

# **OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 5 December 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.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

THE HONOURABLE MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK

**MEMBER ABSENT:**

THE HONOURABLE HOWARD YOUNG, J.P.

**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

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

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

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

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

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

MR THOMAS YIU KEI-CHUNG, J.P.  
SECRETARY FOR HEALTH AND WELFARE

**CLERKS IN ATTENDANCE:**

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

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

MRS JUSTINA LAM CHENG BO-LING, 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>
The Ombudsman Ordinance (Amendment of Schedule 1) Order 2001 .....	253/2001
Tax Reserve Certificates (Rate of Interest) (No. 12) Notice 2001 .....	254/2001
Dutiable Commodities (Amendment) Ordinance 2001 (19 of 2001) (Commencement) Notice 2001 .....	255/2001
Dutiable Commodities (Amendment) Regulation 2001 (L.N. 248 of 2001) (Commencement) Notice 2001 .....	256/2001

**Other Papers**

- No. 35 — Report of the Brewin Trust Fund Committee on the Administration of the Fund for the year ended 30 June 2001
- No. 36 — Hong Kong Sports Development Board Annual Report 2000-2001

**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 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.

**Rising Number of Unemployed and Low-earnings CSSA Cases**

1. **MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, it has been reported that the number of unemployed persons who were Comprehensive Social Security Assistance (CSSA) recipients increased in October this year by 4.6% compared to that of the preceding month, and the number of low-earnings CSSA cases was also on the rise. In this connection, will the Government inform this Council:*

- (a) *of the respective breakdowns of the unemployed or low-earnings CSSA cases by the following profiles: gender and age band of the recipients; whether they have been CSSA recipients in the past; the types of trades in which they were previously engaged or are engaged at present; and the period of unemployment of the unemployed CSSA recipients;*
- (b) *in order to provide employment opportunities for CSSA recipients, whether it will provide more community services specially targeted at the elderly, single-parent families and families with young children; if it will, of the details; if not, the reasons for that; and*
- (c) *whether government departments will accord priority of employment to CSSA recipients of the "unemployed" and "low-earnings" categories?*

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

- (a) As at the end of October 2001, the number of "unemployment" and "low-earnings" CSSA active cases were 26 941 and 8 813 respectively. They represent an increase of 4.6% and 1.6% respectively on the figures recorded at the end of September. These figures refer to all the cases being dealt with in these categories, including paid cases, cases being processed, and cases pending closure.

As to paid cases in these two categories, if we take the applicants as the basis, the number of recipients in the "unemployment" and "low-earnings" categories were 19 305 and 7 442 respectively as at the end of October 2001.

In respect of the "unemployment" category, 74% of the recipients (14 250) were male; 77% (14 937) were aged 40 or above; and 20% (3 860) were previously in receipt of CSSA.

In respect of the "low-earnings" category, 63% of the recipients (4 667) were male; 76% (5 681) were aged 40 or above; and 12% (890) were previously in receipt of CSSA. Relevant detailed breakdown is at Annex 1.

As regards information on the types of trades these recipients were engaged in, and the period of unemployment of the unemployed CSSA recipients, according to the records kept in the Social Welfare Department (SWD)'s Active Employment Assistance Programme (AEAP) (which aims at providing able-bodied unemployed CSSA recipients with employment related assistance to find work), as at the end of October 2001, 28% of the participants of the programme reported that they were engaged in service and shop sales work, while 27% reported that they were in elementary occupations. Regarding the period of unemployment, 51% of the participants reported that they were unemployed for two years or above (this includes family carers who have not worked before), while about 30% reported that they were unemployed for six months or less. Relevant detailed information is at Annex 2.

- (b) As part of the job creation measure announced by the Chief Executive in his policy address to relieve the unemployment situation, we will create over 1 800 jobs in the welfare sector. 11% of these jobs are expected to be created before the end of this financial year, while the remaining 89% are expected to be created in 2002-03. These jobs will be created mainly in non-government organizations (NGOs), and will cover services in elderly residential and community care, youth, family, child welfare and rehabilitation,

and so on. About 70% of these jobs require secondary or below education qualifications. The creation of these additional jobs will not only provide additional services to the needy, but also employment opportunities for those unemployed, including those on CSSA.

- (c) The appointment policy of the Civil Service is to recruit the most suitable candidates to meet the job requirements. In order to ensure the quality of public service, vacancies in the Civil Service are filled by selection from among eligible candidates through an open, fair and competitive process. According priority of employment to CSSA recipients will mean a departure from the principle of fair and equal competition to the Civil Service and will reduce the employment opportunities of other members of the community. We therefore do not consider it appropriate to grant priority of employment to a particular group of candidates on the basis of their financial position.

However, we will assist unemployed CSSA recipients through the above mentioned AEAP, and the Intensive Employment Assistance Fund (IEAF) and the Special Job Attachment Programme (SJAP) which were set up earlier this year, to find work and move towards self-reliance. The AEAP aims to provide the latest job market information and other employment-related services through the SWD's employment assistance co-ordinators to all able-bodied unemployed CSSA recipients to help them overcome work barriers. The IEAF commissions NGOs to provide personalized intensive counselling, job matching and post-placement service for single parents whose youngest child is over 15, and unemployed CSSA recipients who have left the job market for a longer period. The SJAP also commissions NGOs to provide counselling, job attachment opportunities at non-profit-making institutions, job matching and post-placement services for the unemployed recipients. We have already achieved some degree of success with these schemes, and will continue with our efforts in this direction to provide appropriate service to the unemployed recipients to help them to move towards self reliance.

## Breakdown of the unemployment or low-earnings CSSA cases

*Sex*

<i>Sex</i>	<i>Unemployment</i>	<i>Low earnings</i>
Male	14 250	4 667
Female	5 055	2 775
Total	19 305	7 442

*Age Group*

<i>Age Group</i>	<i>Unemployment</i>	<i>Low earnings</i>
Below 20	79	17
20 to 29	1 066	285
30 to 39	3 223	1 459
40 to 49	7 381	2 664
50 or above	7 556	3 017
Total	19 305	7 442

*Previous CSSA record*

<i>Previous CSSA record</i>	<i>Unemployment</i>	<i>Low earnings</i>
Have received CSSA before	3 860	890
Have not received CSSA before	15 445	6 552
Total	19 305	7 442

## Annex 2

Breakdown of types of trade and period of unemployment as reported by participants of the Active Employment Assistance Programme (AEAP) as at end of October 2001

<i>Types of Trade</i>	<i>Percentage</i>
Service workers and shop sales workers	28%
Craft and related workers	13%
Plant and machine operators and assemblers	7%
Elementary occupations	27%
Clerks	5%
Associate professionals	1%
Professionals/managers and administrators	1%
*Other	18%
Total	100%

  

<i>Period of unemployment</i>	<i>Percentage</i>
Less than 1 month	10%
1 to less than 6 months	20%
6 to less than 12 months	8%
1 to less than 2 years	11%
*Two years or above	51%
Total	100%

\*including those who have not held a job before, for example, family carers

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, the Secretary pointed out in part (c) of the main reply that through the programmes launched by the SWD, the present situation has seen some improvements. However, it can be seen from Annex 2 of the main reply that the unemployment problem still exists and is quite serious. According to the information at Annex 2, 10% of the unemployed have been out of work for less than one month, 20% for one month to less than six months and 51% for two years or more. In other words, the longer the period of unemployment, the greater the number of CSSA recipients*

*who cannot wean themselves from CSSA and the more difficult it is for them to find employment. In view of such a situation, it seems that it is not possible to rely solely on the CSSA Scheme to help the unemployed re-enter the job market, even though the Secretary said just now that it was possible. I would like to ask if the Government will consider putting in place a separate scheme similar in nature to unemployment assistance schemes to cater for unemployed CSSA recipients, as proposed repeatedly by the Hong Kong Federation of Trade Unions, so as to enhance their abilities for employment and enable them to re-integrate into society? I think that compared to their present reliance on the CSSA Scheme, this will be of greater assistance to them.*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, first let me provide some relevant figures to demonstrate the effectiveness of the AEAP and other programmes. Since the launch of the AEAP in June 1999, about 59 000 CSSA recipients have participated in the programme. As at the end of October, more than 7 700 persons (13%) have found employment through this programme. As to the other two programmes, both were launched at the beginning of this year, but the numbers of participants are not as numerous as the programme just mentioned: 306 persons succeeded in finding employment through the IEAF and 220 through the SJAP. It can be seen that all these programmes have achieved some measure of success. We will continue to promote these programmes and work actively to endeavour to help more CSSA recipients find work through these programmes.

**MR WONG SING-CHI** (in Cantonese): *Madam President, the Secretary mentioned the IEAF in the last paragraph of the main reply and Annex 2 also sets out some of the detailed information. The Secretary added just now that 306 persons had found employment through the AEAP. Since Annex 2 only sets out the percentages, I would like to know the actual number of people who have participated in the AEAP. In addition, although it is said that 306 persons succeeded in finding employment, does this figure mean that the Bureau has achieved considerable success in its work, or does it mean that there is still room for improvement?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, a financial commitment of \$43 million has been allocated to the IEAF

to provide financial support for NGOs to run tailor-made projects to provide more intensive assistance for specific groups of CSSA recipients during the three years from 2000 to 2003. The projects incorporate a range of activities, including intensive counselling, help with motivation to work, job matching and placement, as well as post-placement service, to address the barriers faced by the participants. The target participants are unemployed CSSA recipients who have joined the AEAP for six months or longer but who are still out of work, single parents and other CSSA recipients who have special problems. It is estimated that 7 200 CSSA recipients will benefit from these projects each year. Although as at the end of October 2000, the total number of people who found employment through this programme was not great, we will continue to implement and enhance the programme in the hope that of the 7 200 CSSA recipients assisted each year, a greater number of them will find employment through the programme.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, it is pointed out in Annex 1 of the main reply that 7 442 people are "low earnings" recipients. I wonder if the Secretary has any figure to show what "low earnings" actually means and whether the following scenario will occur: an employer hires an employee on meagre salary, and the two collude to take advantage of the Government, so that employers offering low salaries are subsidized by the Government. If such a scenario does arise, what measures are put in place by the Government to counter it? I would like to add that I hope the Secretary will not be mistaken as to what I mean. I am very much in favour of such a scheme of assistance. What I hope is that the Secretary will say in his reply that such a scenario can be prevented by establishing a minimum wage system.*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, in the CSSA Scheme, the definition of "low earnings" is a monthly income of less than \$1,610. As to the wage distribution of these several thousand "low-earnings" recipients, I do not have the relevant figures at hand. If necessary, I can provide them to Mr LEE after the meeting. (Annex I)

Concerning whether employers would collude with their employees to keep their wages down in order to obtain CSSA through deception, investigators in the SWD will monitor this closely.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, Annex 2 indicates clearly that among the participants of the AEAP, at least 20% have been unemployed for as long as six months to two years, even though the Secretary pointed out just now that some of the 51% of people unemployed for two years or more have never had a job before. My supplementary is, can the Secretary tell us how many people among these 51% are on CSSA simply because they are unemployed? In addition, since there are so many people who could not find a job within six months to two years, will the Government consider assisting them in some other form?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): *Madam President, Annex 2 shows that a rather high percentage of people have been unemployed for two years or more. Therefore, the SWD will launch a series of programmes aimed at increasing employment opportunities for these people. Apart from the programmes I have mentioned, in early 2002, the SWD will launch a programme called the "Ending Exclusion Project" specifically designed for single parents. This is because single parents whose children are below 15 may become socially excluded since they cannot work in society. Through the Ending Exclusion Project, it is hoped that the amount of exempted income can be raised from about \$1,800 to \$2,500. In addition, we will provide integrated services such as child care, more holistic care and intensive counselling to these single parents, so that they can look for work more actively. Since many of these single parents have been unemployed for quite a long time, it is hoped that through this project, we can provide more employment opportunities to them.*

**MR FREDERICK FUNG** (in Cantonese): *Madam President, I would like to ask a question concerning the second table at Annex 1, that is, the table on age groups, as well as the second table at Annex 2, that is, the table on the percentages regarding the periods of unemployment. I can see from one table that of the total number of the unemployed, 77% of them are over 40 years of age. As to the period of unemployment, 70% are unemployed for six months or more, which I consider to be a rather long period. However, the Secretary pointed out in the main reply that the Government will not accord priority of employment to those in financial difficulties. If the Government does not assist this group of people, I am concerned that these people, who are habitually unemployed and do not work, will give rise to problems. In view of this, I would like to ask the*

*Secretary whether the policy will be revised so that something can be done specifically for this group of people?*

**SECRETARY FOR HEALTH AND WELFARE** (in Cantonese): Madam President, I wish to thank Mr FUNG for his views. In fact, our efforts are aimed at motivating these CSSA recipients and promoting their self-reliance. However, regarding appointment policy, we believe that all candidates should be treated on an equal basis. In view of the present circumstances, we do not think that giving special treatment to CSSA recipients is justified.

**PRESIDENT** (in Cantonese): We have spent more than 16 minutes on this question. Council shall now move on to the second question.

### **Discrepancies between Hong Kong and the United States in Interest Rate Adjustments**

2. **MR KENNETH TING** (in Cantonese): *Madam President, early last month, the Federal Open Market Committee of the United States decided to lower the federal funds rate by 0.5% but the corresponding adjustments made to the deposit and lending rates by most local banks were less than 0.5%. In this connection, will the Government inform this Council:*

- (a) *of the implications of the discrepancies between Hong Kong and the United States in interest rate adjustments on the stability of the linked exchange rate system;*
- (b) *whether it has assessed the specific impact of Hong Kong's smaller interest rate cut than that of the United States on the territory's Gross Domestic Product (GDP) and local industrial and commercial loans; if it has, of the details; if not, whether an assessment will be conducted expeditiously; and*
- (c) *given that the continuous deflation in Hong Kong has resulted in high lending rates in real terms, whether the SAR Government has an obligation and taken measures to urge the banks to lower the lending rates as much as possible in order to speed up the recovery of the local economy?*

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

- (a) The Hong Kong dollar exchange rate under the Linked Exchange Rate System is affected in the main by short-term interbank interest rates. Such rates are in turn affected by the Base Rate, which is set by the Hong Kong Monetary Authority (HKMA).

The HKMA Base Rate refers to the floor interest rate at which licensed banks can borrow overnight Hong Kong dollar funds from the HKMA through the Discount Window. That is why the HKMA Base Rate has a significant influence on short-term interest rates in the interbank market.

When the United States Federal Reserve reduced the Fed Funds Target Rate by 50 basis points on 6 November, the HKMA lowered the HKMA Base Rate by the same magnitude on 7 November. There was therefore no difference in the magnitude of interest rate cuts by the Federal Reserve and by the HKMA. The stability of the linked exchange rate has not been affected.

- (b) There were a total of nine reductions of interest rates in Hong Kong from the period of January to October and the total reduction is 4%. Relative to these nine reductions, the difference in the November reduction of interest rate is not significant. Our assessment is that such difference will not bring about an appreciable impact on the GDP and corporate lending.

I wish to point out that the Best Lending Rate is only a reference rate. Individual banks will take into account their own cost of funds and other factors in determining lending rates, which in fact reflect the real cost of lending. The adjustment of such rates will depend on market conditions. The lending rate of individual corporations will also be affected by other factors, such as the credibility of the corporation, its financial position, business outlook, and ability to repay, and so on. Banks will also take these into consideration in conducting their own risk assessment for such lending. In the corporate lending market, corporate borrowers have in fact benefited from significantly lower borrowing costs during the course of the year.

- (c) Banks' lending rates should be determined by market forces. It is not appropriate for the Government to interfere. We encourage competition and ensure that through competition in the market, banks offer competitive interest rates to their customers. In this connection, it is relevant to note that the Interest Rate Rules made by the Hong Kong Association of Banks have been completely removed since July this year. In addition, a new Code of Banking Practice has recently been promulgated which includes a number of provisions to improve the transparency of pricing of banking products. Indeed, market competition has been operating effectively in the banking system, as manifested in the substantial reduction in the typical spreads of mortgage lending (from prime + 1.75% in the past to prime - 2.5% now). As noted above, a similar trend has also been observed in commercial lending.

**MR KENNETH TING** (in Cantonese): *Madam President, the HKMA reduced the Base Rate following the downward adjustments made to the interest rate in the United States. However, there is no reduction in bank rates. This will actually affect the commercial competition of Hong Kong. Will the Government still refrain from taking any actions?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I would like to thank Mr TING for raising the question. I have just explained that the question is not on how the effect will show. I hope Members would understand that two types of interest rates are actually involved. Perhaps, let me explain this again. The HKMA's Base Rate will affect the interbank interest rates, and only such rates will affect the stability of the linked exchange rate. As mentioned by me earlier, the Base Rate was lowered following the reductions in the Fed Funds Target Rate of the United States. These two are consistent and there are no discrepancies, and the Best Lending Rate is only a reference rate. The actual deposit and lending rates are the most important because such rates are not only set according to the Best Lending Rate, but also determined on such factors as risks, market conditions, costs of interbank lending, business outlook, and so on. Under such circumstances, I think the HKMA should neither guide the market, nor require how banks should set the deposit and lending rates. I believe that it is not appropriate for the Government to play this role.

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

**MR KENNETH TING** (in Cantonese): *Yes, the question raised by me is: Due to the HKMA .....*

**PRESIDENT** (in Cantonese): Mr TING, please just repeat the relevant part which has not been answered by the Secretary.

**MR KENNETH TING** (in Cantonese): *Madam President, the HKMA's Base Rate was lowered but no corresponding reduction was made to the Best Lending Rate of banks, the cost of lending was increased as a result.*

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

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I think I have already answered Mr TING's question, but perhaps he might not have liked my answer. I can only add that not only lending and borrowing activities are conducted among banks, but banks' deposit services would also incur costs. The rate differences in savings and lending currently under our discussion are the same. Therefore, I do not find it necessary for the HKMA to interfere.

**MR NG LEUNG-SING** (in Cantonese): *Madam President, we welcome part (c) of the main reply made by the Government, mentioning that banks' lending rates should be determined by market forces and it is not appropriate for the Government to interfere. However, I still wish to ask the Government this question: If the market is subject to certain pressure and the Government is required to intervene directly in setting bank rates, would this mean the Government's intervention in the pricing of other businesses will ultimately affect the profits and losses of the trades concerned?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I would like to thank Mr NG for raising his question. I believe that if the Government is required to intervene, the simplest way is to ask the Government to increase deposit rates and lower lending rates. Mr NG knows very well that this will make banks difficult to survive. If the Government could demand banks to do so, it could also demand the insurance industry to lower premium and increase compensation as much as possible. If the Government really takes such actions, market forces would completely disappear and all mechanisms would cease to exist. Therefore, I reiterate that the Government should not play the role of bankers. We are not running a business, what we must do is to ensure a level playing ground for banks.

**MR FRED LI** (in Cantonese): *Madam President, the abolition of the Interest Rate Agreement in fact has removed the power of the Hong Kong Association of Banks to determine the rates but it has not prohibited banks from jointly determining the rates. The rates of the five major banks in Hong Kong after July have remained the same as those before. Has the Government assessed whether those major banks jointly determined the rates or are mutually checked, thereby violating the principle of fair competition?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I would like to thank Mr LI for raising the question. I do not share Mr LI's comments that all bank rates have remained the same after July. If Members have deposits in banks — I myself do not have any — they should know that the rates of respective banks are different. Some banks may offer 0.25%, others would give 0.5%. For people with more savings, just like Mr LI, the deposit rate may be 1%. I think banks have set different rates, so I do not agree with his remarks that all banks have exactly the same rates.

**MR HENRY WU** (in Cantonese): *Madam President, in the last paragraph of part (b) of the main reply, the Government mentioned that local corporations had benefitted from lowered borrowing costs during the course of the year. When we discussed the saving and lending activities of Hong Kong dollars at the meeting of the Panel on Financial Affairs held on Monday, it was mentioned that*

*an overall reduction in lending by major trades had caused the loan-to-deposit ratio to drop nearly to the lowest level in the past two decades. May I ask what actual figures the Secretary has to support his remarks in the main reply that local corporations had benefitted from lowered borrowing costs during the course of the year?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I do not quite understand Mr WU's supplementary question. The size of loans and the existing borrowing costs of the industrial and commercial sector are actually two things. This is very simple. There were nine reductions of interest rates in Hong Kong this year and the total reduction is over 4%. Therefore, local corporations could benefit from the lowered borrowing costs because the rate was reduced by 4% at least.

**MR HENRY WU** (in Cantonese): *Madam President, I think the Secretary do not quite understand my supplementary question. In fact, it is very simple. Lending has actually reduced but we have often heard that the industrial and commercial sector has benefitted in respect of corporate lending. Are there any figures indicating the size of their loans and how many industrial and commercial organizations have actually been benefitted?*

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

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I think I have already answered Mr WU's supplementary question. He asked how the industrial and commercial industry had been benefitted. This is very simple. Since the rates were lowered, they would naturally be benefitted. As to whether banks will provide loans to individual organization, this is certainly a business decision to be made by banks with respective factors such as risks, financial conditions, and so on taken into account.

