this solidarity, we can carry on serving the people of Hong Kong. We are not adopting a confrontational approach against the executive authorities, however, the executive authorities should realize that this Council will not be in a state of disunity and disarray forever, letting the executive authorities do whatever freely as they wish.

Tonight, I am glad to give my full support to the amendment of Mr Jasper TSANG. I hope there will be more opportunities for us to make concerted efforts to overcome difficulties, so that we can co-operate and achieve the common goal we have. I also hope the executive authorities will improve the relationship with us and give us its full co-operation. Thank you, Madam President.

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

DR YEUNG SUM (in Cantonese): Madam President, I just wish to speak briefly. The Democratic Party reached a consensus in its parliamentary group meeting that it would spare no effort on issues concerning the economy and the livelihood of the people of Hong Kong, so as to make our meagre contribution to the public.

Everybody can see that in recent days, we have exerted joint efforts on issues concerning the economy and the livelihood of the people in co-operation with other political parties. We have received a lot of responses from members of the public, considering such an approach positive and revealing that they are sick and tired of rows among political parties. At present, Hong Kong is in an economic recession, an imminent economic recovery is unlikely in the foreseeable future. If political parties still waste a lot of time on the debate of political issues, they are very likely to move farther away from the people. What expectations will the people hold for the Legislative Council? We have deep understanding in that, therefore we are resolved to set aside different political views for the sake of the economy and the livelihood of the people and make concerted efforts with other political parties, just as the thoughts in our hearts Mr Albert HO has expressed on behalf of the Democratic Party earlier. We hope the Government will lend us its ears, that we will have no divergence of views anymore, as the difference in political views will allow the Government do whatever it likes by currying favour with one fraction and curbing another fraction. As a result, the Legislative Council will be unable to exercise checks and balances on the administration of the Government. I feel that we have learnt too much from our past experience.

The Honourable Emily LAU has mentioned earlier last night's meeting between Members and the Financial Secretary. The Government always says that it should co-operate with the legislature, but when Members really join hands and co-operate, such effort will terrify the Government, which fears that under the impetus of the Legislative Council, it will be knocked into a passive position. Yesterday the Financial Secretary mentioned the word "passive" many times. I am deeply disappointed by that. However, I am not naive at all. I know the Government really wants to be a strong government. However, given the existing composition of the legislature and the varied modes of election, the Legislative Council is practically incapable of pooling the necessary power to support the Government. As a result, it is quite difficult to become a strong government.

I urge the Government to discuss the matter with Members from various political parties within the Legislative Council. I do not know whether or not the term "decentralization of power" is appropriate, perhaps the term is too sensitive, but if the Government is unwilling to hold a good discussion with various political parties within the Legislative Council, I can guarantee that the Government will encounter a lot more difficulties in administration in future. However, administration of the Government should not be used to demonstrate the power of us political parties, it should only prioritize issues concerning the livelihood of the people. For many years, we have never seen anything worse than the present economic recession. Eventually, the Government is willing to face the reality and admit it publicly. In fact, even if the Government declines to admit it, the public will still have a clear idea of the situation. The Government always says that there will be twilight for the economy, the public can see nothing but the continual impoverishment of the middle class. Despite the Government's claim that there are still chances of economic revival, I really do not know when they will come into sight.

Our solidarity will make administration difficult for the Government, but it is not for the sake of the future of us political parties, it is meant to make government administration more in line with public sentiments, so as to allow the people a breathing spell in the prevailing economic difficulties.

Thank you, Madam President.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr LAU Kong-wah, you may now speak on the amendment. You have five minutes.

MR LAU KONG-WAH (in Cantonese): Madam President, I urge Honourable Members not to support my motion. (*Laughter*) I also urge Honourable Members to support the amendment of Mr Jasper TSANG, not because he is the party chief of the political party to which I belong, but because of the consensus espoused in his proposed amendment. The consensus is exceptional and rare,

and it is also a consensus jointly drawn up by a number of participants. It has only one goal, that is, to send a message to the Government in one voice, hoping that various public transport operators will reduce the fares of public transport services, thereby alleviating the burden on the public, and weather the hard times together with the public.

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, the Government fully appreciates the concern expressed by Members and the people on the present economic conditions of Hong Kong. Though it is not easy to turn the prevalent tide within a short period of time, the Government has worked hard on all fronts and proposed initiatives to improve the people's livelihood.

On the transport front, an objective of the Government is to promote healthy development in public transport sector to satisfy the transport needs of the people and to provide suitable service options for the people. In this connection, we strive to maintain competition in the market to enable public transport operators to adopt measures that will facilitate their provision of quality services to the people at reasonable prices. Generally speaking, Hong Kong enjoys a safe, reliable, efficient and competitive system of transport services.

The success of Hong Kong hinges on the collective hard work of the people. A spirit and system for free business activities is one of the contributing factors for that success. Under the system, public transport operators would review their service charges from time to time, taking account of the conditions of the market and the economy and changes in the operating conditions of the operators themselves. In carrying out a review, the operator would usually consider a range of factors, including operating costs, corporate revenue and financial status, competition in the market, economic conditions, affordability of the people, service quality, and so on.