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

### **Developing Hong Kong into a Bond Issuing Centre**

3. **MR AMBROSE LAU** (in Cantonese): *Madam President, given that the Financial Secretary has indicated to the media that Hong Kong possesses the conditions for developing into a bond issuance centre in Asia, will the Government inform this Council of the measures it has taken and will take to promote Hong Kong's development in this direction?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, the Hong Kong Monetary Authority (HKMA) has taken the following measures in promoting the development of Hong Kong as a bond centre.

Over the past decade, the HKMA has been developing the infrastructure for bond market development in Hong Kong. It includes the establishment of a Central Moneymarkets Unit (CMU) which provides an efficient and safe means of electronic clearing of Exchange Fund Bills and Notes and other Hong Kong-dollar or non-Hong Kong-dollar denominated bonds. Through its linkage with other overseas clearing systems, the demand for Hong Kong dollar debts from overseas investors would increase and the base of foreign investors expand. We have further launched the Hong Kong Dollar Clearing System and US Dollar Clearing System. Through linking the CMU with these clearing systems, the trading of Hong Kong dollar and US dollar bonds can be settled in an efficient manner and achieve real-time or day-end delivery versus payment. In addition, the US Dollar and Hong Kong Dollar Clearing Systems allow foreign exchange transactions between US Dollar and Hong Kong Dollar to be settled in real time, thereby eliminating settlement risks which could arise when the settlement occurs across time zones.

At the same time, we have established a reliable Hong Kong dollar Benchmark Yield Curve, which provides benchmarking and hedging tool for bonds issued by private corporations. To ensure the liquidity of Exchange Fund Bills and Notes in the primary and secondary markets, we have also put in place a system of appointing Recognised Dealers and Market Makers to trade in Exchange Fund Bills and Notes.

To encourage more multilateral agencies to issue bonds in Hong Kong, we have since 1996 put in place a tax exemption scheme for qualified bonds. At present, there are already 10 multinational corporations whose bonds are

qualified for profits tax exemption. That is, interest income and trading profits derived from their bonds are exempt from profits tax. For income derived from qualified bonds issued by statutory corporations and government-owned corporations, there is a concessionary profits tax rate equivalent to 50% of the standard rate.

To proceed in tandem with the rapid market development, we are taking steps to simplify the procedures and requirements of bond issuance in Hong Kong in order to strike a balance between facilitating market development and protecting investors. For instance, the Securities and Futures Commission (SFC) has implemented since May this year a class exemption which allows split language prospectuses to be issued; and simplified the requirements for information on valuation of operational leases in the prospectuses. In addition, the SFC also exempted the requirements for prospectus contents in respect of retail bonds recently issued by the Hong Kong Mortgage Corporation. We are now conducting a comprehensive review of the Companies Ordinance and related legislation in aspects of prospectus requirements and offers of investment. We aim to simplify the procedures and enhance the regulatory flexibility to facilitate market development.

Over the past decade, we have accumulated valuable experience and expertise in bond issuance and trading. In addition to our first-class financial infrastructure, all these will enhance Hong Kong's status as a regional bond centre and attract overseas issuers and investors to Hong Kong.

Looking ahead, we will further develop the depth and width of our bond market. We are forging the bilateral linkage with Euroclear with a view to promoting cross-boundary custody and clearing of Hong Kong and overseas bonds, and at the same time expanding the base of investors, thereby stimulating the growth of both local and regional bond markets. We will also develop our CMU into an international clearing house, so that Hong Kong will become the central clearing house in Asia. This will strengthen our status as an international financial centre.

The HKMA is now studying the feasibility of establishing real-time settlement system in other currencies (such as Euro settlement system). The aim is to provide clearing and settlement services for the trading of bonds denominated in other currencies, thus attracting more of such business to Hong Kong. We will also continue to develop further the local retail bond market.

**MR AMBROSE LAU** (in Cantonese): *Madam President, in the fourth paragraph of the main reply the Secretary said that to encourage more multinational agencies to issue bonds in Hong Kong, we have put in place a tax exemption scheme and at present there are already 10 multinational corporations whose bonds are qualified for profits tax exemption. Furthermore, for income derived from qualified bonds issued by statutory corporations and government-owned corporations, there is a concessionaire profits tax rate equivalent to 50% of the standard rate. In a bid to enable Hong Kong to become a bond issuance centre, will the Government inform this Council whether it intends to give a concessionary profits tax rate to quality bonds issued by statutory corporations and government-owned corporations in Hong Kong, or even local corporations?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I thank the Honourable Ambrose LAU for his supplementary question. Indeed, we are studying the issue and are considering ways to develop Hong Kong into a centre for bond issuance. The issue of tax is one of the items we will be studying.

**MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, in his main reply the Secretary said that the Administration has adopted and will adopt numerous measures to develop Hong Kong into a regional bond centre. However, since the "September 11 incident", institutional rating personnel indicated that the incident would pose definite obstacles to the issuance of bonds. Will the Secretary inform this Council whether the Administration has conducted any assessment on the impact of the incident?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I think the decision to issue bonds by a company is determined by its need for capital. For a company in general, the cost of issuing bonds is high, and especially in the retail bond market, the cost is even higher. Earlier, I indicated that we had a working group to study this aspect, for instance, to consider providing the tax concession just mentioned and to adopt other measures to encourage relevant companies to continue with the issuance of more bonds despite the "September 11 incident".

**MR JAMES TIEN** (in Cantonese): *Madam President, at a Panel meeting in this Council yesterday, the Financial Secretary mentioned that the economic growth of the Mainland might reach 7% next year, a rather high rate in the region. Will the Secretary inform this Council whether in the future, state-owned enterprises (SOEs) from the Mainland may enjoy concessionary tax rates as those 10 multinational corporations? Moreover, in the last paragraph of his main reply, the Secretary spoke about the feasibility of trading of bonds denominated in other currencies in future. Does that include the Renminbi?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I am sorry. I could not get the second part of the supplementary question.

**MR JAMES TIEN** (in Cantonese): *Madam President, excuse me. The second part of my supplementary question is about the last paragraph of the main reply, in which the Secretary said the aim was to provide clearing and settlement services for the trading of bonds denominated in other currencies. By currencies, it is meant Euro and US dollars. Will the Renminbi be included in future?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I thank Mr TIEN for his supplementary question.

Let me deal with the first part of the supplementary question. The 10 multinational corporations in fact do not refer to SOEs or individual companies. They are some multinational organizations such the Asian Development Bank and the World Bank, so they do not include SOEs. However, as I said in reply to a supplementary question from Mr LAU, our overall consideration is on tax issues and ways to attract more companies to issue bonds in Hong Kong.

The second part of the supplementary question is about bonds denominated in Renminbi. This is of course an issue involving state policies. As far as infrastructure is concerned, our CMU is a very good settlement system and in the Mainland, there is the GSBS. We are negotiating with the Mainland to find out if the networks can be linked, which, if successful, may also encourage the trading of bonds.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, in the sixth paragraph of the main reply, the Secretary said that Hong Kong has accumulated a decade of experience in bond issuance. Will the Secretary inform this Council whether the Government has data to show the scale and position of the Hong Kong bonds market in comparison with other financial markets in Asia?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I thank Dr TANG for his supplementary question. I believe the Government knew 10 years ago that Members would be very concerned about this. So, much work started 10 years ago. Compared with other Asian countries, Hong Kong has a settlement system in US dollars, which other countries in the region lack. In terms of infrastructure, Hong Kong has definitely reached world standards. Moreover, we have the expertise and related facilities as support, including large investment banks, and accounting and legal professionals have all gathered in Hong Kong. Thus, Hong Kong has what it takes to be a bond issuance centre. The number of issued bonds is significant. If I remember correctly, Hong Kong has issued bonds in the worth of HK\$500 billion and US\$10 billion-odd. These figures will enable Hong Kong to top the list in Asia.

**MR ABRAHAM SHEK**: *Madam President, in the last paragraph of the main reply, the Secretary said that the Hong Kong Monetary Authority is studying the feasibility of establishing real-time settlement system in other currencies. My question is: What other currencies will be considered, apart from Euro; and when will the feasibility study be completed?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I thank Mr SHEK for his supplementary question. I think what could be studied is the Japanese yen, in addition to Euro. The HKMA is conducting the study and is hoping to complete the same by next year.

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

**Promoting Development of Retail Bond Market**

4. **MR SIN CHUNG-KAI** (in Cantonese): *Madam President, regarding the development and management of the retail bond market open to the public, will the Government inform this Council:*

- (a) *in view of the keen response from the public to the last few issues offered by the Hong Kong Mortgage Corporation Limited (HKMCL), whether it knows if the Kowloon-Canton Railway Corporation (KCRC), the MTR Corporation Limited (MTRCL), the Airport Authority (AA) and the Hong Kong Monetary Authority (HKMA) have plans to issue retail bonds;*
- (b) *whether it plans to review the legislation governing the issuance of retail bonds with a view to reducing the costs of private companies in issuing retail bonds; and*
- (c) *of the measures in place to promote the development of the retail bond market and to increase the turnover of retail bonds in the secondary market?*

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

- (a) The HKMA has issued Exchange Fund Notes (EFN) that carry a minimum denomination of HK\$50,000 to facilitate investment by retail investors. Such highly liquid paper can be purchased by retail investors either in the secondary market, or in the primary market through the recognized dealers appointed by the HKMA. These EFNs are also listed on the Hong Kong Exchange to attract investment at the retail level.

As to other individual statutory corporations such as the KCRC, the MTRCL and the AA, they have issued Hong Kong-dollar notes in the past. For example, the MTRCL has issued Hong Kong dollar notes under the HKMA's Notes Issuance Programme. The AA also has eight notes issued under the same programme. Such notes are denominated at a minimum of HK\$50,000 that facilitate

investors' buying. These statutory corporations will, according to commercial principles, take into account their own and market demand and cost-effectiveness in considering whether to issue bonds, and their denominations, to meet their financing needs.

- (b) Existing legislation, in particular the Companies Ordinance, contain very stringent requirements over the disclosure of information for the retail offer of debentures and shares. Preparation of prospectuses and marketing materials under this stringent framework entails substantial financial and time costs. In view of the rapid development of the markets, the Government and the regulatory bodies are taking steps to streamline the procedures and requirements, so as to strike the right balance between facilitating market development and protecting investors.

Pursuant to sections 38A and 342A of the Companies Ordinance, if the Securities and Futures Commission (SFC) considers that the disclosure requirements concerned are either irrelevant or unduly burdensome to issuers, it can give exemptions to certain class of companies or prospectuses. For instance, in March 2001, the SFC gazetted a class exemption notice, which came into force on 11 May 2001, that allows split language prospectuses to be issued and reduces the information required to be disclosed for valuation of operating leases. Furthermore, the SFC has also exempted retail bonds issued by the HKMCL from certain prospectus content requirements. The SFC will consider publishing on SFC's website information as to the types of exemption granted by the SFC in the past and other information considered to be useful to other applicants. The public will be able to access such information, which will ensure the transparency and consistency of SFC's decision. The SFC is reviewing the Companies Ordinance and all other legislation relating to the offers of investment and prospectus requirements. We will consider the experience of overseas markets in this regard, with a view to simplifying the procedures and increasing the flexibility of our regulatory regime in order to meet market development needs.

- (c) The HKMA has taken a number of steps to promote the development of the retail bond market. For instance, EFNs are

exempt from stamp duty and profits tax; the minimum denomination of the notes is set at HK\$50,000; and the listing of notes to facilitate trading by investors.

In terms of market infrastructure, since the introduction of the Third Generation Automatic Order Matching and Execution System (AMS/3) in October 2000 by the Hong Kong Exchange and Clearing Limited (HKEx), investors can trade bonds on line. Furthermore, individual financial institutions have put in place electronic trading platforms for their clients to facilitate trading of fixed-rate products.

The HKEx will further enhance its trading system by developing automated market-making facilities to facilitate the trading of derivative warrants, National Association of Securities Dealers Automated Quotations (NASDAQ) stocks, Exchange Traded Funds and bonds. The system enhancements are expected to be implemented in the second quarter of 2002.

Meanwhile, we have successfully achieved computerization of the clearing of bonds. At the retail level, some banks and brokerage houses have been providing on-line trading to their clients. Through market development initiatives, we would further enhance transaction channels through on-line banking and brokerage services, thereby promoting the retail trading of bonds.

We are equally aware of the importance of improving investors' knowledge about debt products. The SFC has included information on bond investment in its Electronic Investor Resources Centre and investment booklets. The SFC also publishes frequent articles in newspapers and launches promotional campaigns on special themes to increase investors' understanding on various types of investment products. The HKMA has been conducting briefing sessions about new services and promoting education on bonds for retail investors through the media.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, in part (b) of his main reply, the Secretary said that the three public organizations have all issued*

*notes in the past. I would like to ask did the notes issued account for a comparatively high proportion of their total amount of borrowings? In the past, the need for issuing notes was not so strong as there was no zero interest rate, but now the interest rate is almost zero and the need would have been stronger. Has the Government conducted any study to identify the motif for those almost government wholly-owned corporations to increase the ratio of retail bonds being issued?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I would like to thank Mr SIN for his supplementary. Concerning the ratio between the notes issued by those corporations and the total amount of borrowings, I do not have the figures at hand. If necessary, I could provide an answer to Mr SIN in writing. (Annex II) However, I would like to point out that those corporations operate on commercial principles. As a result, whenever there is a need for financing, they will certainly take the cost into account and see whether consortium loan or the issuance of notes should be more cost-effective, then they will make the choice and determine the denomination of \$50,000 or less and so on. I believe all of them have to follow the prevailing market condition and make decision on commercial principles. Actually, with regard to today's condition, the interest of the public in retail bonds has increased significantly, therefore these corporations, such as the AA, also have interest in the issuance of more retail bonds.

**MR HENRY WU** (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that retail investors may purchase bonds through recognized dealers appointed by the HKMA. Will the Government inform this Council of the number of recognized dealers appointed by the HKMA, of the appointment mechanism that the authority adheres to, and whether dealers are openly appointed; if not, the reasons for not appointing them openly?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, in respect of number, there should be over 140 traders, they are mainly recognized institutions such as banks or investment banks. In fact, as far as bonds issued via the HKMA are concerned, many of them are listed on the HKEx, therefore the public may also purchase the bonds through brokerage houses.

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

**MR HENRY WU** (in Cantonese): *Yes, Madam President, the Secretary has not answered my supplementary. I have just asked whether the dealers openly appointed by the Government; if not, the reasons for not appointing them openly?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I think institutions interested in the dealings are all recognized institutions, all of these 147 recognized dealers and 27 market-makers are mainly recognized institutions. I believe that their status as recognized traders is an important factor for us to make a decision.

**DR YEUNG SUM** (in Cantonese): *Madam President, now that bank deposit rate is almost as low as zero, and the Secretary has mentioned earlier that the demand and interest of the public in retail bonds have increased significantly, there are still potential risks. Will the Government make greater efforts in educating the public in this respect, so as to steer the public clear of the same old disastrous course of taking risk in making investment ventures?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I would like to thank Dr the Honourable YEUNG Sum for his supplementary. I fully agree that we should make more efforts to educate the public, notwithstanding that investors in the present time are more investment-conscious than we are. Besides, they know more varieties of bonds than we do, as there are dozens of retail bonds for them to choose once they step into any bank in town. As a result, I agree with Dr YEUNG that educating the investors is very important. In that respect, irrespective of the the HKMA, HKEx, the SFC or the Hong Kong Capital Markets Association, all of them provide websites, brochures, pamphlets and on-line information. Nevertheless, I agree that we should exert more efforts in this respect.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, since those corporations operate on commercial principles, has the Government made a*

*comparison between the cost of making consortium loan and that of retail bonds, and found the cost of the former higher than the latter? Although local market demand on retail bonds is seemingly strong, the supply seems inadequate. Will the Government conduct more study in that respect, especially aiming at those almost government wholly-owned and quasi-government corporations, with a view to making out why the borrowing ratio is still that low?*

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, as I have actually explained earlier, whether or not these corporations issue debt products really depends on the cost, that is to say, the market condition. If the market rate is very low, then why should they issue bonds and pay investors up to a yearly interest of 4%? Furthermore, those corporations have to take into account the capital and time needed, such as long-term and short-term needs. Hence, I believe that commercial principles should really be taken into consideration. The Government should not be used the reason that it owns those corporations to order the issuance of more retail bonds by those corporations to facilitate the promotion of the retail bond market without taking the cost-effectiveness into account. On the contrary, those corporations should take into account the cost-effectiveness of various financing channels before making any decision based on commercial principles. However, I have mentioned in my main reply that we encourage those corporations to issue more retail bonds mainly because the current interest rate is on the low side and there are demands on the market. I have also explained that those corporations are in fact interested in the issuance of more retail bonds and the like.

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

### **Use of Construction Materials with Radioactive Substances**

5. **DR RAYMOND HO** (in Cantonese): *Madam President, will the Government inform this Council whether:*

- (a) *the authorities have carried out inspections on buildings completed in the past three years to check if materials with radioactive substances have been used in constructing the buildings; if so, of the results of such inspections;*

- (b) *it has examined the short-term and long-term effects on health of people living or working in the buildings constructed with materials with radioactive substances; and*
- (c) *legislation is in place to regulate the permitted radiation levels of construction materials; if not, whether it will consider introducing legislative control?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President,

- (a) We have not found the need to carry out specific inspections on buildings completed in the past three years in Hong Kong to check if radioactive substances have been used in building construction. We have been conducting instead periodic surveys on the concentration of radon which, if allowed to accumulate, may pose health risks. Our findings indicate that radon levels found in our buildings are substantially below the level recommended by the World Health Organization (WHO) for remedial action to be taken.
- (b) We have not conducted specific researches on the health effects of people living or working in buildings constructed with materials containing radioactive substances. As I have indicated in Part (a), our survey findings indicate that radon levels found in buildings in Hong Kong are substantially below the level recommended by the WHO for remedial action to be taken.
- (c) There is at present no legislation to regulate radiation levels of construction materials. We have no intention of introducing legislative control at this time because we consider that the health risks arising from radioactive substances in construction materials commonly used in Hong Kong are negligible.

**DR RAYMOND HO** (in Cantonese): *Madam President, I would like to thank the three Bureau Secretaries for attending this meeting today to answer my question. In the year 1992-93, the Environmental Protection Department (EPD) issued a guideline serial numbered PN1/99, pointing out that after conducting an extensive survey, the Administration discovered that radon may have harmful*

*effects on human health such as inducing lung cancer, and poisonous gases like formaldehyde may also be released from new furniture. The Secretary mentioned in part (a) of the main reply that "we have been conducting periodic surveys on the concentration of radon". By "periodic surveys", may I ask when were the surveys conducted and which was the department responsible? I ask this question because the relevant guideline of the EPD only mentioned that such surveys were conducted 10 years ago.*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, a number of government departments have conducted surveys on radon indoors. For example, the Electrical and Mechanical Services Department conducts surveys on a periodic basis, basically once every two years or so, on the indoor quality of public buildings. All the survey results so far are found to be satisfactory, with the radon levels substantially below the WHO level. The Environmental Protection Department conducts territory-wide indoor surveys as well. The last one was done in 95-96, and there have been updating surveys recently. Surveys are done on residential premises as well as non-residential premises. What we have found is that the radon levels in these premises are also substantially below the WHO level. We also take account of studies done by our tertiary institutions. Some recent surveys on radon release from building materials in Hong Kong have been conducted by the University of Hong Kong. These were published in *Health Physics* Module 67 Number 4, and the results are quite comparable to the results of the surveys conducted by the Government.

**DR LUI MING-WAH** (in Cantonese): *Madam President, part (a) of the main reply mentions that the Government has not found the need to carry out specific inspections on buildings completed in the past three years in Hong Kong to check if radioactive substances have been used in building construction. If the radioactivity has not arisen from construction materials, may I ask the Government where has it come from, is it from the air or other substances?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, as we know, everything contains radioactivity, including our bodies. Our bodies also contain traces of elements such as potassium-40 or carbon-14, and so we are all radioactive in a way. As the Member said that building materials may contain traces of elements, from the air, we also get gamma rays and so forth. So radioactivity is all around us. But I do not think we need to be alarmed about that.

**DR LUI MING-WAH** (in Cantonese): *Madam President, the Secretary did not answer that if there are no radioactive substances in construction materials, then where has radon come from?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, radon comes from radium, and some of the trace radium are contained in building materials. I am not saying that building materials do not contain any radioactive substances. In fact, what I am saying is that everything contains radioactive substances. People here in the Legislative Council contain radioactive substances, and we emit certain amount of radioactive substances all the time, except that the level is negligible and not harmful to health.

**MISS CHOY SO-YUK:** *Madam President, part (c) of the main reply says the Government feels that it is not necessary to introduce legislative control on building materials, because survey results show that the existing materials do not contain high level of radiation. When saying that the existing materials do not contain high level of radiation, does the Secretary mean that all future construction materials will also be radioactive-free and safe? If there are new materials which are highly contaminated, how would the Government be able to stop people from using them; and how could the building concerned be decontaminated without having to cost a lot of money, or would it be necessary to have the whole building totally demolished?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, I think we really have to trust the good sense of our surveyors and architects in not using any highly radioactive substance to build our residences. And probably, this is not a cost-effective way of building houses anyway. But we would be looking out for reports around the world from tertiary institutions and so forth, so as to bring ourselves up-to-date on the latest findings about building materials, just to ensure that the specific activities of these materials would not cause any radioactive damage to the health of people in Hong Kong.

**PRESIDENT** (in Cantonese): Miss CHOY So-yuk, has your supplementary question not been answered?

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, the Secretary only said the Government would rely on the good sense of surveyors, how can it ensure that surveyors will monitor the radioactivity level of construction materials?*

**PRESIDENT** (in Cantonese): Miss CHOY, in your earlier supplementary question, did you ask how could the Government ensure that highly radioactive materials would not be used as construction materials?

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, yes I did.*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, we have not resorted to testing every single building material, because it probably would be quite an inefficient way of doing things. What we have resorted to do is to test the well-being of the ambience that we are in. So we have been taking a holistic approach in testing the radon level in domestic premises, for example. This is the way that we will continue to take in testing the health effects that may have been imposed on us in the residences.

**MR HENRY WU** (in Cantonese): *Madam President, I also agree with the Government in that it would be hard to introduce legislative control in this respect. However, I think it can be said that the Government has not answered our question in its reply to this question. If technical terms are used in the Legislative Council, I think many people may not be able to understand either. Could the Secretary use terms that are more easily understandable such as in part (a) of the main reply, it was mentioned that radon levels found in our buildings are substantially below the level recommended by the World Health Organization .....*

**PRESIDENT** (in Cantonese): Mr WU, I am very sorry I have to interrupt you in your supplementary question. I think Members should not tell government officers how to answer questions during question time. Please ask your question directly.

**MR HENRY WU** (in Cantonese): *Madam President, actually, I am going to ask a supplementary question in relation this point. Could the Secretary use simple and easily understandable terms in his explanation so that we do not have to waste time in asking follow-up questions? (Laughter)*

**PRESIDENT** (in Cantonese): Mr WU, I am very sorry but I do not think your supplementary question is relevant to the main question. The Secretary has a right to answer questions in his own way. We should not tell the Secretary how to answer questions.

**MR HENRY WU** (in Cantonese): *Madam President, I would like to cite an example for the reference of the Secretary, but if the President thinks that there is no such need, then I would not do so.*

**PRESIDENT** (in Cantonese): Mr WU, I think there is no need for you to cite any example.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, the main reply only refers to radon, but as Dr Raymond HO said, aldehyde is also harmful to human health. Apart from radon, may I know whether there are other radioactive elements in construction materials that are also harmful to human health?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, I have also mentioned the studies conducted by the University of Hong Kong. They have looked at other different substances such as radium-226 and thorium-232. According to the studies, their quantities are also in a range comparable to, for example, potassium-40 which is contained in our own body. So basically, there is no need to feel worried about the different radioactive substances that are contained in different building materials commonly used in Hong Kong today.

**MR ABRAHAM SHEK:** *Madam President, to give us a level of comfort, would the Secretary please advise us on the level recommended by the WHO and also the result of surveys and studies about buildings done in Hong Kong?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, the WHO recommends that for anything which has a level of above 200 becquerel per gram, we should start taking remedial action. For most of the studies conducted in Hong Kong, it is found that most of the levels that we have attended are less than 70.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary did not really answer Dr LUI Ming-wah's supplementary question. I would like to point out that the guideline issued by the EPD, which I referred to earlier, requested that professionals, when designing buildings, should try to reduce the harmful impact of radon on human health, and the Secretary also indicated that he would make the same request. In relation to designs, since radon is released from granite and granite can be found in concrete, it will also have the problem of releasing radon while formaldehyde is also be released from wood furniture. The Secretary requests or hopes that the professionals, in designing buildings, would try their best to reduce the concentration of harmful gas and the relevant guideline of the EPD has also made a similar request. May I ask the Secretary, what changes have been made in building designs since the EPD issued its guideline?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, Dr HO mentioned about granite. Granite or granite aggregate is quite commonly used in a lot of building materials. But in fact, granite contains no more than 1 becquerel of radioactivity per gram, which is very low. According to the Radiation Ordinance in Hong Kong, we do not define any substance as radioactive unless it has reached a level of 75 becquerel per gram. So I think using granite aggregates as building materials in Hong Kong is not a major concern. As I responded to an earlier question, when we have new materials or new designs coming in, I am sure that we can resort to the good sense of our builders and architects in using the proper materials.

**PRESIDENT** (in Cantonese): Dr Raymond HO, has your supplementary question not been answered?

**DR RAYMOND HO** (in Cantonese): *Madam President, first of all, I would like to point out that the Secretary has used an incorrect unit, for it should be*

*becquerel per cubic metre and not becquerel per gram. The part of my question which has not been answered is, what improvements have been made in building designs since the relevant guideline of the EPD was issued 10 years ago? The guideline also states that, it is hoped that cracks can be reduced in the design to avoid having radon seep in through the ground surface or the basement, and granites be covered as far as possible, to avoid their exposure in the air. All these measures were mentioned in the report of the EDP and I would like to know whether the building designs are in line with the guidelines?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, it is not wrong to say becquerel per gram, because we are talking about mass, rather than volume. In regard to the different measures which have been recommended, I am sure that all the architects and builders are quite aware of them. It is basically to improve ventilation in an enclosed space, which would be the most effective way to bring down the concentration level of radon, and I think architects would design buildings according to this sense. For a great deal of reinforced concrete structures, they would seek to apply some special plaster to seal the cracks, or avoid using a lot of spaces in basements and so forth. I think those are the common ways that builders would seek to reduce the level of radon which would be harmful to the health of human beings.

**MR ANDREW WONG** (in Cantonese): *Madam President, we all know that the Legislative Council building is built of granite, may I ask the Secretary whether the radon level of this building have been tested to see whether it meet the required standards? I hope that after conducting the tests, the Administration can assure us that it is quite safe to conduct meetings in this Chamber. (Laughter)*

**SECRETARY FOR PLANNING AND LANDS:** Madam President, I think I can assure Mr WONG that it is perfectly safe to spend a lot of time in this Chamber. As I mentioned earlier, granite contains no more than 1 becquerel per gram, and to be considered as radioactive under the Radiation Ordinance, the substance has to achieve a level of 75. So there is quite a huge order of magnitude between the two, and I think Members can be assured of that.

**PRESIDENT** (in Cantonese): Last oral question.

**Provision of Facilities for the Disabled at Footbridges**

6. **DR DAVID CHU** (in Cantonese): *Madam President, regarding the provision of facilities at pedestrian footbridges to facilitate access by the disabled, will the Government inform this Council:*

- (a) *of the number of existing footbridge which do not have access facilities for the disabled, and the districts in which they are mainly located; and*
- (b) *whether it plans to expeditiously retrofit such footbridges with access facilities for the disabled, especially those footbridges which are the only crossing facilities at their respective locations; if so, of the works schedule and the construction costs involved; if not, of the reasons for that?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, our current policy is that access facilities for the disabled should be provided at all newly built footbridges. Of the some 500 existing government footbridges in Hong Kong, about 120 do not have such facilities. They had mostly been completed before the Disability Discrimination Ordinance was enacted. These footbridges are mostly located in Wan Chai, Eastern District, Sham Shui Po, Kwai Tsing and Tsuen Wan.

According to our preliminary survey, we could retrofit access facilities for the disabled at about half of the above 120 footbridges, such as by installing ramps or lifts. The retrofitting works would cost about \$1 billion in total. As a start we now plan to retrofit such facilities at two footbridges in Kowloon Bay. They are connected to Ngau Tau Kok Estate and Kai Yip Estate respectively. The retrofitting projects are expected to be completed in early 2004. For the other footbridges, in view of the large scope of works and resource constraints, we will retrofit access facilities for the disabled gradually according to an order of priorities.

As to the remaining footbridges, some of them could not be retrofitted with such facilities due to site constraints, for example, where there is not enough space for ramps or for a structural modification to accommodate lift towers. Some others do not have a practical need for modification, for example, footbridges where there are at grade crossings nearby.

**DR DAVID CHU** (in Cantonese): *Madam President, in the second paragraph of his main reply the Secretary said that apart from the two footbridges in Kowloon Bay where access facilities for the disabled will definitely be retrofitted, other projects will have to observe an order of priorities. Will the Secretary tell us the number of footbridges where the Government plans to carry out such retrofitting works and whether it has drawn up a specific timetable in this connection?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, at the present stage, we do not have a specific timetable. Nor have we set priorities for such works. As I said earlier in the main reply, we can study the installation of such facilities at about half, or 60, of the 100-odd footbridges. But on specific technical problems and the location of such facilities, we have to consult the people in the relevant districts, and we also have to look into the allocation of resources, for it will cost as much as \$1 billion to carry out retrofitting works at all footbridges. In simpler terms, insofar as the retrofitting of lifts is concerned, each lift will cost about some \$5 million and its repair and maintenance will cost about \$100,000 yearly. But I am not saying that the Government would not carry out such works due to the huge resources required. Given the magnitude of this project, we must proceed step by step in setting priorities and allocating resources.

**PRESIDENT** (in Cantonese): Members, as there are eight Members waiting to ask their questions, please be as concise as possible when asking your supplementaries.

**MR LAW CHI-KWONG** (in Cantonese): *Madam President, the Secretary seemingly did not directly answer part of the main question, that is, the number of footbridges where access facilities for the disabled are required but not yet retrofitted, and where retrofitting works are not planned by the Government. As for footbridges where such facilities are required and not yet retrofitted but with retrofitting works planned, when will the retrofitting works finish?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, on this question, I think further analysis is warranted. In fact, as I explained in the

main reply, about 120 of the 500-odd footbridges are not retrofitted with access facilities for the disabled. Half, or about 60, of these 120 footbridges can be retrofitted with such facilities technically. As I mentioned in my reply to Dr CHU's supplementary question, we have yet drawn up a specific timetable for the retrofitting works at these 60-odd footbridges. Regarding the other 60 footbridges, I already told Members that some of them do not require modification; some cannot be retrofitted with such facilities; and for some footbridges, other facilities are already provided nearby.

**MR LAW CHI-KWONG** (in Cantonese): *Madam President, my supplementary is not about the feasibility of retrofitting works. Rather, I was asking the number of footbridges that require these facilities but cannot be retrofitted with them. The Secretary said that there are some footbridges where retrofitting works cannot be carried out. That is fine. But of those footbridges where retrofitting works cannot be carried out, how many do require such facilities but such retrofitting works are not feasible there?*

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

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, our next step may be to conduct a more detailed analysis of the perspectives and factors that need to be considered as raised by Mr LAW just now.

**MS MIRIAM LAU** (in Cantonese): *Madam President, I believe the Secretary can also appreciate that Members are not satisfied with his answer, because the Government has not drawn up a timetable for footbridges where retrofitting works are feasible. For some other footbridges, he even said outright that retrofitting works are impossible. Can the Secretary tell us among these 120 footbridges, and excluding the two footbridges where retrofitting works will be carried out, which means that there are still about 110-odd footbridges left, are some of these footbridges already worn and torn and therefore the best way to deal with them is to pull them down and build new footbridges where access facilities for the disabled are provided? Will this be more expedient and economical?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, as I already said earlier, we have conducted a preliminary survey and found that the retrofitting of access facilities for the disabled is technically feasible at about 60 footbridges. Indeed, for about 10 out of these 60 footbridges, it may be more economical to completely pull them down for reconstruction, but it does not mean that this would entail no cost at all. To obtain the funding, we must bid for resources. Moreover, major modification works will have to be carried out at about 30 footbridges and the installation of ramps or lifts would be possible only after the completion of structural modifications. Therefore, it is necessary for us to take further account of the actual order of priorities. Furthermore, there are about 20 other footbridges where lifts can be installed more easily and quickly. But after all, this will involve resources allocation and so, we must submit our bids before such works can commence.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, just now the Secretary said that the installation of access facilities for the disabled is feasible at some footbridges, but given that the installation of lifts is costly, which would cost as much as over \$5 million, the Government must therefore take account of an order of priorities. Will the Secretary tell us what criteria are adopted for setting the priorities? The Secretary did not tell us the relevant criteria. He appeared to be only saying that the costs are exorbitantly high, thinking that Members would then agree to delays of these works. I do have this feeling. Is this what the case is?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, there would of course be no problem if sufficient funds are available. But without sufficient funds, we must consider an order of priorities when carrying out the works. Certainly, when setting priorities, we have to include for our considerations the utilization rate, and we must also conduct consultation in the districts. In fact, before planning to carry out retrofitting works at footbridges, we must first consult the districts and obtain support of the people there, for the retrofitting works may sometimes affect other facilities in a district.

**MR MICHAEL MAK** (in Cantonese): *Madam President, will the Secretary tell us whether other roads and pedestrian facilities were also reviewed in a comprehensive manner in the preliminary survey, with a view to facilitating access by the disabled? If not, what are the reasons?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, we have conducted a preliminary survey on footbridges. As for the other facilities, I hope that the Member can be more specific with the types of facilities he referred to before I can answer his question.

**MR MICHAEL MAK** (in Cantonese): *Madam President, let us start with road facilities.*

**PRESIDENT** (in Cantonese): Secretary, when Mr Michael MAK asked his supplementary, I did consider the fact that in the review of footbridges, the Administration would also review other facilities on roads in need of improvement in order to improve the existing footbridges. For this reason, I had allowed Mr MAK to ask this supplementary question. Please try to answer the question from this perspective.

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, there are other transport measures provided for the disabled. For example, audible devices are installed at traffic lights to let the blind know the time for crossing the road. Besides, kerb ramps are provided on pedestrian ways, and these are basic road facilities. In fact, when designing other road-crossing facilities, we will certainly consider ways to facilitate access to roads by the disabled.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, the Secretary said earlier that 60 out of the 120 footbridges stand a chance to be retrofitted with access facilities for the disabled. These 60 footbridges can be divided into three groups: First, 10 of them may have to be pulled down. Second, 30 require structural modification or the retrofitting of ramps. Third, the remaining 20 can be handled more easily; and the relevant works would cost \$1 billion in total. Earlier on the Secretary appeared to be saying time and again that the Government does not have the money for such works. In fact, it is the policy of the Government to expedite works projects in order to create job opportunities. I would like to ask the Secretary this: Will the Government expedite the allocation of funds from this perspective and with due regard for these factors, so that retrofitting works can be carried out at the 20 footbridges which can be handled more easily?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, I did not say that the Government does not have the funds. All I had said was that we have to bid for resources in order to implement this project.

**MR AMBROSE LAU** (in Cantonese): *Madam President, in the second paragraph of the main reply the Secretary mentioned that retrofitting the 60 footbridges with such facilities would cost \$1 billion, which is a huge amount of money. I have made some further calculations, and found that the retrofitting works at each footbridge might cost as high as \$17 million. Has the Government thoroughly explored and studied other alternatives for such works to be carried out in a cost-effective manner, instead of retrofitting each footbridge with such facilities at the cost of \$17 million?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, I wonder if the Member can offer any wisdom on this? *(Laughter)*

**MR AMBROSE LAU** (in Cantonese): *Madam President, it seems to be me putting a question to the Secretary, not the Secretary putting a question to me. I am not on the Secretary's side yet. (Laughter)*

**PRESIDENT** (in Cantonese): Secretary, have you answered Mr LAU's question already? *(Laughter)*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, as a matter of fact, we have looked into many options. As I said earlier, some footbridges have to be pulled down, others require the installation of lifts and ramps, while some will have to be rebuilt. We have studied a host of alternatives and have certainly considered them from the angle of cost-effectiveness. But if Members have any other brilliant ideas, we would be more than happy to listen to them.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the Secretary said that 120 footbridges have been surveyed and he also mentioned that there are other footbridges for which priorities will have to be set. Does the Secretary know the number of these other footbridges? From his remarks, did the Secretary mean that these other footbridges stand little chance of being retrofitted with access facilities for the disabled?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, retrofitting works are technically feasible at half of the 120 footbridges without access facilities for the disabled, whereas such works cannot be carried out at the other half technically. As I have explained earlier, we would be indeed at our wits' end if such works are not technically feasible. Of these 60 footbridges where works are not technically feasible, several may need to be modified shortly; as for some other footbridges where there are at grade crossings nearby, they can certainly cater for the needs of the disabled. So, these 60 footbridges are the ones I referred to when I said there are footbridges which do not require retrofitting works or where retrofitting works are impossible technically.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, according to the Financial Secretary, jobs that are needed will certainly be created and all departments will be asked to submit proposals in this connection. I would like to ask the Secretary this: With regard to those 20 footbridges that can be handled more easily, has the Secretary submitted proposals to the Financial Secretary to suggest to him that these are projects for which jobs can be created? Members of the Legislative Council would follow up on whether or not provisions will be granted by the Financial Secretary. Has the Secretary submitted such proposals to the Financial Secretary?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, for good suggestions, I will follow them up.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, the Secretary has not yet answered my supplementary question. Is it that he has not yet submitted proposals to the Financial Secretary? Please ask him to be frank. (Laughter)*

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

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

**DR TANG SIU-TONG** (in Cantonese): *Madam President, the footbridges mentioned by the Secretary were all footbridges owned by the Government. For footbridges not owned by the Government, what measures or plans does the Government have to encourage private developers to take account of the needs of the disabled?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, I believe there is no problem with the newly-built crossing facilities or footbridges, even though they are built by the private sector, for the law has already provided for the need to install such facilities to facilitate access by the disabled. The problem lies only in the old and existing footbridges and how we can encourage or remind the private companies concerned to consider the needs of the disabled. We are now studying ways to follow this up and to put this message across.

**DR RAYMOND HO** (in Cantonese): *Madam President, if it takes two years to complete the installation of ramps or lifts on each occasion, then the retrofitting works at 60 footbridges would take 120 years. To expedite the progress of work, will the Government, when carrying out works projects on Hong Kong Island, in Kowloon or in the New Territories in future, consider including the necessary retrofitting works of a footbridge as part of the works project carried out in the vicinity of the footbridge?*

**SECRETARY FOR TRANSPORT** (in Cantonese): Madam President, we will certainly seize opportunities as such. If there are other works projects to be carried out in the vicinity of the footbridges that require retrofitting works, we will certainly consider asking the relevant companies to carry out the retrofitting works alongside the projects.

**PRESIDENT** (in Cantonese): Oral Question Time ends here.

## WRITTEN ANSWERS TO QUESTIONS

### Remuneration and Fringe Benefits for Senior Staff of Public Organizations

7. **MR LAU CHIN-SHEK** (in Chinese): *Madam President, regarding the remuneration (including allowances) and fringe benefits for senior management staff of public organizations, namely, the MTR Corporation Limited (MTRCL), the Kowloon-Canton Railway Corporation (KCRC), the Airport Authority (AA), the Urban Renewal Authority (URA) and the Hospital Authority (HA), will the Government inform this Council:*

- (a) *of the total amount of remuneration paid by each of the above-mentioned organizations to its senior management staff and its expenses on the relevant fringe benefits last year, as well as the changes in such expenditures in the past five years; the criteria adopted by each organization for determining and adjusting the remuneration and fringe benefits for its senior management staff, and whether the expenditures and the rates of adjustment concerned have been made public; and*
- (b) *whether it has issued to public organizations uniform guidelines on the levels of remuneration and fringe benefits for such staff; if so, of the details; if not, the reasons for that?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Chinese): Madam President,

- (a) The total remuneration, including salaries, allowances and fringe benefits, of senior management staff of the MTRCL, the KCRC, the AA, the URA and the HA in the past five years, and the criteria adopted by these organizations for determining and adjusting the remuneration are set out in the table at the Annex.

The MTRCL, the KCRC, the AA provide general information on the remuneration of their senior management staff in their respective annual reports. The URA will also publish its total remuneration expenditure in its annual report. Actual remuneration of individual senior management staff, being commercially sensitive information, and the rates of annual adjustments to the total remuneration of these staff, have not been made public. As for the HA, it is a subvented organization and its total staff costs are disclosed in its annual reports. Pay adjustments of HA staff follow primarily those of the Civil Service.

- (b) The remuneration for senior management staff in the MTRCL, the KCRC, the AA and the URA are set to reflect the different management structures in these organizations, the level of responsibilities, and the respective areas of expertise and experience required. In overall terms, the remuneration should be in line with the respective markets in which these organizations compete for human resources. The remuneration should be able to attract and retain staff with the appropriate calibre, experience and expertise. We therefore consider that it is neither desirable nor practicable to put in place a set of uniform criteria for the remuneration of senior management staff in these organizations.

As for the HA, in line with the Government's subvention policy, the terms and conditions of service of HA staff, including senior management staff, should not be better than those provided by the Government to comparable grades in the Civil Service.