So, it is of paramount importance that the free market principle Hong Kong has been following must be upheld to allow commercial organizations to operate on commercial principles. Government intervention in the market would affect the business environment and the confidence of foreign investors making investments in Hong Kong. As far as operators of public transport services are concerned, any instructions from the Government to force a fare

reduction may undermine their confidence in making investments in the future for service development and improvement. In the long run, this will adversely affect the public transport system in Hong Kong.

Indeed, due to unfavourable economic conditions, most of the operators have frozen their fares since 1997-98. Some operators who have submitted applications for fare increases have agreed to shelve their applications for the time being.

In fact, the item for transport contained in the Composite Consumer Price Index (CCPI) includes, in addition to expenditure on local transport, expenditure on the purchase of cars, gasoline, driving licences, insurance and transport charges in entering and leaving Hong Kong. The Household Expenditure Survey conducted by the Census and Statistics Department shows that expenditure of the people on local public transport accounted for 4.51% of their total expenditure for the year 1994-95 and 4.82% for the year 1999-2000. It can therefore be seen that the ratio of expenditure on local public transport in the total expenditure of the people has been remained stable over the past few years.

With a poor economy, should public transport operators lower their fares? Viewed from the angle of passengers, a fare reduction is of course desirable. However, if we look at it from a practical point of view and if we take the interest of the community as a whole into consideration, we must conduct a cool analysis of the impact of a fare reduction.

The operating costs of public transport services are not in general directly linked to the CCPI. As several Members have already pointed out shortly before, employee salaries in franchised bus companies account for about 40% to 60% of their operating costs. The percentage represents a significant proportion of the operating costs and is difficult to reduce in tandem with deflation, unless there is a salary reduction or a layoff. If a salary reduction or a layoff does happen, would the salaries and benefits of the employees be affected? Would the employment situation in Hong Kong be adversely affected? These are important considerations. In fact, the salaries and benefits of the employees in public transport services have not been adjusted downwards over the last few years but have increased slightly.

Moreover, in expenditure on fuel, for example, fuel costs amount to approximately 10% of the operating costs of franchised bus companies. With

an overall increase in oil prices over the past several years, there has been a corresponding increase in costs for the operators. However, during the same period, the bus companies, with the help of the Government, have put in place various measures of cost control. For instance, the bus-bus interchange scheme and the rationalization of individual bus routes have enhanced the quality of bus services and achieved improved utilization of resources.

Then, there are some operators (such as the railway corporations) which need enormous capital in the next few years to develop their service networks and improve services. This has to be a factor of consideration in the study into the possibility for a fare reduction. Using the two railway corporations as examples, both the MTR Corporation Limited and the Kowloon-Canton Railway Corporation jointly invested, in the last four years, more than \$1.8 billion to improve and maintain the railway system and to refurbish their trains. Over the next 10 years, they will be injecting more than \$15 billion to launch a number of improvement programmes. Furthermore, the railway corporations have to reserve some capital for investment in new railway projects in the next 15 years.

In fact, individual operators have experienced some financial difficulties in recent years. For example, the ferry companies have experienced a drop of more than 10% in patronage in the last three years. The overall financial position of the ferry services has been less than satisfactory. Some ferry operators even suffered losses to varying degrees. As regards franchised bus services, some bus companies failed to break even. A compulsory reduction of fares will only create more difficulties for their operation.

I would like to point out that public transport operators and their employees have to face a number of challenges because of the present economic situation. If some of the public transport operators are compelled to reduce their fares, some others, who for financial reasons are unable to reduce fares, may have to face even greater pressures in competition. This may lead to a deterioration in the quality of public transport services. I do not believe this is what we would like to see.

Madam President, we very much appreciate the concern expressed by Members. At the policy level, we will continue to advocate competition in the market to create a sound environment in which public transport operators may provide competitive services and more choices for their customers. We also

endorse the idea that public transport operators should adopt suitable measures to provide quality services at reasonable prices. Indeed, public transport operators will review their fares from time to time taking account of changes in the economy, the market or other factors. In the past, individual operators did provide different kinds of concessions out of commercial consideration. However, the final decision must rest with the commercial consideration of the relevant operators.

Members have expressed in the debate their opinions on the subject. We agree that in reviewing their fares public transport operators should give due consideration to the affordability of the people, the present economic situation and other factors such as their operations, and so on. The Government will contact all public transport operators to encourage them to consider, taking into account their individual operating conditions, fare reductions or concessions for their passengers, for example, the park-and-ride scheme, and so on, so that people's expenses on transport may be reduced. Whether public transport operators decide to reduce fares or offer concessions, should, however, be their own commercial decisions, as I explained earlier and as a number of Members have also pointed out. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Jasper TSANG to Mr LAU Kong-wah's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

Mr Jasper TSANG rose to claim a division.