<i>Public Organization</i>	<i>Expenditure on the remuneration for senior management staff in the past five years (round to the nearest \$ million)</i>			<i>Criteria for determining and adjusting the remuneration for senior management staff</i>
MTRCL <sup>1</sup>	<i>Year</i>	<i>No. of staff involved</i>	<i>Total</i>	The remuneration for senior management staff is reviewed taking into account prevailing market practices. Board approval is required before the recommended adjustment can be implemented.
	2000	7	\$37M	
	1999	8	\$36M	
	1998	9	\$39M	
	1997	8	\$36M	
	1996	10	\$37M	
KCRC	<i>Year</i>	<i>No. of staff involved</i>	<i>Total</i>	The pay packages are set having regard to those of comparable jobs in benchmark companies. Board approval is required before the recommended adjustment can be implemented.
	2000	10	\$34M	
	1999	8	\$29M	
	1998	8	\$29M	
	1997	7	\$25M	
	1996	5	\$20M	
AA	<i>Year</i>	<i>No. of staff involved</i>	<i>Total</i>	The AA conducts regular remuneration surveys of the market and benchmarks salary adjustment for all its staff in line with ongoing market trends.
	2000-01	8	\$26M	
	1999-2000	7 <sup>2</sup>	\$19M	
	1998-99	9	\$32M	
	1997-98	9	\$32M	
	1996-97	8	\$35M	

1 The MTRCL was privatized and listed on the Stock Exchange of Hong Kong in October 2000. The MTRCL is hence no longer a statutory body and is no different from other commercial entities listed on the Stock Exchange of Hong Kong, though the Government remains its majority shareholder.

2 Two only joined the AA during the course of the year. If the full year remuneration effect of these two staff is taken into account, total remuneration in 1999-2000 should have been around \$24M.

<i>Public Organization</i>	<i>Expenditure on the remuneration for senior management staff in the past five years (round to the nearest \$ million)</i>			<i>Criteria for determining and adjusting the remuneration for senior management staff</i>
	<i>Year<sup>3</sup></i>	<i>No. of staff involved</i>	<i>Total</i>	
URA	2001-02	5	\$16M	<p>The remuneration for the Managing Director and the two Executive Directors are determined by the Chief Executive. The Government had commissioned a consultancy firm to recommend their remuneration having regard to remuneration for comparable positions in public and private sector organizations.</p> <p>As to the adjustment mechanism of the remuneration for the Managing Director and the two Executive Directors, a review of their annual remuneration will be conducted each year by a Remuneration Committee comprising the Chairman of the Board of the Urban Renewal Authority (the URA Board) and all non-executive Chairmen of the Committees of the URA Board. Any adjustments to their remuneration recommended by the Remuneration Committee have to be approved by the Chief Executive.</p> <p>The remuneration for other senior management staff are determined and adjusted by the URA Board, with reference to published information on pay trend and pay levels, as well as pay adjustments of organizations which engage in property development.</p>
HA <sup>4</sup>	Year	<i>No. of staff involved</i>	<i>Total</i>	Changes of the pay levels are in line with those in the Civil Service.
	2000-01	61	\$181M	
	1999-2000	66	\$203M	
	1998-99	73	\$203M	
	1997-98	72	\$198M	
	1996-97	70	\$173M	

<sup>3</sup> The URA was established on 1 May 2001. The projected expenditure figure for the financial year 2001-02 is provided for reference.

<sup>4</sup> The HA is a subvented organization. The HA's senior management staff is defined as management staff at ranks that are equivalent to Directorate 1 or above in the Civil Service.

**Regulation on Use of Electric-driven Skateboards and Electric Bikes**

8. **MR IP KWOK-HIM** (in Chinese): *Madam President, at present, persons using electric-driven skateboards and electric bikes on roads are required to possess valid driving licences for "motor cycle and motor tricycle" and the owners concerned have to obtain the relevant registration licences. In this connection, will the Government inform this Council:*

- (a) *of the rationale and criteria for imposing the above requirements;*
- (b) *whether members of the public are required to possess valid driving licences for using electric-driven skateboards and electric bikes in parks as well as on cycle tracks, private roads and footpaths and to display the relevant registration licences; if so, whether the Administration will consider exempting the use of electric-driven skateboards and electric bikes below certain horsepower in such places from the above requirements since they move at a slow speed and are unlikely to cause serious injuries to other people in accidents; if no exemption will be given, of the reasons for that; and*
- (c) *given that all the electric-driven skateboards and electric bikes currently on sale in the market do not meet the statutory requirements and therefore have not been licensed, whether the Administration will issue licensing guidelines setting out in detail the construction specifications on electric-driven skateboards and electric bikes for reference by manufacturers and importers?*

**SECRETARY FOR TRANSPORT** (in Chinese): *Madam President, under section 22 of the Road Traffic Ordinance (RTO) (Cap. 374), every vehicle of a class specified in the RTO which is used on any road shall be licensed. Whether a vehicle will be registered and licensed depends on whether it can meet the requirements such as horsepower, lighting, braking and warning devices specified under the Road Traffic (Construction and Maintenance of Vehicles) Regulations (C&M Regulations) and whether it can pass the vehicle examination relating to the specified class of vehicle. Under section 42 of the RTO, it will also be necessary for a person to obtain the relevant driving licence to drive a motor vehicle on the road. In addition, it is necessary to have insurance cover for third party risk in using a motor vehicle on roads.*

Electric-driven skateboard or electric bike is a type of mechanically propelled motor cycles and is subject to the licensing control of the RTO. However, any motor cycles including electric-driven skateboard or electric bike, which fail to meet the C&M Regulations or pass the relevant vehicle examination will be refused registration.

Road is defined under the RTO to include every highway, thoroughfare, street, alley, court, square, carpark, passage, path, way and place that are accessible by the public. It is a breach of the RTO for anyone to operate an unlicensed vehicle on roads including private roads. One of the reasons that electric-driven skateboards or electric bikes cannot be licensed is that they do not meet the minimum horsepower required under the C&M Regulations for use on roads. These vehicles are too slow to be used on roads and can endanger other road users. On the other hand, they are too fast for use on cycle tracks and can cause risks to cyclists. Given the prevailing road conditions in Hong Kong, it is not advisable on road safety grounds to waive any requirements under the C&M Regulations in order to license electric-driven skateboards or electric bikes for use on the roads.

The Transport Department has issued letters to all major shops and operators selling electric-driven skateboards and electric motor scooters in May last year, advising them of the registration and licensing requirements and the need for compliance with the C&M Regulations before these vehicles can be put to use on the roads. The Department will step up the publicity of such requirements for reference by the manufacturers and importers.

### **Clearance Facilities at Boundary Control Points**

9. **DR TANG SIU-TONG** (in Chinese): *Madam President, it was reported that the mayor of Shenzhen had pointed out in late October this year that the cross-boundary clearance facilities at the boundary control points on the Hong Kong side lagged behind those on the mainland side. In this connection, will the Government inform this Council of:*

- (a) *the respective average time required for immigration clearance of a passenger and a vehicle crossing the boundary during peak periods and at other times, and how such figures compare with those for the border control points on the Mainland; and*

- (b) *the measures in place and the new-technology facilities to be introduced to shorten the time required for immigration clearance of passengers and vehicles?*

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

- (a) In brief, passengers or vehicles crossing the boundary should be subject to checks by the Immigration Department and the Customs and Excise Department. At present, most of the cross-boundary passengers are Hong Kong residents and the processing time for immigration clearance of a passenger holding a Hong Kong permanent resident identity card is about 15 seconds. According to the performance pledge of the Immigration Department, the current target is to clear 92% of passengers at the various land control points within 30 minutes. The figures for the first 10 months of this year reveal that about 98% of passengers travelling through the land crossings are cleared within 30 minutes and 88% of them are cleared within 15 minutes. During non-peak periods, most of the passengers are able to complete clearance procedures smoothly within 10 to 15 minutes. However, when the control points are flooded with passengers during peak periods, the waiting time would be longer than usual.

As regards customs checks, the Customs and Excise Department adopts a risk management approach which aims to intercept suspicious persons for further examination. As such, the majority of the travelling public are given non-stop passage.

As regards vehicular checks, the processing time for immigration clearance of goods vehicles is similar to that required for passengers, that is, about 15 seconds for each vehicle. In the case of private cars, the average clearance time is about one minute for each car depending on the number of passengers inside. On the part of the Customs and Excise Department, its performance pledge is to clear a cross-boundary vehicle within 60 seconds (except vehicles subject to spot check). In practice, the average clearance time is around 20 seconds for a private car or an unladen goods vehicle, and 45 seconds for a laden goods vehicle.

In the first 10 months of this year, about 98% of vehicles are cleared within 30 minutes and around 96% of them are cleared within 15 minutes.

As regards the time required for the clearance of passengers and vehicles by the mainland immigration and customs authorities, we understand that mainland authorities do not keep such statistics. However, it is estimated that the average clearance time for a passenger holding a "Home Visit Card" or "Home Visit Permit" is about 15 seconds with the former requiring a shorter processing time. Actually, the processing procedures and the standard adopted by the Immigration Department and the Customs and Excise Department in the clearance of passengers and vehicles are different from those adopted by their mainland counterparts. For example, private cars and goods vehicles are directed to separate lanes for immigration clearance on the Mainland. The time required for inspection of goods vehicles also varies according to their different categorization by mainland Customs. For instance, the time required by the Shenzhen authorities to clear a goods vehicle with goods from outside Shenzhen will be longer. Thus, a comparison merely based on individual types of travel documents or vehicles may not reflect the overall actual situation.

- (b) We have put in place a series of measures and will consider the introduction of new technology to improve the cross-boundary facilities for clearance of passengers and vehicles. Details are as follows:

(1) *Passenger traffic*

Contra-flow (Tidal Flow) Arrangement — to open some arrival counters for departure clearance during departure peaks and *vice versa* to ease passenger traffic at the dominant flow direction.

Extension of operating hours — starting from 1 December this year, the operating hours for passenger traffic at Lo Wu and Lok Ma Chau Control Points have been extended, running from 6.30 am to midnight.

Enhancement of manpower resources — the Immigration Department has created another 117 posts at the Lo Wu Control Point in the financial year 2001-02 and will further strengthen manpower there in 2002-03. As for the Customs and Excise Department, the number of posts will be increased by 31 at the Lo Wu Control Point in the financial year 2002-03 to cope with the ever-increasing passenger traffic at the control point.

Issue of machine-readable travel documents — the Immigration Department intends to introduce new machine-readable Re-entry Permits by late December this year. The Department will also enhance existing non machine-readable Re-entry Permits (around 400 000) by attaching machine-readable labels on them free of charge. This would shorten clearance time at control points by doing away with the existing procedure of manual input of the personal data of the holders, and will help to speed up the passenger flow. The Department also intends to issue machine-readable Document of Identity (D/I) next year. This would likewise shorten clearance time by doing away with the need for manual input of personal data of the holders.

Expansion works at Lok Ma Chau — with the commencement of Phase II Expansion project at Lok Ma Chau, the passenger hall will be expanded and renovated, and the number of immigration counters will be increased to 48. This will increase the handling capacity of the control point to 7 000 passengers per hour during peak periods.

Improvement works at Lo Wu Terminal — we are now making plans for further improvement works at the Lo Wu Terminal, including widening of the passageway to alleviate congestion, expansion of the departure hall and addition of immigration counters to cater for clearance of more passengers during peak periods. Funds have been earmarked for the improvement works which are expected to be completed in 2004 by phases.

(2) *Goods vehicular traffic*

Dedicated Lanes for Unladen Goods Vehicles Scheme — this scheme was introduced in August 1999. At present, unladen goods vehicles account for 60% and 30% of northbound and southbound traffic respectively. Through separate processing of unladen and laden goods vehicles, the average handling capacity of a customs kiosk in respect of unladen vehicles can be increased from 60-90 vehicles to 110-130 vehicles per hour.

Land Cargo Advance Clearance System — the Customs and Excise Department has been operating a trial scheme of Land Cargo Advance Clearance System at Lok Ma Chau Control Point since March 2000. Under the scheme, vehicular clearance time will be shortened by advance submission and processing of cargo manifest. This scheme may bridge over to the future Road Manifest Electronic Data Interface (ROMAN).

Super Link China Direct — it was introduced in August 2000. Transshipment air cargo heading for the Mainland via Lok Ma Chau Control Point will be checked at the airport by Customs and then sealed. The sealed cargo will not be checked again unless it is absolutely necessary, and the clearance time for such cargo at land boundary crossings is shortened.

"One-Stop-Shop" Arrangement for Goods Vehicles — with effect from October 2001, the Customs and Excise and the Immigration Departments have been jointly operating a trial scheme of "One-Stop-Shop" arrangement at the Lok Ma Chau Control Point. Under the scheme, customs and immigration officers are co-located inside one kiosk to conduct customs and immigration clearance procedures in order to increase the throughput of cross-boundary vehicles. The scheme is now under review by the relevant departments to see if the One-Stop-Shop arrangement should be implemented on a long-term basis.

Opening of more lanes at night — with effect from 1 December this year, two northbound lanes and four southbound lanes have been open from 10 pm to midnight at the Lok Ma Chau/Huanggang Control Point.

Expansion works at Lok Ma Chau — following the completion of Phase I expansion project in December 1999, the number of inspection kiosks at the Lok Ma Chau Control Point have been increased from 14 to 24. When the works relating to the replacement of the old kiosks are completed, the vehicular handling capacity of the Control Point will be substantially increased from 19 000 vehicles to 32 000 vehicles per day.

(3) *Introduction of New Technology*

Automatic Vehicle Recognition System — this is an automated computer-recognition system which recognizes vehicle registration numbers by the use of digital cameras and infrared equipment instead of human vision. The vehicle registration number will be converted into electronic data and input into the Land Boundary Computer System of the Customs and Excise Department for handling cross-boundary vehicles. The processing time for each vehicle will be reduced by two to three seconds on average. Installation works will commence in March next year in customs kiosks at Lok Ma Chau, Man Kam To and Sha Tau Kok Control Points respectively by phases.

Automated Passenger Clearance — the Immigration Department will introduce smart identity cards in mid 2003 and plan to replace the existing identity cards in phases within a four-year period. The new identity cards provide a platform for using biometric recognition technology, and would facilitate the launching of a self-service immigration clearance system in future. It is estimated that the self-service clearance system would be implemented in 2004-05.

Automated Vehicle Clearance — operating on a similar basis to Automated Passenger Clearance, self-service vehicular clearance kiosks would be set up by using vehicle and biometric identification technology. The Immigration Department plans to speed up the implementation of the Automated Vehicle Clearance System so as to tie in with launching of the Automated Passenger Clearance System as soon as possible.

Road Manifest Electronic Data Interface (EDI) — in order to ease the long-term pressure arising from cargo clearance, the Customs and Excise Department is now actively studying the feasibility of introducing Road Manifest EDI. If feasible, land cargo manifest can in future be submitted to the Customs and Excise Department for advance clearance by electronic means. The feasibility study of this system is now being carried out. Implementation of the system, if proved feasible, would greatly reduce the processing time for vehicles at customs kiosks.

### **Relief Measures for Local Airlines**

10. **MR HOWARD YOUNG:** *Madam President, as several overseas airport authorities have taken relief measures for the airline industry which has been hard hit by the terrorist attacks on 11 September, will the Government inform this Council whether it knows if the Airport Authority (AA) has considered introducing relief measures for airlines which are based in Hong Kong, such as reducing the rentals of their offices at the airport and extending the discount of 15% in respect of airport landing and parking charges by another six months; if there will be such relief measures, of their details; if there will be no such measures, the reasons for that?*

**SECRETARY FOR ECONOMIC SERVICES:** Madam President, the AA notes that the airline industry has been adversely affected by the "September 11 incident" in the United States and that there has been a downturn in the aviation

industry, including both airports and airlines. The AA announced on 12 October 2001 a further extension of the current 15% reduction in airport landing and parking charges (which was introduced on 1 January 2000 and due to expire on 31 March 2002) for another six months up to 30 September 2002. The AA estimates that this extension will bring about savings of about \$150 million for airlines, including about \$60 million for the airlines based in Hong Kong.

The AA is required under the Airport Authority Ordinance to operate under prudent commercial principles. It treats both Hong Kong based and foreign airlines on a fair and equal basis. Under this principle, the AA does not consider it appropriate to introduce measures, such as reducing rentals, which favour Hong Kong-based airlines only.

### **Requirements on Construction Contractors Operating in Mainland**

11. **MR ABRAHAM SHEK:** *Madem President, will the Government inform this Council whether it knows if local construction contractors are allowed to operate as principal construction contractors in the Mainland; if they are allowed, of the details of the registration requirements set by the mainland authorities concerned, and the assistance it will render to local construction contractors in acquiring the qualifications necessary for registration?*

**SECRETARY FOR WORKS:** Madam President, according to our understanding, at present, Hong Kong contracting companies can form joint-ventures with mainland companies and apply for registration as main contractors. Besides, they can also apply for registration as the main contractor of a construction project on a "project" basis. We are making contact with the corresponding mainland authorities on facilitating the Hong Kong's industry to obtain the information concerned.

It is our initiative to promote Hong Kong's construction industry including contractors, consultants, engineering professionals (including engineers, architects, surveyors and planners) in the Mainland. We have also started the preliminary discussions with the mainland authorities over the general concerns of the industry regarding their operation in the Mainland. These include market

access and registration application and so on. After China's accession to the World Trade Organization (WTO), there may be changes to the requirements for the registration of contractors as well as the type and value of construction projects that foreign contractors, including that of the Hong Kong Special Administrative Region, would be allowed to undertake. We will seek clarification from the relevant mainland authority. We will consult the industry and explore ways to assist them, as necessary.

It is understood that the relaxation of restrictions on market access will be introduced within several years after China's accession to the WTO. Hence, we will collaborate with relevant mainland authorities to promote the co-operation of the construction companies of the two places to form joint ventures so as to enhance their chance of participation in the mainland projects. This can also facilitate the industry to make better preparation for developing their business in the mainland market well before the restrictions on the access to the mainland market are relaxed.

### **Supply and Demand of International School Places**

12. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, regarding the supply and demand of international school places in Hong Kong, will the Government inform this Council of:*

- (a) *the number of international schools in each of the past five academic years;*
- (b) *the number of students who were Hong Kong permanent residents and its percentage in the total number of students in these schools, in each of the past five academic years;*
- (c) *the international schools which have long waiting lists, and of the solutions to this problem; and*
- (d) *the new measures to encourage school sponsoring bodies to set up more international schools?*

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

- (a) The number of international schools<sup>(Note 1)</sup> in the past five school years is as follows:

<i>School year</i>	<i>Number of schools</i>
1997-98	42
1998-99	43
1999-00	43
2000-01	45
2001-02	44

- (b) Through its annual questionnaire survey, the Education Department (ED) gathers information on, amongst others, students' nationalities, from international schools. Students who do not hold any foreign passports are classified as "local students" in the survey. The ED does not gather separate statistics on the number of Hong Kong permanent residents studying in international schools.

According to the survey mentioned above, the number of local students studying in international schools, and its share in the total number of international school students in the past five school years are set out below:

<i>School year</i>	<i>School places</i>	<i>Total number of students</i>	<i>Number of local students</i>	<i>Percentage</i>
1997-98	29 350	23 520	1 610	6.8
1998-99	29 300	23 270	1 930	8.3
1999-2000	29 300	23 660	2 460	10.4
2000-01	29 730	24 980	2 880	11.5
2001-02	30 970	26 420	2 950	11.1

(Note 1) In this reply, international schools refer to primary and secondary schools which offer non-local curricula. Schools which only offer matriculation courses are not included.

- (c) At present, 10 non-local curricula are available in international schools in Hong Kong<sup>(Note 2)</sup>. The ED conducts an annual survey to gather information from international schools on, amongst others, the class structure, provision of school places and the number of students. Based on the findings, the ED will project the demand for international school places in the coming years. In recent years, the overall provision of international school places is able to meet the demand. According to the 2001-02 school year statistics, there are school places available in each category of non-local courses for students with a genuine need. Although some international schools may have a longer waiting list due to their popularity among parents, most of the students on the lists are already studying either in local or other international schools. If there is an established demand for a particular curriculum, the Government will allocate school site at nominal premium and provide an interest-free loan to the sponsoring body for construction of an international school.
- (d) To encourage sponsoring bodies to provide diversified curricula for local and foreign students, the Government has been encouraging different modes of school operation in recent years, for example, private independent schools. In the past three years, the Government allocated a total of seven school sites for operation of private independent schools. Four of them will offer the International Baccalaureate programme or other non-local curricula to meet the educational needs of local and foreign students.

### **Rental Levels of PRH Estates in Tung Chung and Tin Shui Wai**

13. **MR ALBERT CHAN** (in Chinese): *Madam President, I have learnt that rents for units of the same size in different public rental housing (PRH) estates in Tin Shui Wai and Tung Chung are not the same. In this connection, will the Government inform this Council of:*

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(Note 2) The curricula are British, the United States, Japanese, Canadian, French, Australian, Singaporean, Korean, German and International Baccalaureate.

- (a) *the details of each of the PRH estates that are occupied or completed in these two districts, including year of completion, total number of blocks and units, number of units of various sizes and rents payable; and*
- (b) *the criteria adopted for deciding on the rents for units of PRH estates situated in the same district but completed in different years?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, information on public rental housing estates in Tin Shui Wai and Tung Chung is given in the Annex.

In determining new rents, the Hong Kong Housing Authority takes into account comparable values of estates, location, facilities and the affordability of prospective tenants. Rents of flats transferred from the Home Ownership Scheme are 5% to 10% higher than prevailing levels of other rental flats because of better standards of finishing and facilities.

Before the rent freeze since 1998, rents for existing estates were reviewed regularly, taking into account operating costs and the general affordability of tenants. As different estates in the same district are completed at different times and have different facilities, the rents of flats of the same size also vary.

Annex

Public rental housing estates in Tin Shui Wai and Tung Chung

<i>District</i>	<i>Estate</i>	<i>No. of blocks</i>	<i>Date of completion</i>	<i>No. of flats</i>	<i>Internal floor area (sq m)</i>	<i>Rent (HK\$)</i>
Tin Shui Wai	Tin Chak	5	December 2000	3 396	9.74 - 13.90	410 - 590
					16.33	690
					34.44	1,450
					42.57	1,800
					43.26	1,830
	1	October 2001	799	16.32	690	
				34.38	1,450	
					43.20	1,820

<i>District</i>	<i>Estate</i>	<i>No. of blocks</i>	<i>Date of completion</i>	<i>No. of flats</i>	<i>Internal floor area (sq m)</i>	<i>Rent (HK\$)</i>
	Tin Heng	3	April 2001	1 920	34.44	1,530
					43.26	1,920
					49.02	2,170
					52.22	2,310
		11	June 2001	3 840	31.65	1,470
					39.44	1,830
					45.64	2,120
					51.78	2,400
					53.76	2,490
	Tin Shui (I)	7	November 1992	4 615	16.90	478
					34.76	984
					43.58	1,232
					43.76	1,238
					52.21	1,480
	Tin Shui (II)	5	July 1993	3 170	16.90	528
					34.76	1,089
					43.58	1,363
					43.76	1,369
					52.21	1,636
					52.66	1,649
	Tin Tsz	3	January 1997	2 558	16.33	540
					17.08	560
					34.44	1,140
					43.26	1,430
		1	June 1997	834	16.33	620
					12.79 – 18.26	480 - 690
					34.44	1,300
					43.26	1,630

<i>District</i>	<i>Estate</i>	<i>No. of blocks</i>	<i>Date of completion</i>	<i>No. of flats</i>	<i>Internal floor area (sq m)</i>	<i>Rent (HK\$)</i>
	Tin Wah	7	August 1999	3 722	10.39 - 15.36	440 - 650
					16.33	690
					16.38	690
					17.56	740
					34.44	1,450
					34.50	1,460
					40.51	1,710
					42.70	1,800
					43.26	1,830
					49.02	2,070
					52.21	2,200
					52.26	2,210
	Tin Yat	9	April 2001	3 330	32.38	1,500
					46.08	2,140
					54.24	2,520
	Tin Yiu (I)	5	March 1992	4 022	12.13	382
					13.48	423
					16.57	524
					17.41	547
					22.10	695
					30.32	954
					31.27	983
					31.40	989
					36.55	1,152
					36.59	1,152
					37.56	1,185
					40.13	1,263
					41.44	1,303
					43.79	1,378
					45.30	1,425
					47.86	1,507
		1	December 1992	633	34.76	984
					43.26	1,238
					52.21	1,480

<i>District</i>	<i>Estate</i>	<i>No. of blocks</i>	<i>Date of completion</i>	<i>No. of flats</i>	<i>Internal floor area (sq m)</i>	<i>Rent (HK\$)</i>
	Tin Yiu (II)	2	December 1992	1 255	34.76	984
					43.76	1,238
					52.21	1,480
		4	March 1993	2 568	34.76	984
					43.76	1,238
					52.21	1,480
	Tin Yuet	4	October 2000	2 597	9.75 - 14.15	410 - 600
					16.33	690
					34.44	1,450
					42.57	1,800
					43.26	1,830
					49.02	2,070
Tung Chung	Fu Tung	2	June 1997	1 184	16.33	660
					34.44	1,400
					43.26	1,760
					52.21	2,120
		1	June 1997	480	34.44	1,470
					43.26	1,840
					49.02	2,090
					52.21	2,220
	Yat Tung	3	October 2000	2 397	16.33	730
					34.44	1,540
					43.26	1,940
					49.02	2,200
		10	December 2000	3 200	39.44	1,940
					51.77	2,550

### **Private Clubs Allowed to Pay Land Rents at Below-market Rates**

14. **MISS CYD HO:** *Madam President, it has been reported that the land rents paid to the Government by many long-established private clubs in Hong Kong, which turn away the general public by setting stringent entry requirements or by charging exorbitant membership fees, are well below the market rates. In this connection, will the Government inform this Council:*

- (a) *of the current number of private clubs in Hong Kong which pay land rents at below-market rates; the name, location, membership size, entry requirements, actual annual or monthly land rent payable to the Government and the amount of such land rent that should have been paid if calculated in accordance with the market rate in respect of each of these clubs;*
- (b) *of the criteria it has adopted for deciding which private clubs may pay land rents at below-market rates;*
- (c) *of the number of clubs which are granted land leases stipulating that the operators shall allow government-run activities to be held in their premises upon request; whether the Government has exercised such right in the past three years; if so, of the details; if not, the reasons for that; and*
- (d) *whether it will review the policy of allowing private clubs to pay land rents at below-market rates; if so, of the review timetable; if not, the reasons for that?*

**SECRETARY FOR PLANNING AND LANDS:** Madam President,

(a) and (b)

The current policy of charging government rent at 3% per annum of the rateable value of the property for extended leases has been implemented since 27 May 1985. This applies to all leases including those for private recreational organizations or clubs.

Prior to 27 May 1985, government rents for land leases held for different purposes could vary depending on when the leases were executed and their nature of use. The rents charged in respect of these leases were set at rates prevailing at the time when the leases were executed. Renewal of these pre-1985 leases, if approved by the Government, will be subject to the new government rent of 3% per annum of the rateable value of the property. There is, therefore, no question of clubs paying government rents at below-market rates.

- (c) There are some 64 leases for recreational purposes which contain a clause allowing the competent authorities to require the grantees to make available their premises for sports and similar activities conducted by schools, youth organizations, government departments or sports teams visiting Hong Kong or for open sports events as appropriate. The competent authorities include the Director of Education, the Director of Social Welfare, the Director of Leisure and Cultural Services, the Secretary for the Civil Service and the Secretary for Home Affairs.

The Leisure and Cultural Services Department has made use of the said clause in the leases for organizing sports training and competitions for the public. During the past three years, the department has organized 38 competitions and 1 035 training courses in six private recreational organizations or clubs. The other competent authorities have not made use of the club venues because they have not found the need to do so.

- (d) There is no intention to change the current policy of charging government rent at 3% per annum of the rateable value of the property. This arrangement is in line with the provision of the Basic Law.

### **Vacant Commercial Premises in Commercial Centres Managed by Housing Authority**

15. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, regarding the vacant commercial premises in the commercial centres managed by the Hong Kong Housing Authority (HA), will the Government inform this Council whether it knows:*

- (a) *the respective numbers of vacant commercial premises at the end of each of the past eight quarters, with a breakdown by the 18 local administrative districts;*
- (b) *as these commercial premises are usually rented out by tender, persons interested in leasing particular units can only submit their applications during the period when tenders for the unit are invited*

*and, as a result, have to check frequently whether the tender notices for the units have been published, if the HA has plans to adopt other more flexible and convenient ways to lease out commercial premises to prospective lessees; if it has, of the details; if not, the reasons for that;*

- (c) if the HA has plans to publish the information on vacant commercial premises in different districts on a regular basis, and to set up on-line information centres and telephone enquiry hotlines; if not, the reasons for that; and*
- (d) if the HA has plans to offer rental concessions for such premises to the loan recipients of the Self-employment Business Start-up Assistance Scheme; if it has, of the details; if not, the reasons for that?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, the vacancy position of the HA's commercial premises in the past eight quarters in nine housing management districts is at the Annex. Information is not kept according to the 18 local administrative districts.

To ensure that interested parties are aware of commercial premises available for letting, the HA has adopted the following arrangements:

- (i) advertisements are published every Friday in eight major newspapers;
- (ii) detailed information is available on website <<http://www.info.gov.hk/hd>> ;
- (iii) the Housing Department Hotline 2712 2712 and a Tender Hotline 2607 8866 provide the information; and
- (iv) tender and general information may be obtained through a Marketing Hotline 2711 5138.

The HA also plans to upload tender forms and related documents, including General Conditions of Tender and Special Conditions of Tender, onto the website for browsing and downloading as necessary.

As the HA manages its commercial operations on prudent commercial principles, rents are determined through the market mechanism of open tenders and bilateral negotiations. Offering concessionary rents to a particular group of traders may prejudice the commercial interests of other traders operating in the same commercial centre and is unfair. The HA is discussing with the Employees Retraining Board on possible measures to facilitate recipients of the Self-employment Business Start-up Assistance Scheme to lease commercial premises on a market rent basis.

## Annex

## Vacant Commercial Premises in the HA Estates at End of Quarter

<i>District</i>	<i>Vacant Area (sq m)</i>							
	<i>4th Quarter 1999</i>	<i>1st Quarter 2000</i>	<i>2nd Quarter 2000</i>	<i>3rd Quarter 2000</i>	<i>4th Quarter 2000</i>	<i>1st Quarter 2000</i>	<i>2nd Quarter 2001</i>	<i>3rd Quarter 2001</i>
Hong Kong Island	6 613	5 669	6 351	6 756	7 378	7 284	8 047	7 606
Kowloon/ New Kowloon	11 273	12 866	12 226	11 189	10 510	9 531	11 610	11 116
Tsuen Wan/ Kwai Chung	7 427	11 945	10 537	7 825	9 050	12 127	12 830	11 933
Sha Tin/ Ma On Shan	5 426	5 983	6 081	6 337	6 880	5 059	4 512	8 544
Tai Po	1 069	1 302	1 354	1 369	1 363	1 291	1 267	1 307
Tuen Mun/ Yuen Long	6 044	5 096	6 181	6 606	7 352	6 511	8 013	10 999
Fanling/ Sheung Shui	1 331	1 143	1 378	1 288	2 288	2 496	2 488	2 535
Islands	174	174	174	213	247	208	208	45
Sai Kung/ Tseung Kwan O	1 322	2 319	2 944	2 902	2 942	2 804	2 174	1 597
Total	40 679	46 497	47 226	44 485	48 010	47 311	51 149	55 682

## Speed Enforcement Camera Systems

16. **MISS CHOY SO-YUK** (in Chinese): *Madam President, regarding the speed enforcement camera systems installed by the police at roadsides to assist in its enforcement actions against speeding, will the Government inform this Council of:*

- (a) *the total number of cases in the past three years in which fixed penalty tickets were issued or prosecutions instituted by the police against speeding drivers, based on the information generated by such systems, as well as its percentage in the total number of speeding cases in the same period; and*
- (b) *the names of the roads already installed with such a system, as well as the specific location of each of the camera units?*

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

- (a) For the purpose of combating speeding activities, the police have since January 1999 started to operate two speed enforcement cameras at 10 different locations along Tolo Highway/Fanling Highway. The number of speeding cases detected by these camera systems, and their percentages in the total number of speeding cases all over the territory from March 1999 (when statistics became available) to September 2001 are provided in the following table:

Year	Total number of speeding cases (A)	Number of cases captured by the speed enforcement cameras along Tolo Highway/Fanling Highway		Percentage of (B)/(A)
		(B)		
1999	166 968	10 876		6.5%
2000	181 379	7 528		4.2%
2001 (January to September)	148 974	6 065		4.1%

- (b) Since April 2001, the police have started to announce the possible locations where the speed enforcement camera systems would be placed and the information is uploaded onto the police's website at <<http://www.info.gov.hk/police>> to facilitate public reference. The details of these locations are set out in the Annex.

Annex

Speed Enforcement Locations along  
Tolo Highway/Fanling Highway

1. Ma Liu Shui Bridge (Kowloon to New Territories)
2. The Chinese University of Hong Kong (Kowloon to New Territories)
3. Tai Po Kau (Kowloon to New Territories)
4. Ha Wun Yiu (Kowloon to New Territories)
5. Tolo Highway/Tai Po Tai Wo Road (Kowloon to New Territories)
6. Hong Lok Yuen to New Territories (Kowloon to New Territories)
7. Tolo Highway/Kiu Tau Road (Kowloon to New Territories)
8. Fung Ying Sin Kwun (Kowloon to New Territories)
9. Sheung Shui Disciplined Service Quarters (Kowloon to New Territories)
10. Hong Lok Yuen to Kowloon (New Territories to Kowloon)

### **Horticultural Works for Hong Kong Disneyland**

17. **MR LAW CHI-KWONG** (in Chinese): *Madam President, to provide the necessary infrastructure facilities in Penny's Bay for the Hong Kong Disneyland Phase One development, the Civil Engineering Department awarded on 22 October this year a works contract valued at about \$2.08 billion, including horticultural works worth about \$200 million. It has been reported that \$10*

*million will be spent on purchasing from Australia 100 Phoenix canariensis to be planted on both sides of the entrance to Disneyland. In this connection, will the Government inform this Council of:*

- (a) the justifications for spending \$10 million on purchasing these trees; whether it has considered purchasing trees of other varieties and lower prices, such as palms; if so, of the reasons for not purchasing such varieties in the end;*
- (b) the reasons for purchasing Phoenix canariensis from Australia rather than Africa, which is its country of origin;*
- (c) the measures to be put in place to ensure that these trees will not wither during delivery and planting processes; and*
- (d) the varieties, quantities and values of other trees and flowers in the above horticultural works?*

**SECRETARY FOR ECONOMIC SERVICES** (in Chinese): Madam President,

- (a) Extensive landscaping is an integral feature of the Penny's Bay Development Area. The design of the landscape works aims to create a high quality green environment which is also compatible with the unique theme of the Hong Kong Disneyland.

To achieve this thematic effect at the opening of Hong Kong Disneyland, a range of plant materials, from small to mature ones, in various forms — trees, palms, shrub, groundcover, and so on, will be planted at different sections of the roadway. In the construction plan and contract, about 400 large mature specimen trees and palms (8 m or taller) each with special characteristics will be planted. Phoenix canariensis is a palm originating in the Canary Islands. It is selected for the leisurely effect it creates for the entry road to Hong Kong Disneyland. We have also selected other palms such as Elaeis guineensis and Roystonea regia for other sections of the roadway. Examples of other mature trees and palms selected are set out in Table 2 under (d) below.

In general, the unit price of trees in the contract is determined by the age, size, quality and species of the trees in question. A significant component of the unit price for mature trees is related to the pre-transplanting work and process of transportation and protection required which tend to be more complex because of the substantial size of the rootball and canopy.

- (b) A horticultural survey for plant materials was conducted during the landscape design stage to identify suitably high quality plants for the project. A variety of plants from Hong Kong and different places have been selected.

According to the horticultural survey, the horticultural industry in Australia is best capable of supplying the quantity of Phoenix canariensis in the quality and condition as required in the contract for the project.

- (c) The success of transplanting big mature trees depends on a number of factors such as the size of the rootball, well-balanced trimming of the tree crown, proper preparation work of the rootball, adequacy of preparation time, and so on. Stringent requirements have been included in the contract documents to ensure the survival and quality of the transplanted plants.

In general, rootball preparation and crown pruning of big mature trees should be carried out in four stages a year prior to the transplanting works. It is also crucial to have adequate protection to both the rootball and tree trunk to reduce loss of water and potential damage during transportation. In this connection, the contractor is required to procure the plants according to the time schedule stated in the contract documents to ensure adequacy of preparation time prior to transplanting. The contractor is also required to set up a nursery exclusively for the contract in order to ensure proper protection and storage of plants before the planting work on site. In addition, the contractor is responsible for the entire process of transplanting and transportation as well as maintenance of the plant materials for a one-year establishment period after completion of the transplanting works.

- (d) There are approximately 820 000 sq m (approximately equivalent to 91 standard football fields) of planting area in this project and the cost of the soft landscape works is about \$200 million. The average unit cost is \$240 per square metre. For comparison, the average unit cost of soft landscape works for a typical park is \$230 per square metre.

Around 7 million plants as shown in Table 1 below will be planted under the contract in question.

Table 1 Category of plants (including local and overseas purchase)

<i>Type</i>	<i>Quantity</i>	<i>Height of plant</i>	<i>Rough Unit Price (including transplanting and transportation costs) (HK\$)</i>
Tree and Palm	42 000	2 m to 4 m	\$1,000
		4 m to 6 m	\$1,500
		6 m to 8 m	\$7,000 to \$15,000
		8 m to 10 m	\$5,000 to \$25,000
		10 m and above	\$25,000 to \$100,000
Tree seedlings for Woodland	208 000	Varies	\$11
Shrub	2 500 000	Varies	\$5 to \$10
Groundcover and others	4 250 000	Varies	\$5 to \$10
Total	7 000 000		

Examples of higher value mature trees and palms 8 m or taller selected for this project are set out in Table 2 below.

Table 2 Examples of higher value mature trees and palms taller than 8 m

*Botanical Name**Trees*

Ceiba pentandra	爪哇木棉
Delonix regia	鳳凰木
Erythrina corallodendron	刺桐
Ficus altissima	高山榕樹
Ficus elastica	印度橡象樹
Ficus macrophylla	大榕樹
Ficus microcarpa	細葉榕樹
Gossampinus malabarica	木棉樹
Jacaranda mimosifolia	藍花楹
Khaya senegiensis	非洲楝
Peltophorum pterocarpum	雙翼豆
Samanea saman	雨豆樹

*Palms*

Elaeis guineensis	油棕
Livistona decipiens	裂葉蒲葵
Phoenix canariensis	加拿利海棗
Ptychosperma elegans	青棕
Roystonea regia	王棕

### **Business Operations in Commercial Premises in Housing Estates and Courts Managed by Housing Authority**

18. **MR LAU KONG-WAH** (in Chinese): *Madam President, with regard to improving the business operations in the commercial premises in housing estates and courts managed by the Hong Kong Housing Authority (HA), will the Government inform this Council whether it knows if the HA:*

- (a) *will, by making reference to the practice of private shopping malls, consider offering parking concessions to patrons of the above commercial premises; if not, of the reasons for that;*

- (b) *has studied the difficulties encountered by operators of the above commercial premises, and has put in place new measures to improve their business operations; and*
- (c) *has measures to prevent large restaurant conglomerates from monopolizing the catering business in its housing estates and courts, so as to protect the viability of the operations of small and medium restaurants?*

**SECRETARY FOR HOUSING** (in Chinese): Madam President, the HA monitors the operating environment of its commercial centres regularly and seeks to sustain an active trading environment through:

- (i) the design of commercial premises and the trade mix, taking into account the latest designs for retail activities and changes in public taste;
- (ii) the upgrading of facilities, such as retrofitting of air-conditioning and improvements in signage and lighting in old commercial centres; and
- (iii) the collection of moderate levels of rent and responsiveness to adverse factors affecting tenants, such as rent re-assessment.

To foster a more active business environment in its commercial centres, the HA is considering the practicability and effectiveness of offering parking concessions to patrons.

In order to prevent monopoly and to promote diversity, the HA adopts a mixture of open tenders and bilateral negotiations in letting commercial premises. Over 70% of these premises are let by open tenders and are awarded strictly to the highest bidders. As for letting by negotiations, both chain stores and small firms with potential to expand may be considered. To prevent large business undertakings from monopolizing business in any estate or court, the HA has a policy of offering premises for the same trade in a commercial centre to different tenants. This policy also applies to the catering business. In the HA's commercial centres, it is typical to find catering establishments of different scales of operation in line with the variety of choices favoured by residents.

**Education for Non-Chinese Speaking Children**

19. **MISS EMILY LAU:** *Madam President, on the question of education for non-Chinese speaking (NCS) children, will the executive authorities inform this Council:*

- (a) of the current number of such children together with a breakdown according to their ethnic background;*
- (b) of the current number of such children who cannot find school places in aided schools and the reasons for that;*
- (c) whether the Administration has assessed the effectiveness of the grant introduced in the last school year which provides subsidies to primary and secondary schools at the rates of \$2,750 and \$4,080 respectively for each NCS child admitted; if so, of the assessment results; and*
- (d) of the specific plans to meet the education needs of NCS children?*

**SECRETARY FOR EDUCATION AND MANPOWER:** Madam President, I understand from the Honourable Emily LAU that by NCS children, she is referring to children whose mother tongue is not Chinese, and are aged between six and 15.

- (a) We do not keep statistics on the number of NCS children residing in Hong Kong. We can, however, estimate the number of NCS children based on the number of children of a non-Chinese ethnic origin. According to the 2001 Population Census conducted by the Census and Statistics Department, the number of such children together with a breakdown of their ethnic background is at Annex A.
- (b) Under current policy, all eligible local children (see Annex B for eligibility criteria), including NCS children, are entitled to nine-year

free and universal education. To enable NCS children to integrate into the local community as soon as possible, the Government encourages them to attend public sector schools (that is, government schools and aided schools). These children may request placement assistance from the Education Department (ED) if necessary. The ED's performance pledge is to find a school place for them within 21 working days. All along, the ED has been able to find a school place for all NCS children seeking its assistance.