PRESIDENT (in Cantonese): Mr Jasper TSANG 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 James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Howard YOUNG, Ms Miriam LAU, Mr LAW Chi-kwong, Mr Abraham SHEK, Mr Henry WU, Mr Michael MAK, Mr LEUNG Fu-wah, Dr LO Wing-lok and Mr IP Kwok-him voted for the amendment.

Geographical Constituencies and Election Committee:

Miss Cyd HO, 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, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss EMILY LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU, Dr David CHU, Mr YEUNG Yeung-chung, Mr Ambrose LAU and Mr MA Fung-kwok voted for the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 17 were present and 17 were in favour of the amendment; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 25 were present and 24 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr LAU Kong-wah, you may now reply and you have five minutes 38 seconds.

MR LAU KONG-WAH (in Cantonese): Madam President, first of all, I have to express my gratitude to Members who have spoken on the motion, and I would like to thank all the Members for their support on behalf of Mr Jasper TSANG.

Mr TAM Yiu-chung raised a viewpoint earlier, that is, in trying to alleviate the burden on the public, we should seek to alleviate their most pressing difficulty, and we should answer their largest quest at the present time. However, when I mentioned the news about KCRC this afternoon and pointed out its extravagant spending, super high remuneration and inefficient reduction of expenditure, I asked the Secretary whether such things were reasonable, the Secretary just talked evasively, much to our regrets. This evening, Mr Jasper TSANG and I moved the amendment and the motion with the unanimous support of all the Members, but when the Secretary spoke on the motion, he took the excuse of not interfering with business decisions, his attitude was not so positive, and he did not show any enthusiasm. Today, even Mr YEUNG Kai-yin started to say that he would take the attitude of the Government into consideration. How could the Government be so unenthusiastic?

Madam President, with regard to the debate on market operation, my colleagues have made certain responses, I can only put it in a straightforward way: "the market is merciless, man should be compassionate", society should not become indifferent, cruel and apathetic, as it is not a jungle at all. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Kong-wah, as amended by Mr Jasper TSANG, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 21 November 2001.

Adjourned accordingly at two minutes past Eleven o'clock.

WRITTEN ANSWER**Written answer by the Secretary for Transport to Ms Miriam LAU's supplementary question to Question 5**

Over the past three years, the total operating costs of the two railway companies and the three large franchised bus companies increased by about 6% to 24%. The costs of fuel and depreciation recorded the largest increase by 1% to 248% and 18% to 68% respectively. Miscellaneous expenses (such as insurance fee, rent and rates, administrative cost, and so on) also increased by 2% to 30%.

As for the other costs of the above transport operators, there were increases as well as decreases. The change in interest cost ranged from -22.4% to +410% (the 410% increase was attributed to the loan raised by New World First Bus Services Limited for purchasing new buses and building a new depot in Chai Wan). The change in repair and maintenance costs ranged from -11% to +5% while that of payroll ranged from -10% to +15%. In the past few years, all the above operators have introduced pay increases. As for the 10% decrease in the payroll cost of MTR Corporation (MTRC), it was due to a reduction in the number of MTRC staff.

The above figures indicate that there is no direct link between the operating costs of public transport services and the Composite Consumer Price Index.

Annex II

MESSAGE ESTABLISHMENTS (AMENDMENT) BILL 2001

COMMITTEE STAGEAmendments to be moved by the Secretary for Security

<u>Clause</u>	<u>Amendment Proposed</u>
2	In section 2, in the proposed definition of "full-body massage, by deleting "neck" and substituting "shoulders".
3	By deleting the clause and substituting -

"3. Application of Ordinance

Section 3 is amended -

(a) by repealing paragraph (c) and substituting -

"(c) the premises of a hair salon, or of a beauty parlour, where massage is administered in the premises in full view of customers resorting thereto;"

(b) in paragraph (d), by repealing the full stop at the end and substituting a semicolon;

(c) by adding -

"(f) a massage establishment where -

ClauseAmendment Proposed

- (i) no massage other than face, scalp, neck, shoulder, hand, arm or foot (up to knee) massage is administered to customers; or
 - (ii) no full-body massage is administered to a customer by a person of the opposite sex;
 - (g) the premises for practising Chinese medicine operated by a registered Chinese medicine practitioner or listed Chinese medicine practitioner as defined in section 2 of the Chinese Medicine Ordinance (Cap. 549); or
 - (h) the premises for chiropractic operated by a chiropractor registered under the Chiropractors Registration Ordinance (Cap. 428).".".
- 4
- (a) By deleting paragraph (a) and substituting -
 - "(a) in subsection (4), by repealing "Subject to section 8, subsections" and substituting "Subject to subsection (8) and section 8, subsections (3),";".
 - (b) In the proposed section 7(7), by deleting "from the date on which the renewal is granted".

ClauseAmendment Proposed

- (c) In the proposed section 7(8), by deleting "沒有" and substituting "不曾".