- (c) To enable schools to provide school-based support programmes for NCS children, we have been providing block grants to schools admitting NCS children starting from the last school year. To ensure proper use of the grants, schools are required to apply to the ED for the grants and propose how to use the grants in their applications. The ED, through its regular school visits, also renders advice to schools on how to run these programmes. To measure the effectiveness of the grants, the ED will require schools receiving the grants to conduct self-evaluation by the end of this school year on how their school-based support programmes have helped NCS children.
- (d) Apart from block grants and placement assistance mentioned in (b) and (c) above, subventions are also provided to non-governmental organizations (NGOs) for running induction programmes to help NCS children adapt to the local school environment. In addition, the ED conducts briefing and experience sharing sessions with relevant NGOs from time to time to see how our education and support services could be better publicized among these children and their parents. To further strengthen the support service for NCS children, the ED is considering to run a half-year full-time "initiation programme" for these children starting from early next year. The "initiation programme" aims at enhancing the Chinese and English standards of these children, as well as providing them with learning experience in the local classroom context.

## Annex A

Number of Children Aged Six to 15 of  
Non-Chinese Ethnic Groups by Ethnicity, 2001

<i>Ethnicity</i>	<i>Number</i>
Japanese	1 830
Indian	1 746
Pakistani	1 461
Filipino	1 382
Korean	889
Nepalese	292
Others	12 107

## Annex B

Admission criteria of children to public sector schools  
in Hong Kong

Children holding one of the following documents can be admitted to public sector schools:

(a) *Hong Kong Birth Certificate*

- (i) For birth registration effected before 1 January 1983, the birth certificate alone is sufficient proof of the holder's eligibility for admission to such schools;
- (ii) For birth registration effected between 1 January 1983 and 30 June 1987, column 12 of their birth certificates must indicate their Hong Kong believer status as "Established";
- (iii) For birth registration effected on or after 1 July 1987, column 12 or 11 of their birth certificates must indicate their Hong Kong permanent resident status as "Established"; and

- (iv) Children whose Hong Kong belonger status or Hong Kong permanent resident status is known as "Not established" in the birth certificate should have a Permit to Remain in Hong Kong - ID 235B or valid travel documents, with one of the endorsements listed in (c) below.

(b) *Hong Kong Identity Card*

A Hong Kong Identity Card issued on or after 1 July 1987 which does not bear the symbol "C" (for conditional stay) at line 6. If the symbol "C" is shown, the holder must have a valid travel document with one of the endorsements listed in (c) below;

(c) *Travel Document*

A valid travel document with any of the following endorsements:

- (i) "Permitted to remain until (date)" (the date showing the stay in Hong Kong to be still valid at the time of admission to school);
- (ii) "Permission to remain extended until (date)" (the date showing the stay in Hong Kong to be still valid at the time of admission to school);
- (iii) "The holder of this travel document has the right to land in Hong Kong. (Section 2AAA, Immigration Ordinance Cap. 115, Laws of Hong Kong)";
- (iv) "The holder arrived Hong Kong on (date) and was permitted to land.";
- (v) Permitted to stay with no condition attached;
- (vi) "Previous conditions of stay are hereby cancelled"; or
- (vii) "Holder's eligibility for Hong Kong permanent identity card verified".

**Assisting Accounting Professionals in Opening up Overseas Service Markets**

20. **MR AMBROSE LAU** (in Chinese): *Madam President, regarding the assistance provided to local accounting professionals in opening up overseas service markets, will the Government inform this Council:*

- (a) *apart from the proposal in this year's policy address to grant \$100 million to establish a fund to enhance the standard of local professional services, of the other measures to assist accounting professionals in opening up the service market in the Mainland after China's accession to the World Trade Organization; and*
- (b) *of the specific plans to assist accounting professionals in opening up other overseas service markets?*

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

- (a) The SAR Government supports the endeavours of the accounting profession in entering the mainland market. We maintain dialogues with the Hong Kong Society of Accountants (HKSA) and other relevant bodies to understand their needs and provide assistance as necessary. We have also informed the mainland authorities of the present situation and future developments of the accounting profession in Hong Kong. The Office of the Government of the Hong Kong Special Administrative Region in Beijing and the Trade Development Council (TDC) regularly collect and disseminate to the accounting profession, and other relevant bodies, information on the business opportunities, regulatory laws and policies of the Mainland. The Government and the TDC have also organized promotional activities in major mainland cities in conjunction with the accounting profession. Three such activities were held this year and two are scheduled for next year; and
- (b) We also support the accounting profession's efforts in promoting its services to overseas markets. For example, we support the efforts of the HKSA in gaining greater international recognition of its professional qualifications. The TDC also supports the HKSA's hosting of the 16th World Congress of Accountants in 2002 to help

raise the status of Hong Kong as a centre providing world-class accounting services. The TDC also liaises with the HKSA to solicit its views on promoting Hong Kong accounting services to overseas markets.

## **MOTIONS**

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

**PRESIDENT** (in Cantonese): The first two motions concern the Public Health (Animals and Birds) (Amendment) Regulation 2001. The Secretary for the Environment and Food and Mrs Selina CHOW have given notice to each move a motion under the Interpretation and General Clauses Ordinance to amend the Regulation.

Council now proceeds to a joint debate. I shall first call upon Mrs Selina CHOW to speak and move her motion.

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

**MRS SELINA CHOW** (in Cantonese): Madam President, I move that the resolution to repeal the Public Health (Animals and Birds) (Amendment) Regulation 2001 be passed. In the course of scrutinizing this Regulation and two other related Regulations, I was reminded, impatiently by the Honourable Fred LI, Chairman of the Subcommittee, that I had spoken on this subject several times before and it was simply unnecessary for me to say it again because all Members had listened to what I wanted to say. However, I think I cannot follow his advice today, and I am going to repeat my points once again. I think it is necessary for us to make our points very clear whenever we feel government policies are unfair.

Madam President, I believe Members will not want to, dare to and be willing to voice objection when the Government does anything in the name of public safety and public health. Therefore, I have to state at the outset that I

have moved a motion to repeal this Regulation, as well as two others to repeal two related Regulations, not because I have no regard for public safety or public health. Rather it is because I really feel that the Government has handled the matter in an improper and unfair manner. I felt very sorry that I was not given support by the Government and colleagues in the Subcommittee even though I had once attempted to ask the Government to withdraw the Regulation and make proper and fair arrangements for the trade.

The segregation of geese and ducks was first introduced after the first outbreak of avian flu. Before that, 40 000 live geese and ducks were sold in the territory every day. Now the number has shrunk to 800. It has even been said that only 600 live geese and ducks are sold every day. It is conceivable that almost all workers associated with the sales, transportation, slaughtering and delivery of live geese and ducks have been thrown out of jobs or forced to switch to another trade.

I recall that the trade had already voiced its objection very clearly when the Government requested this Council to support its segregation policy. However, a divisive tactic was adopted by the relevant authorities at that time by introducing central slaughtering at the Western Wholesale Market. As a result, the vitality of quail traders in Kowloon were "stifled". Nowadays, all geese and ducks businesses, including businesses operating in Kowloon, are merely lingering on in a steadily worsening condition. The supply of live geese and ducks has been replaced by the importation of chilled fresh geese and ducks from the Mainland.

With the Regulation before the Council today, we are witnessing history repeats itself. It seems that the Government is trying to offer the trade a way out through the introduction of the segregation arrangement. This is the same as saying: We are now introducing the segregation to enable you to continue selling quails. However, if we take a closer look at the realistic situation, we will find that the Government is essentially trying to drive the retail and wholesale business of quails as well as the related transportation business to extinction. This is utterly unacceptable to me. It is even harder for me to accept that the Government is actually clear about this. It knows very well that no more quails will be allowed to be sold in Hong Kong once the Regulation is passed today. Why? It is because the power to control and approve the sale of live quails is vested with the Government. What will happen in future? Chilled quails will become a substitute. The public will have to go northward if they want to eat live quails.

The Government knows it very well that segregation is only feasible in name but not in practice. Since the Government is in control of licensing, the trade is essentially being led to a dead alley because of the stringent licensing conditions. The trade has also learned that mainland suppliers have already notified the Government that there will be no more supply of live quails once the Regulation is passed. Why has the Government chosen not to tell the public and the trade honestly and chosen instead to indulge in talking to itself?

If the sale of live quails can really continue, why can quail farms receive compensation amounting to hundreds of thousands of dollars or even more than a million dollars? On the other hand, why is it only possible to offer the wholesale market rent reduction for two months whereas no ex-gratia payment can be offered to retailers?

The Subcommittee was given the explanation that since there were only 200 quail retail stalls in Hong Kong and each stall could only make a meagre profit of \$2,000 or so each month on average, they could therefore be neglected.

Madam President, under the present market situation and environment, a monthly marginal profit of \$2,000 is not to be underestimated. What sort of mindset have the government officials' remarks reflected? Are the officials acting generously at the expense of others?

It was originally stated in the retailer licence that six types of water fowls are allowed to be sold. After removing teal and partridge from the list, only four water fowls remain and yet no adjustment in the licence fee has been announced. Now that quail is to be removed from the list. Is it fair that we have not been told of any adjustment in the licence fee?

Madam President, I believe the Secretary will surely say that they have decided to do so in public interest and for the sake of public health. I believe Members will absolutely have no objection to this point. However, I would like to look at this matter from a wider perspective. Please do not misunderstand that I am saying this purely for the interest of the trade. Of course, we cannot completely ignore it, for it is very important to strike a balance in a fair society. I believe it is essential for the Government to look after the situation of the people being affected when it attempts to introduce any policy changes and see what it can do to help them as far as possible, particularly at a time when the economy is still in the doldrums.

From a wider perspective, let us consider what else can we eat in Hong Kong, the so-called gourmets' paradise, if a certain bird can be removed from the licence at any time? We used to say that we could eat everything, fresh and superb, in Hong Kong. But we do not have live geese and ducks on the menu now, for they are all supplied chilled in the market. Many gourmets now complain the chance of eating really fresh birds has become increasingly rare. However, this is not really the case. We can do so only if we are willing to take a train ride to Shenzhen, which is in close proximity to Hong Kong. On the one hand, we continue to promote Hong Kong to other parts of the world as a gourmets' paradise, yet on the other, the conditions that make it possible for Hong Kong to become a gourmets' paradise are gradually diminishing.

What we have done has provided Hong Kong people sufficient reasons and incentives to leave Hong Kong for China. At least, they may visit Southern China and places near Hong Kong for dining and entertainment. How can we blame them for doing so? The Government itself has taken the lead to impose all these restrictions. I am extremely upset with one thing, and we have repeatedly asked the Government these questions. Why is Hong Kong unable to do what the Mainland can do? Why can live quails be kept with other poultry for sale in the Mainland while it is impossible for Hong Kong to do so? The only answer the Government can provide is: This is because space is in abundance in the Mainland whereas it is limited in Hong Kong.

Of course, the Government has not mentioned the point that we may have more scientists in Hong Kong, and so there is evidence to prove that quails are probably virus carriers. So far, we have only been told that quails may lead to another outbreak of avian flu. Actually, no concrete examples have ever been cited. The Government cannot be so absent-minded as to forget that it once remarked quails were absolutely not the source of problems during the outbreak of avian flu in 1997. But it is now saying that quails may be a problem. Let us raise this question: Will other rare fowls cause problems too? Since it is only probable that such problems will arise and no problems have arisen so far, are we throwing the baby out with the bath water?

Madam President, I would like to stress once again that I have moved this resolution not because I have no regard for public safety and public health. I just feel that the Government is oblivious of the interest of the trade and has failed to make adequate arrangements and preparations. We should have drawn lessons from the previous geese and ducks incident and do better this time. The Government holds that we should not be overacting, probably because the number of quails is relatively small. Insofar as the trade is concerned, the

views of its members are consistent and there are no divergent views. Generally speaking, it is the hope of the trade that the Government can give them a break and allow them to continue to operate. Under such circumstances, members of the trade holds the unanimous view that it will be impossible for them to operate under the conditions imposed by the Government if the Regulations are passed, particularly when the Government is in control of licensing.

I move that this resolution be passed. Thank you, Madam President.

**Mrs Selina CHOW moved the following motion:**

"That the Public Health (Animals and Birds) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 218 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be repealed."

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

**PRESIDENT** (in Cantonese): I shall call upon the Secretary for the Environment and Food to speak on the motion moved by Mrs Selina CHOW as well as her own motion.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, Mrs Selina CHOW has moved to repeal the Public Health (Animals and Birds) (Amendment) Regulation 2001, opposing the segregation of live quails from other birds and the requirement that water bird carcasses and their offal must be packed and sealed separately. Later on, she will also move to repeal two other relevant Amendment Regulations.

I wish to explain once again the purpose of the three Amendment Regulations submitted to the Legislative Council on 30 October. The Amendment Regulations require the segregation of all imported and local live quails from live birds in the course of transportation, wholesale and retail, the separate packing of water bird offal and water bird carcasses and the sealed packing of water bird offal in premises where live poultry are sold. The only

objective of all these measures is to protect public health by minimizing the chance of a lethal H5N1 avian flu outbreak similar to the one in 1997.

I must emphasize that all these requirements are based on solid scientific justifications and were finalized only after careful consideration and thorough planning. The research findings of the University of Hong Kong (HKU), a leader in the field of animal influenza, and an American research hospital show that the H5N1 virus detected in Hong Kong in 1997 was an assortment and mutation of H9, H6 and H5 genes found in quails. This type of virus will first infect chickens, then humans, and causes the latter's death in the end.

The findings of an ongoing research project conducted by HKU indicate that the live quails sold in Hong Kong all carry, or were once infected by, the H6 and H9 viruses. Quails are not only natural carriers of these viruses, but are also very active vectors. Besides spreading these viruses in huge quantities through their faeces, they can also transmit them through their respiration. That is why influenza experts unanimously agree that the most effective way to minimize the chance of a new outbreak of lethal avian flu should be to segregate water birds and quails from other live birds.

The segregation of water birds has been in force since 1998. The Amendment Regulations under discussion now seek to introduce the segregation of live quails from other live birds and further improve the processing of water bird offal. The viruses carried by water birds are mostly found in their offal. At present, unpacked water bird offal can be sold at stalls and shops where live poultry are also sold. Workers at retail outlets who handle offal of water birds and then handle live chickens without washing their hands could potentially transmit viruses to live chickens. The Amendment Regulations, therefore, require water bird carcasses to be dressed and packed separately from the offal of water birds, and the offal of water birds to be packed and sealed when sold at premises where live poultry are kept. To ensure that the packing and sealing process does not take place in retail outlets where live poultry are present, the Amendment Regulations require all offal of water birds delivered to and sold at these outlets to be packed and sealed; and, the workers of these outlets are not permitted to break or tamper with the packing and sealing.

In a short span of just four years, there have been two avian flu outbreaks in Hong Kong. In the 1997 outbreak, 18 people were infected, and six of them died, which is most unfortunate. In order to eradicate the virus, as many as 2

million chickens were destroyed during these two incidents. The compensation and ex-gratia allowance paid to the affected trade amounted to more than \$200 million in total, and the amount of loans was about \$800 million. Members may still remember that both the affected trade and society as a whole had to pay a very heavy price during these two avian flu incidents.

As far as the proactive prevention of avian flu is concerned, the affected trade and the general public actually share common interests. The Government and the trade must join hands to minimize the chance of another outbreak of avian flu. Since July this year, the trade and the Government have been making joint efforts to interrupt the infection cycle by designating a monthly "market cleansing day". On this day, all poultry stalls will cease business so that thorough cleansing can be carried out. This proves that the trade has come to realize that they must keep their stalls clean before they can command the confidence of consumers.

The Amendment Regulations in question will only have very mild impact on the trade for a short time, and they are essential to its sustained operation in the long run. For most operators in the trade, wholesalers and retailers alike, the sale of quails has never been their main business, with the exception of just three quail farms. That is why I do not agree that the Amendment Regulations will strangle the whole trade. For the three quail farmers, if they choose to wind up their business, we will provide them with ex-gratia payments equivalent to payments that would be made in a land resumption case. To assist wholesalers in restructuring their business, we will waive the stall rental payable by regular quail wholesalers for two months. Since the quail farms mentioned above do not employ any workers, and also since, as I pointed out just now, the sale of quails is not the main business of poultry wholesalers and retailers, the new segregation measure will not lead to the unemployment of any workers.

The packing requirements relating to water bird carcasses and offal will not affect too many people. At present, there are two water bird wholesalers in Hong Kong and 30 or so live poultry retailers selling water bird offal as a sideline business. Most of the water bird carcasses and offal from the two wholesalers are supplied to restaurants and other food establishments. At the retail level, there is already separate packing for water bird carcasses. To comply with the new regulations on the handling of offal, retailers need only make some slight adjustments to their existing mode of operation. For instance, they should cease washing any water bird offal in their shops; at the same time,

wholesalers will need to wash, pack and seal the offal of water birds at the time of slaughter. On the whole, compliance with these new regulations will not be difficult.

Since the outbreak of the first avian flu, the Government has been spending huge resources on monitoring avian flu. Just on the work of import control, testing and monitoring wholesale and retail, we now already spend as much as \$32 million annually. Our aim is to safeguard public health and assist the poultry trade in maintaining their existing mode of operation. The segregation of live quails from other live birds and also the requirements on packing water bird carcasses and offal are essential to the prevention of further avian flu outbreaks. I therefore hope that Members can support the Amendment Regulations, so that the Government can implement all the new measures smoothly.

Regarding Mrs Selina CHOW's main argument for opposing the Amendment Regulations, I already described the position of the Government very clearly when I explained their necessity and how they would affect the trade a moment ago. I wish to respond here to some of the arguments advanced by Mrs Selina CHOW.

According to Mrs Selina CHOW, the Government does not wish to impose a direct ban on the sale of quails and refuses to admit that the segregation measure will strangle the quail trade because it wishes to evade the responsibility of paying compensation. I must reiterate that the Government has all along realized that following the implementation of the segregation measure, first, poultry stalls in markets will no longer be permitted to sell live quails, and fresh food shops in private premises will choose to sell live chickens and other live birds instead of selling any quails in the same premises; second, poultry wholesalers will no longer be permitted to engage in the wholesale of quails at the Cheung Sha Wan Temporary Wholesale Poultry Market; and third, the existing three quail farms may have to close down because the quail market then will become too small.

As I explained just now, our compensation scheme can already take account of the circumstances mentioned above. For retailers, because the turnover of their quail sale business is very small, we do not recommend any financial compensation. Following the implementation of the segregation policy, the risks of avian flu outbreaks will be reduced further, and the live poultry trade will be able to operate in a more stable environment. This is good to the long-term operation of the live poultry trade.

The achievement of a policy objective through minimum regulation has always been the principle upheld by the Government. The Amendment Regulations aim to minimize the chances of assortment and mutation of the H9 and H6 viruses of quails and the flu viruses of other birds. The segregation measure can already achieve this aim, and there is thus no need to take the further step of banning the sale of quails entirely. Although many poultry retailers may cease selling quails following the implementation of segregation, we should not thus underestimate the flexibility of the market so very easily and rule out other economically viable modes of selling quails. When drawing up the licensing conditions for quail shops, besides considering public health, we will also refrain from imposing any unnecessary regulation on the trade.

It may well be asked, "In other places, such as the Mainland, there is no segregation, but why is it that there seems to have been no cases of human infection of avian flu?" I wish to point out that the objective and practical circumstances in different places do vary, and the mode of operation of the local live poultry trade is unique. So it may not be appropriate to compare our own regulatory and monitoring systems with those in other places. The new measures proposed by us, in the context of Hong Kong, will be able to effectively minimize the chances of a recurrence of any lethal avian flu.

Mrs Selina CHOW is worried that the restrictions on the sale of quails may affect Hong Kong's reputation as a "gourmets' paradise" and in turn the business of the catering industry. I think that if, very unfortunately, there is another outbreak of avian flu in Hong Kong, our international reputation will once again be tarnished, and tourists may turn away from Hong Kong. I do not think this is something Members and the public will wish to see.

For the sake of protecting public health and the overall interest of the live poultry trade, I urge Members to support the motion in respect of these three Amendment Regulations.

I understand that the Subcommittee on the Amendment Regulations supports their passage. I wish to take this opportunity to thank Mr Fred LI, Chairman of the Subcommittee, and all the members for their detailed scrutiny and amendment proposals. We have accepted most of their proposals, and in the following part of my speech, I will give an account of the two amendments we have moved on the Public Health (Animals and Birds) (Amendment) Regulation 2001 in response to the proposals of the Subcommittee.

First, we initially proposed to add a new section 9B to the existing Public Health (Animals and Birds) Regulation, requiring imported quails intended to be slaughtered for food to be delivered "forthwith by the most direct route" to premises with animal trader licences and permission for the sale of quails.

The purpose of adding the proposed section 9B is to prevent a situation under which the need to transport other goods on the same vehicle to the market first may induce a transportation agent to leave live quails near to other live birds. Under the existing legislation, there is already a provision on delivering live birds imported for food "forthwith by the most direct route" to designated locations. The trade has all along exercised strict self-discipline in this regard, and we have never initiated any prosecutions.

Some members of the Subcommittee were of the view that "forthwith by the most direct route" is probably too vague, and the trade may encounter difficulties in compliance. They asked whether, for example, in case of traffic congestion, the taking of an alternative route would constitute a breach of the regulation. The Subcommittee was also of the view that this requirement might lead to difficulties in enforcement, because it was not easy to prove which route was "the most direct route". Besides, the Subcommittee also viewed that it was too harsh to forbid a transportation agent to unload other goods enroute.

Having considered the views of Subcommittee members, we have come to the conclusion that the trade will not try deliberately to delay the transportation of live quails, because some quails may die on the way and lead to commercial losses. As a result, we have agreed to delete "forthwith by the most direct route" from section 9B.

Second, initially again, we also proposed to add a new section 9C, specifying that no person shall carry any quail that is intended to be slaughtered for food, from one place to another, at the same time with any other bird, and that no person shall carry any quail that is intended to be slaughtered for food, in or on a vehicle, a vessel or an aircraft if the person knows that any other bird is carried in or on the same vehicle, vessel or aircraft. The purpose of this is to prevent the assortment of local quails and other live poultry during the course of transportation of the former. The proposed section 9C covers "aircraft", the original intent being to achieve consistency in the scope of regulation on the transportation of both imported water birds and quails.

The Subcommittee pointed out that quails would not be transported inside Hong Kong by aircraft. Since there will be no practical effects on the policy of segregation, we agree to delete references to "an aircraft" in the proposed section 9C.

Finally, I wish to respond to the request for the downward adjustment of the animal trader licence fee put forward by the Subcommittee and Mrs Selina CHOW. The relevant licence fee is determined according to the principle of recovering administrative costs, and it was last adjusted in 1997. Over the past few years, the efficiency of the Agriculture, Fisheries and Conservation Department in processing animal trader licence applications has been enhanced, and the segregation policy will bring about further administrative changes. For these reasons, we have started to review the administrative costs of issuing these licences. We will complete the review as quickly as possible and report the findings to Members. The licence fee will be adjusted on the basis of the review findings.

Madam President, these three Amendment Regulations have already struck the best balance between the protection of public health and the minimizing of adverse impact on the trade. Since there are sufficient scientific justifications, I fail to see any reasons to object to the segregation of live quails from other live birds and the requirements relating to the separate packing of water bird carcasses and offal. I urge Members to vote against Mrs Selina CHOW's resolution on repealing the Amendment Regulations, and I also urge them to support the amendment proposals of the Government.

Thank you, Madam President.

**MR FRED LI** (in Cantonese): Madam President, a Subcommittee was formed by this Council to scrutinize the Public Health (Animals and Birds) (Amendment) Regulation 2001, the Public Health (Animals and Birds) (Animals Traders) (Amendment) Regulation 2001 and the Food Business (Amendment) Regulation 2001. As Chairman of the Subcommittee, I would now give a brief report on its deliberations. I would only focus on the main points of discussion here since a detailed report has been submitted to the House Committee.

The three Regulations seek mainly to require live quails imported for food be transported to specified premises separate from other birds and to prohibit the

sale of quails together with other birds on the same premises. Furthermore, the carcasses and offal of water birds must be packed and sealed for sale at and delivery to premises where live poultry are present.

The Subcommittee was told by the Administration that the latest scientific research revealed that genes from H9 and H6 influenza viruses commonly carried by quail when mixed with a mild goose H5 virus will form the lethal H5N1 avian flu. The proposed segregation of live quails from other birds aims to prevent the recurrence of H5N1 avian flu that endangers human health.

The Subcommittee has held four meetings and carefully deliberated the three Regulations. In one of the meetings held, the Subcommittee listened to the views of the trade and Prof Kennedy SHORTRIDGE of the Department of Microbiology, University of Hong Kong.

Representatives from the trade and some members expressed concern that the segregation measures would have the effect of "strangling" the trade as in the case of the segregation of geese and ducks in 1998 since when the geese and ducks trade has shown signs of shrinkage. Nevertheless, it was stressed by both the Administration and Prof SHORTRIDGE that the latest scientific research had revealed that mixing viruses carried by quails and geese might form the lethal avian flu. Therefore, it was necessary for live quails and other birds to be segregated to protect public health. Both the Government and Prof SHORTRIDGE indicated that the segregation of live poultry was the only feasible solution if the live chicken trade was to remain given that market stalls were in close proximity to each other and often shared the same ventilation system.

Some members of the Subcommittee voiced strong objection to the proposal of segregating live quails from other live birds. During the first meeting of the Subcommittee, a motion was moved to demand the Administration to repeal the three Regulations. After discussion, the motion was put to the vote. As the majority of members voiced disapproval, the motion was subsequently negated. The Government also indicated clearly that the three Regulations would not be repealed.

Although the majority of members shared the view that the protection of public health was of paramount importance, they considered it necessary for the Administration to make proper arrangements for people engaging in the quail trade to prevent them from losing their means of living. The Subcommittee has

also proposed to the Government that assistance in the form of ex-gratia allowance or compensation, for example, be rendered to the affected people and feasible means to facilitate the sale of live quails be provided.

The Administration was of the view that the segregation arrangement would not have a significant impact on the business of the wholesale and retail trade of live quails. It was pointed out by the Government that the poultry wholesalers and retailers sold live quails as a sideline business. The business volume of quail-trading accounted for less than 10% of the business turnover of wholesalers and not more than 2% of that of retailers. The Government also indicated that, after the implementation of the segregation measures, quail traders and farmers could sell live and dressed quails in Hong Kong so long as they could find a suitable place to sell their quails and meet the relevant licensing requirements for "animals traders" and fresh provision shops.

Although the Administration disagreed to offering compensation to quail retailers or transporters, licensees of quail farms would be given ex-gratia allowance. In addition, the relevant stalls and vehicle parking spaces in the wholesale market would be exempted from the payment of rent for one to two months and, in consideration of the recommendations of the Subcommittee, the license fees payable by animals traders would be lowered. This point has actually been mentioned by the Secretary earlier.

The Subcommittee suggested the Administration to make two amendments to the Public Health (Animals and Birds) (Amendment) Regulation 2001. It was further pointed out that the trade would face practical difficulties in compliance with the requirement in the proposed section 9B that live quails be delivered "forthwith by the most direct route" to the specified premises. This is because the Administration would have difficulties in defining "forthwith" and "the most direct route" in enforcement. The Administration has accepted members' views and agreed to delete references to "forthwith by the most direct route" and to move a motion to this effect.

Furthermore, the Subcommittee considered it necessary to delete the references to "an aircraft" in section 9C since it was very unlikely that live quails would be transported by aircraft within Hong Kong in view of the low profitability of the business. The Government has accepted the suggestion of the Subcommittee and agreed to delete the reference to "an aircraft".

Madam President, the above speech was delivered in my capacity as Chairman of the Subcommittee. Apart from speaking as Chairman of the Subcommittee, I would also like to speak as the Democratic Party's spokesman on food safety and environmental hygiene matters to express the views of the Democratic Party on the Regulations. When chairing the four meetings held by the Subcommittee, I found it very difficult since I was required to maintain neutrality in chairing the meetings and was not given any chance to speak. I would therefore like to take this opportunity to express my views on the whole matter.

Insofar as these three Regulations are concerned, the Government has made it very clear and we are also extremely worried that if there were a third outbreak of avian flu and if traders were no longer allowed to sell 100 000 live chickens every day, the livelihood of a large number of live quail trade operators will be affected. In the interest of public health and in order to prevent an outbreak of avian flu for a third time, we have no other alternatives but to support the Government to amend the three Regulations. It has been a very difficult choice because we understand it very well that, after the passage of these Regulations, the live quail trade might follow in the footsteps of the live geese and ducks trade. As in the case of chilled geese and ducks, all live quails will probably be replaced by chilled quails. I believe only 600 or so geese and ducks are really killed alive nowadays and then transported to a prestigious restaurant renowned for selling roasted geese. I believe Members will know which restaurant I am referring to. Nowadays, most of the geese and ducks consumed by us are chilled. I wonder if Members can tell the difference in taste? Although we understand the motive behind Mrs Selina CHOW's proposal to repeal these three Regulations, we cannot agree to the position held by her. This is because if the Regulations are negated, Mr Albert CHAN will definitely tell us the difficulties faced by quail farmers. Moreover, the plight of quail farms will become even worse. Left with no alternative, the Democratic Party can only support the three Regulations proposed by the Government.

Despite the present circumstances, I still strongly hope the Government can: first, offer compensation to quail farms expeditiously and not to delay any further after the passage of the Regulations; second, expeditiously help operators interested in the live quail trade and provide them with more convenience, as well as conducting a thorough study on experiences gained in other places. It

has been questioned by a member of the Subcommittee whether we can refer to the experiences of the Mainland to achieve the same effect since, for instance, the manner of sale in the Mainland is not the same as ours. I think the Government should continue its study in this area since it has failed to seriously undertake a detailed study after listening to the relevant views. For instance, quails and chickens are still allowed to be sold in the Mainland. Why is it possible for the Mainland to do so? Why has there been no report of an outbreak of avian flu in the Mainland? In my opinion, the Government has not "done its homework" insofar as this matter is concerned.

We accept the views expressed by the Professor of the Department of Microbiology of the University of Hong Kong since he emphasized that segregation was the only solution. Furthermore, there could be no compromise. We respect his opinion with respect to this point. However, insofar as retailers are concerned, their current business turnover is already small. Under the present difficult situation, even a dollar or a few dollars means much to them. We hope the Government can do its utmost to lower licence fees to help retailers tide over the hardship caused as a result of the passage of these Regulations which are related to quails.

I so submit.

**DR LO WING-LOK** (in Cantonese): Madam President, as the three Regulations under discussion today arise from the avian flu incident, I would take this opportunity to talk about what has happened in Hong Kong since 1997 and why we have these Regulations.

In May 1997, the first incident in which H5N1 avian flu was passed on by poultry to human beings happened. The victim was a three-year-old boy and he eventually died of avian flu. Six months later, in November that year, another person contracted H5N1 avian flu. Within seven months from May to 28 December 1997, a total of 18 people contracted H5N1 avian flu and six of them eventually died of this disease.

The incident in 1997 was the first incidence in the world of a person being killed by influenza transmitted by poultry to human beings. There was no specialist in Hong Kong or other parts of the world who could cure this disease.

Why are various countries in the world so concerned about H5N1 avian flu? The most important reason is that the disease has been proven to be lethal. Secondly, as one characteristic of influenza is the rapid transmission from one city to another and from one country to another, from the east to the west and from the north to the south, the result can be a global epidemic. As the last global transmission of epidemic that occurred in 1968 had originated from Hong Kong, the influenza virus was called "Hong Kong 68". Hence, Hong Kong is quite famous in the history of influenza transmission.

Plenty of scientific evidence proves that when the virus of human beings mixes with the influenza virus of poultry, the reassortment of genetic material may lead to the emergence of a new virus that can transmit widely among human beings. Scientific evidence also proves that the origin of a global transmission of epidemic is the influenza virus of poultry.

The global epidemic in 1918 caused the death of more than 40 million people, more than the total death toll of the First and Second World Wars; therefore, influenza is actually a very dreadful infectious disease.

Against this background, the 1997 outbreak of avian flu had not only aroused considerable concern in Hong Kong but also in every part of the world. Members may still recall that the media reported the number of suspected cases and proven cases almost every day and public out-patient clinics and the accident and emergency departments of public hospitals were crowded with very anxious people, worried if such symptoms as fever, runny nose, itchy throat and coughing were avian flu symptoms. They even hoped that the Government would provide free tests to ascertain whether they had contracted such a horrible disease. The then Hospital Authority (HA) was frequently asked to give an account of whether it had sufficient manpower, resources, drugs and isolation facilities to deal with the epidemic in case it expanded.

As a doctor, I had a deep impression of the unprecedented pressure exerted on the front-line health care personnel then. While more and more people were infected, chickens died one after another. On 27 December 1997, a large number of chickens died in the Northern New Territories Wholesale Poultry Market and the Cheung Sha Wan Temporary Wholesale Poultry Market

respectively. It indicated that a large number of chickens had been infected, from the south to the north of Hong Kong. Thus, the Government announced on 28 December that all live chickens throughout the territory would be destroyed, the purpose being certainly to stop the continual spread of H5N1 avian flu.

The result of the laboratory test conducted on chicken samples collected before the chicken massacre indicated that 19% of the chickens were H5N1 infected. In other words, among 1 million-odd chickens in Hong Kong, one out of every five was infected and the speedy transmission of H5N1 avian flu was really astonishing. If we drew an analogy between this crisis and a fire, the fire had already spread to every part of Hong Kong.

Epidemiological observation concluded that there would be more cases of human infection after the death of a large number of chickens. Therefore, one of the main points of consideration for destroying all chickens in 1997 was how to prevent human casualties from increasing.

Honourable colleagues should still vividly recall the bloody scenes of the chicken massacre in 1997. Hong Kong people were very depressed and dead chickens became the food of mice and stray dogs. I still have a deep impression of the scene shown on the screen in which a dog had a dead chicken in its mouth. Such pictures were repeatedly broadcast by foreign media, blemishing the glorious reputation of Hong Kong as an international tourist centre and a gourmets' paradise. Regardless of how much we appreciate the fresh and lovely taste of live chickens, so long as such pictures of stray dogs with dead chickens in their mouths come back to our mind, even a hundred lines of praise would be useless. With the losses suffered by various trades and industries and considerable cost to the public coffers, the avian flu in 1997 really sapped our vitality.

It was somehow less unfortunate that as a result of the measures implemented, such as prohibiting the import of live chickens and other birds, destruction of all chickens, stepping up quarantine control, cleansing the wholesale and retail spots and changing wooden cages into plastic ones, the avian flu in 1997 was finally brought under control. Apart from the 18 cases I have just mentioned, there have no more new cases involving human beings so far.

Apart from the above measures, some had also discussed the proposal of central slaughtering of chickens. H5N1 avian flu virus needs a living host to

multiply and spread, but the virus cannot be bred in poultry carcasses. Live poultry are ideal hosts for the virus to multiply and spread. On the contrary, there is very little chance for avian flu to transmit on poultry carcasses. The proposal of central slaughtering was not accepted at the end because Members were afraid that its implementation might affect the room of survival of the local poultry industry. Therefore, a very important point in the control of avian flu is reducing the chance of another outbreak of avian flu and the impact on human beings. Moreover, it is imperative to ensure the survival of the local live chicken trade.

How to reduce the chance of an outbreak of avian flu and its impact on human beings? We must approach the issue from the perspective of preventing the development of avian flu into a virus that can be widely transmitted among human beings. One of the methods is segregating live chickens from water birds. Water birds such as geese and ducks are H5N1 carriers, and their carcasses more often than not carry H5N1 virus, but the virus will induce incidence on geese and ducks, thus, they can be described as nil-symptom carriers of the virus. Yet, geese and ducks can excrete the virus through their faeces. If geese, ducks and chickens are placed together, the virus of water birds may transmit to chickens and the disease will come on most of the infected chickens. Moreover, the virus can also multiply in enormous numbers in the body of chickens, causing the rapid death of a large number of chickens. As avian flu is capable of ruining the poultry trade in the whole region or country, most countries adopt very stringent measures against avian flu, including destruction of chickens and embargo on their import, to prevent the virus from spreading. The extensive breeding of influenza virus in chickens has another effect: it will increase the chance of the virus mixing with other influenza viruses, making it more probable for human beings to contract influenza.

Another outbreak of avian flu in Hong Kong in 2001 does not mean that the above measures are inadequate. Hong Kong made a much faster response in the avian flu incident in 2001 than it did in 1997. The Government decided to destroy all chickens in Hong Kong one month after the second case of avian flu in human beings in November 1997. Contrarily, within one week after H5N1 virus was discovered in three markets in 2001, the Administration decided to destroy all chickens in Hong Kong. Therefore, it is not possible for regions even with the most stringent monitoring to eliminate avian flu. The most important point is whether there is any mechanism and measure in the region to make a fast and precision response in order to minimize the impact of avian flu.

After the avian flu incident in 1997, scientific research workers have conducted a large number of studies to explore the family tree of avian flu. The genome map indicates that the avian flu in 1997 caused death of human beings because new strains were developed with the reassortment of genetic materials after H5N1 virus of water birds was mixed with the H6 and H9 viruses of quails. These new strains could transmit disease to human beings and do them serious harm. Researchers have also studied various kinds of poultry. They discovered that besides quails that are carriers of H6 and H9 viruses, other poultry are not frequent carriers of H6 and H9 viruses, but the virus-carrying rate of quails can reach 60%. Moreover, besides transmitting viruses by means of their droppings, quails can also transmit viruses to other poultry through respiration. So, if there are chances that water birds can transmit H5N1 to chickens, and quails also transmit H6 and H9 viruses to chickens, several viruses will mix together to produce a new and lethal influenza virus that can be transmitted to human beings. Hence, apart from segregating water birds from chickens, segregating quails from chickens is also necessary to prevent the reassortment and mutation of viruses.

Segregating live chickens and water birds from quails is actually a measure to protect the live chicken trade. Once there is another outbreak of a large-scale avian flu, the confidence of people in the sanitary condition of the live chicken trade will definitely be greatly crippled, and the local live chicken trade will lose its room of survival. For the welfare of Hong Kong people and the survival of the local live chicken trade, I support the Regulations on segregating chickens from quails and I call upon Honourable colleagues to support them. Some colleagues think that the trade will have much less room of survival once segregation is implemented, which is true. Thus, I support making compensation to people who are financially affected and taking suitable measures to alleviate their difficulties. Nevertheless, I also call upon Honourable colleagues to adopt an objective perspective and look at the crux of the problem. This Council discussed not long ago how to prevent another outbreak of avian flu and considered how to assist the live chicken trade caught in difficulties. We should consider what measures can be taken to achieve the above objective and how we could uphold the status of Hong Kong as an international tourist centre and a gourmet paradise.

A new regulation specifies that the offal of water birds slaughtered should be sealed separately from the carcasses. It is because the offal contains

droppings that are the beds of influenza viruses. If the offal of water birds are not separated and sealed, and if they are sold at the retail outlets where live chickens are also sold, it will be more likely for the viruses in the offal of water birds to be transmitted to live chickens, leading to the spread of avian flu. Therefore, I also support the passage of the relevant regulation.

With these remarks, I oppose the three motions proposed by Mrs Selina CHOW to repeal the new regulations. My views are identical to those of Mr Eric LI, Mr NG Leung-sing, Dr Raymond HO, Mr Bernard CHAN, Dr LUI Ming-wah and Mr Abraham SHEK.

**MR WONG YUNG-KAN** (in Cantonese): Madam President, under the premise of protecting public health, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the amendment of the Government on segregating quails from other live poultry. But as the representative of the industry, I expect the relevant government department to assist the operators of the five existing quail farms in switching to another industry so that their livelihood will not be affected. The Government should also expeditiously reduce the licence fee for animal traders to make up for the financial losses incurred as a result of segregating quails from other live poultry.

The DAB opposes the resolution proposed by Mrs Selina CHOW because there is clear scientific evidence showing that quails carry the genes of H9 and H6 viruses, and once these genes mix with the viruses of water birds and geese and ducks, H5N1 virus would be formed and the avian flu virus would then be produced.

On 26 November, I attended a quality meat chicken seminar in Taiwan. Upon arrival, the Taiwanese authorities asked me if I had visited any farms within three months. After the 10 of us responded that we had visited farms, we and even our luggage, shoes and clothes had to be disinfected, before our entry was permitted. So, we stayed in the airport for half an hour. In my view, Hong Kong would certainly not do so but it proved that all Southeast Asian countries are concerned about the transmission of avian flu virus. When I proposed a motion debate in this Council over the avian flu incident in June this year, I especially emphasized prevention. Therefore, I hope that Honourable colleagues would protect people's health rather than betting on the life of the public, and support the resolution of Mrs Selina CHOW.

As we know, there has been speculation in the Mainland recently that, if there were a third outbreak of avian flu in Hong Kong, the Mainland may disallow the export of live chickens from the Mainland to Hong Kong and it would export chilled chickens instead. We also discussed this point with the relevant authorities when we visited Beijing and they indicated that they would definitely consult the Hong Kong Government and the trade before implementing the measure. If there were a third outbreak of avian flu in Hong Kong, I believe consultation would be unnecessary and only chilled chickens would be exported. In that eventuality, not only 200-odd retailers would be affected but also tens of thousands of practitioners in the live poultry trade. Thus the impact would be greater. For this reason, I hope Honourable colleagues could consider the problem from a long-term perspective. As the representative of the trade, I undoubtedly have pity for the loss of such poultry as geese, ducks and quails. Yet, to solve the problem, I believe the Government should explore how these farms should be handled.

Mrs Selina CHOW asked if Hong Kong could sell quails in the same market just as what is being done in the Mainland. I have visited the Dongmen Market in Shenzhen and found that the market is totally different from those in Hong Kong. It is an open market while the markets in Hong Kong are crowded and chicken cages are placed one over the other. Thus, it would be very serious if any incident takes place. But I think the Government should consider the issue from a long-term perspective. It can turn markets into specialized stores, or link up food establishments and farms, for the direct transportation of poultry from farms to food establishments. Then, the trade would be able to develop instead of coming to a halt. At present, we rely excessively on the import of such chilled poultry as geese and ducks and water birds from the Mainland, so I am very much worried that our gourmet paradise would disappear in the future. As we said when we discussed the issue in the Subcommittee, it was not necessary to go very far for cuisines and it was only necessary to go to Shenzhen. If the Government fails to address these problems, I believe it would cause problems with more far-reaching impact. Once there were a third outbreak of avian flu, nobody would be able to bear the responsibility and the trade would be the first to be victimized.

We also discussed whether the Government could revise the penalties. Mr Fred LI would propose an amendment and we would support it. We are pleased that the Government supports our proposal that, if the amendment is passed, the transitional period should be lengthened from 30 days to 60 days.

The extension is meant to allow the retail, wholesale and farming sectors to make changes to the business environment within the 60-day transitional period. These are the views of the DAB and we hope that the trade would understand that we do not intend to smother the quail trade, instead, we hope that the poultry industry would survive. This is the expectation of the DAB. Thank you, Madam President.

**MR ALBERT CHAN** (in Cantonese): Madam President, I think not many people will voice objection when we talk about avian flu and public health. The motion today is very important. Are there absolutely no other means and alternatives to deal with the avian flu problem, particularly concerning the handling of quails? Is the Government's proposal the only feasible solution? I think this is the most controversial point of debate over the past several weeks. The Subcommittee has raised a number of questions in the course of deliberation. I am given the impression that the Government is trying to play the trump by saying that this has to be done for the sake of protecting public health and safety. Given this lofty justification, anyone who dares to oppose the Government will be considered as having no regard for public health.

In the course of deliberation, I have found that the Government's perception of the problem is far from being comprehensive and mature. The most significant point of the Government's entire mindset is, as I pointed out earlier, protection of public health. Under this requisite, the Government has decided what to do without carefully considering whether any methods or measures can be introduced simultaneously or beforehand to ensure the survival of the quail trade. It is most disappointing that no specific methods and measures have been formulated to ensure that the survival of the trade, whether in the course of deliberation or even today when the deliberation work has been completed. I feel terribly sorry for I have repeatedly pointed out in this Council over the past numerous years that a certain trade may disappear as a result of the resumption of a piece of land or the commencement of a certain construction project. Now for the sake of implementing administrative measures to protect public health, the quail trade will likewise disappear. Although the amended legislation does not ban the existence of this trade, the Subcommittee has come to the unanimous view that once the Government's proposal is accepted, the live quail trade, particularly quail farms, will be driven to extinction in Hong Kong. In other words, one more trade is going to disappear in the territory.

To conserve the natural ecology, the Government has spent tens of millions of dollars to save the little frogs. In order to save the small dragonflies, an entire zone is prohibited from carrying out development. In order to save birds, an additional \$2 billion has to be injected into the Long Valley project for tunnel construction. It is really surprising that the Government cannot extend the same degree of generosity to another dying trade and formulate measures to save it. I am sad and dissatisfied that I have seen just too many examples like this. Although the number of industries in Hong Kong will diminish if we allow the industries to disappear one after another, government officials are still oblivious to the problem.

I should have supported Mrs Selina CHOW's amendment and disallowed the Government to implement this policy. However, the Government pointed a sword at our backs, and we were told that no compensation would be offered to the licensees of the five quail farms should we lend our support to Mrs Selina CHOW. I am especially dissatisfied with this because in accordance with policies and regulations, it is unnecessary for the Government to wait until the Amendment Regulations are implemented before it can offer compensation to the five licensees. So long as the five licensees are willing to surrender their licences, the Government can exercise its administrative power to offer compensation to them. I feel that the Government is, to a certain extent, holding us to ransom, saying that it has no base to offer compensation to the five licensees if the amendment is not passed. In my opinion, this is merely sophistry since so long as the licensees are willing to surrender their licences, the Government will still argue that it can explain the sanitation and environmental issues regardless of whether the Government is willing to act accordingly. However, the Government has decided not to offer compensation to the five licensees if its amendment is not passed.

The problem facing us now is that the future of a few groups of people, including a group of quail farmers, is controlled in our hands. We understand that 100 000 quails are now reared in one of the quail farms. I wonder when something serious will happen to the farm if the Government refuses to offer compensation. Anyone who has inspected the farm will definitely feel gravely worried about the environmental hygiene and virus problems facing the farm since the condition there is really deplorable. Another group of people is the transport and retail business operators. They will definitely suffer losses if the Amendment Regulation is passed. Most importantly, the entire live quail trade will face extinction. I feel that the Government has skillfully presented us with this dilemma to force us not to oppose the Amendment Regulation.

In terms of logic, principle and argument, Mrs Selina CHOW is 90% correct. Unfortunately, despite all these sound arguments, we cannot support her amendment. I feel very disappointed really. What is more, I feel that this incident has once again reflected the bureaucratic mentality of the Government and, that is, no matter who has problems, what matter most is to seek a solution to government policies.

What has been highlighted here is the compartmentalization of Policy Bureaux: The department responsible for environmental hygiene will handle issues related to environmental hygiene only. It will not care about trade extinction. Similarly, the department responsible for land resumption and railway construction is indifferent to the extinction of affected trades. Such a bureaucratic attitude of compartmentalization has created many economic and social problems. I have to condemn this bureaucratic attitude and express my dissatisfaction.

Although these problems have arisen again and again, we have not seen government officials and relevant Policy Bureaux having learned a lesson from them. Each government department only cares to consolidate and safeguard its own policy area. I hope this is the last time we see a trade being driven to extinction as a result of the passage of a legislative amendment in this Council.

Thank you, Madam President.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, the Government considers that quails are natural carriers of H9 and H6 viruses, and in order to prevent reassortment, amendments are proposed to the Regulation to effect a segregation of live quails from other water birds by prohibiting the sale of quails at existing live poultry stalls. The Government has said in a fine-sounding way that this is not meant to prohibit the sale of quails, for vendors can open stalls that sell quails exclusively. But in saying so, the Government is trying to pass off fish eyes for pearls. Earlier on, a number of colleagues who have taken part in scrutinizing the amendments to this Regulation also noticed that the ultimate effect of this proposal is to make quails disappear in Hong Kong for good. The Government is also deceiving the public. As we all know, the profit of selling quails is marginal as each quail can be sold only for a few dollars. How possibly can the profit cover the expenses for operating a stall selling quails exclusively?

This amendment by the Government, if enacted, would kill off a business, that is, the entire quail trade. Chicken vendors would also suffer losses, and this would consequently drive some people into unemployment. Hong Kong's reputation as a gourmet paradise would certainly be tarnished. The Government has imposed more and more restrictions on the sale of poultry and birds. Since the outbreak of the avian flu in 1997, the Government has banned the sale of francolins and teals. Fresh geese and ducks are no longer available in the market given the across-the-board implementation of central slaughtering. Dr LO Wing-lok raised many questions earlier. He said that in 1997, the Government based on the same justifications in dealing with the problem, but the avian flu still recurred a couple of years later. What are the reasons? As time goes by, how can Hong Kong still claim to be a gourmet paradise? I think some time later when we talk about a gourmet paradise, we might have to say what people used to say, because several decades ago, Guangzhou was said to be the best place for food. If things go on like this, poultry and birds available for sale in Hong Kong might all be chilled. Does the Government wish to see this happening? Mr Fred LI asked earlier if we can distinguish chilled geese and ducks from fresh ones. I can tell Members that I certainly can tell the difference. I do not even have to taste them. I can tell the difference simply by looking at them. Many people in Hong Kong can tell whether the meat they eat is chilled or not once they taste it, for the taste is different.

For these reasons, I support the three resolutions proposed by Mrs Selina CHOW. While many political parties have stated that they do not support the resolutions, I hope they can seriously consider it after listening to what Mrs Selina CHOW has said.

Please also take a close look at Legal Notice No. 218, which makes provisions on, among other things, the transportation and sale of live quails. Section 9B provides that quails be transported "by the most direct route". As mentioned by Members earlier on, practical difficulties might arise in the course of transporting live quails. For example, it might be necessary to take another route due to traffic congestion and so, it would be difficult to take "the most direct route". Section 9C even mentions vessel and aircraft. The fact is that the meagre profit of selling quails simply makes transportation by aircraft out of the question.

Here, I wish to share with Members some of my observations to prove that the Government is rather hasty in proposing the amendments. Earlier on the

Government called on markets to stop selling quails. This is tantamount to announcing the end of the local quail trade. Just take a look at the geese and ducks trade today and Members will understand it. The central slaughtering system was implemented for geese and ducks in 1998 when the trade slaughtered 40 000 geese and ducks daily back then. At that time, the Government used the same argument as the one it is using now, that is, give up the geese to save the chickens. Now, only 600 geese and ducks are sold daily. But still, the avian flu recurred. Back to quails. It is said that there are only 200 stalls. Even if I believe the Government's figure, the difference is still obvious. Before the recurrence of the avian flu, 40 000 quails were sold daily, but after the Government made its remarks, people dare not buy quails and now, only about 600 quails are sold daily.

According to the information that I have obtained (Mr WONG Yung-kan may know better than I do), there were originally over 100 quail farms in Hong Kong before the first avian flu incident and now, there are only five left. When will we stop killing these trades? The Government said that even if poultry stalls are not allowed to sell quails, stalls that sell quails exclusively can be set up. It also said that given the thin profit generated from the sale of quails, compensation is unnecessary. How much profit must be made to meet the expenses of a quail stall? Are the Government's amendments to the Regulation realistic? The Government contended that the amended Regulation will have no bearing on the unemployment figures. But representatives of the trade came to the Legislative Council and told us that according to their estimates, about 100 people would become unemployed. Taking into account possible overestimation, there would still be 70 to 80 people involved.

The amendments to the Regulation, if enacted, would not only cause the unemployment rate to rise. The live poultry trade would also be made to face greater difficulties in business. As a result, this trade would shrink further and would even disappear into obscurity. According to the statistics provided by the Government, about 270 fresh provision shops or market stalls selling live chickens also sell quails. The number of quails sold each day is about 40, representing about 2% (and some estimate it to be 3% or 4%) of the business turnover. These figures of 2%, 3% or 4% are insignificant. But as Mr Fred LI said earlier, \$5, \$10 or \$20 are not negligible amounts to vendors nowadays, for they will add up to a large sum of money day after day.

The Government explained that farms that solely supply quails can be granted compensation if they choose to fold up their business. The Liberal Party supports the provision of compensation. Wholesalers can be given compensation equivalent to two months' turnover, and we consider this inadequate. But we cannot see why the Government refused to compensate the retailers. The Government's argument may be simple. It may argue that to the retail stalls, the sale of quails is just a sideline business and so, even if they are not allowed to sell quails, the effect on their overall business turnover would be minimal. The Government may think that it would only lead to a slight drop in business and retailers would lose just a few dollars or tens of dollars a day in income. In the eyes of the Government, losing several hundreds of dollars in income is still insignificant and therefore, retailers should not be compensated. But in our view, this argument cannot hold.

As mentioned by Mrs Selina CHOW earlier, in 1997, the retail licence permitted the sale of the so-called "six heavenly kings", including francolins, teals, quails, pheasants, chukars and guinea fowls. Two weeks ago, I already told Members that the items permitted for sale now have reduced to three only. The Secretary said earlier that they have to ascertain whether the costs recovered account for a greater ratio now and if so, they will agree to reduce the licence fee. However, the Government must think about this: In 1997, the licences issued for vendors permitted the sale of six items, and the licence fee then was some \$3,000. Now we are in 2001, and after several years of deflation, the Government is still saying that it has to see if the costs recovered have increased before deciding whether to reduce the licence fee. Is this justifiable? To the trade, they will feel that the Government originally permitted the sale of six items and as they can sell only three items now, the Government should at least reduce the licence fee by half, irrespective of the cost recovered. This is what the Government should do at least for fairness sake. With regard to the rent, even if the Government considers the sale of quails a sideline business that accounts for a mere 2%, 3% or 4% of the business turnover, why can the Government not suitably adjust the rent?

On the segregation of goose and duck offal and the properly packing of offal, the Government also said that the profit in this regard is meagre. To be honest, this profit is only "tips" for workers. The Government now requires the central slaughter house to properly pack all offal before wholesaling, and the offal cannot be unsealed before they are sent to the retail shops for sale. Do

think about this: Dressing and packing offal that is still dripping with blood can only earn very little money, and this is also agreed by the Government. How can we expect the wholesaler to wash the offal thoroughly before the offal is delivered to retail shops? Even though restaurants have to unpack, thoroughly wash and properly dress the offal after they have brought it back from the retailers, it still gives no cause for complaint despite the profit to be earned is still small. But please take a look at the penalty set by the Government. We asked the Government to lower the penalty from a fine at level 5 to level 4, but the Government refused to accede to our request. The penalty now is that violation may be subject to imprisonment of six months plus a daily fine. The Government considers that only a fine as harsh as such can achieve deterrent effect. I cannot see, nor the Liberal Party, why it is necessary to impose a fine as harsh as such. This would only damage the overall business environment of Hong Kong and dampen the investors' sentiments.

I also wish to comment on a number of points raised by the Secretary. The Secretary has consistently emphasized the need to minimize possible infection. After the outbreak of avian flu in 1997, it is true that much has been done. For example, the implementation of central slaughtering for geese and ducks as mentioned earlier, and the prohibition of the sale of teals and francolins. But the avian flu still recurred in Hong Kong. Now that the blame is put on quails. In fact, there is no problem with the quails. Quails have never caused any problem before.

We have time and again raised this point for discussion in this Chamber. Why does the Government not go to the markets and take a look? It may go to open markets or enclosed markets. Since we have chosen to have enclosed markets, why can we not improve the ventilation of markets, and start with the market stalls? Let us not forget the last avian flu incident. Dr LO Wing-lok likes to recall what happened back in 1997, but to me, 1997 is a bit too distant, and 2001 may be closer. The avian flu incident in 2001 broke out at markets managed by the Food and Environmental Hygiene Department. Nothing happened in other places and it was not quails that caused the second avian flu outbreak. Dr LO Wing-lok is not in the Chamber now. Earlier he said that even if a bird flying over our heads leaves or drops something, there will be a possibility for avian flu to break out. If that is true, I think we may even have to shoot down all the birds, because only in this way can we minimize infection and ensure safety.

Therefore, I hope the Secretary will listen to the views of Members. If the amendments proposed by the Secretary are passed, I hope the Secretary can make some compensation in respect of the licence fee. Compensation should be granted not only to wholesalers in respect of the rent. Farms should also be compensated. On the retail level, more compensation should be granted to retailers, particularly those in the hard-hit trade.

I support the motion moved by Mrs Selina CHOW. Thank you, Madam President.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Secretary for the Environment and Food, do you wish to speak again before I call upon Mrs Selina CHOW to reply?

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I have nothing to add.

**MRS SELINA CHOW** (in Cantonese): Madam President, I must make it clear again that the Liberal Party hopes that the avian flu will never ever occur in Hong Kong again and we hope at the same time that live quails are available for people to consume in Hong Kong. We consider that the measures proposed by the Government have not fully considered how the availability of live quails can be ensured for people to consume in Hong Kong.

In fact, we feel that the Government is being dishonest, because it actually knows that the existing proposal would drive the quail trade to extinction and as a result, no live quails would be available in Hong Kong for people to consume any more. But the Government refuses to face this reality and even tells us that there is still a way out for the trade. If the Government tells us that it is not being dishonest and that it sincerely wants to introduce segregation into this trade, then why can the Government not ensure up-to-standard quail farms, given that it has been managing wholesale markets and other public markets? In this

connection, why is the condition of the existing quail farms so appalling? Who should be held responsible? Certainly, we may say that quail farm operators should be held responsible. But is it that the Government has no responsibility at all? The Government should set a certain standard for compliance by members of the trade. Since the Government allows the trade to operate, it should ensure that the trade meets a certain standard.

By the same token, and as mentioned by colleagues earlier, why is the environment of markets as such? Who is responsible for managing these markets? The Government. The Government built the markets and allowed them to operate in such a way. But when problems arose, the Government simply passed the buck to stall operators, pointing its finger at them and requiring them to do this and to do that to solve the problems. Madam President, I just want to point out that the Government cannot simply shift all the responsibilities onto operators. When problems arise, the Government should not and cannot simply tell operators that the problems are no big deal and that this sort of business is not worth it, invariably trying to "trim the toes to fit the shoes". This is an easy job, for as long as nothing is done, nothing can go wrong; and as long as nothing is done, nothing will happen.

What I am asking for is that both sides should take responsibility. If the Mainland can do it, have we ever given it a try? Do not say that their environment is different from ours and therefore, it is not going to work for us. Why do we not go and find out under what environment we can achieve what we aspire for? Never has there been an occasion on which I agree with Mr Albert CHAN so much as I do today. While this is unprecedented, I hope there will be more chances for a consensus to be reached between us in future. I agree with every single word that Mr CHAN said. I also understand why he cannot support my resolutions today. I fully appreciate that, for I actually feel the same as he does. That is a feeling of sheer helplessness. I feel that there is really a dagger pointing at my back. But even though there is this dagger, I must say that the Government is doing this only to satisfy one of its 10-odd Policy Bureaux. In fact, I do appreciate the difficulties faced by the Secretary. She said that the overriding principle is to protect the health of Hong Kong people and therefore, everything else can be pushed aside. Operators must sacrifice for the interest of the whole community. Why can they not be asked to make sacrifices? Everyone of us has to sacrifice for the interest of the whole community. Dr LO Wing-lok recalled that he had heard of this view many

times before 1997; the Government had also expressed this view on countless occasions. Being the representative of the medical profession, Dr LO certainly has to recapitulate this view. We are very familiar with this matter and we do know why all these things had happened.

But our point has nothing to do with this. Is it a well-considered proposal? Can it truly protect our health on the one hand and uphold the status of Hong Kong as a gourmet paradise on the other? As others can do it, why do we fare so badly as not being able to do the same? This is the first point. Second, if we find that we really cannot do it, and if there is no other option, we must face the reality. That is, if we really have no other way to rear quails and if it is impossible to supply live quails, we must face the reality and make certain compensation to the trade to help it overcome the plight. The best way is to allow the trade to operate, but if we have really come to a dead end, the Government must also face the reality and honestly tell them the truth.

Earlier on we spoke of lowering the licence fee. The Government even had to find another reason for this, saying that as the costs of the Government may be reduced, consideration can therefore be given to lowering the licence fee. This is not the true reason for a fee reduction. We urged the Government to lower the fee because the items permitted to be sold under the licence have decreased from six to three. In all fairness, the Government should reduce the licence fee. Why did the Government not say that the fee could be reduced for this very reason, but say instead that it is due to another reason? In fact, as many colleagues said in the debate, and I hope the Secretary can listen to this very clearly, all parties involved in the process of quail supply, that is, from the quail farm, transportation, wholesaling to retailing, are set to suffer losses from these amendments. The Government should fairly offer them *ex-gratia* payment regardless of the extent of losses they will suffer. Think about this: How can the Government make *ex-gratia* payment only to quail farms but refuse to give any to retailers because it considers their losses to be insignificant? This is unfair. Therefore, I hope the relevant panels can continue to follow up this issue. I also hope that Mr Fred LI will continue to follow this up.

I have listened to the many views of Members and I do appreciate them. Indeed, Mr Albert CHAN is obviously facing the dilemma of that overriding premise, that is, we must work for public health and public interest and we

cannot do anything that goes against it. I do appreciate this. But I think Members must bear in mind that when we take such a step, we are actually doing something utterly unfair.

**PRESIDENT** (in Cantonese): Members, if Mrs Selina CHOW's motion is passed, the Secretary for the Environment and Food may not move her motion.

I now put the question to you and that is: That the motion moved by Mrs Selina CHOW be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Dr LO Wing-lok rose to claim a division.

**PRESIDENT** (in Cantonese): Dr LO Wing-lok has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr LAU Wong-fat, Ms Miriam LAU and Mr Tommy CHEUNG voted for the motion.

Dr Raymond HO, Mr Eric LI, Dr David LI, Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Timothy FOK, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK, Mr LEUNG Fu-wah, Dr LO Wing-lok and Mr IP Kwok-him voted against the motion.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr CHAN Kam-lam, Mr Andrew WONG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU, Dr David CHU, Mr NG Leung-sing, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, seven were in favour of the motion and 19 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 25 were present and 24 were against the motion. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negated.

**MRS SELINA CHOW** (in Cantonese): In accordance with Rule 49(6) of the Rules of Procedure, I move that if a division is claimed during this meeting in respect of motions on subsidiary legislation remaining on the Agenda, the Council shall proceed to the division immediately after the division bell has been rung for one minute.

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

**PRESIDENT** (in Cantonese): Does any other 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 Mrs Selina CHOW 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.

I direct that if a division is claimed in respect of motions on subsidiary legislation remaining on the Agenda, the Council shall proceed to the division immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Secretary for the Environment and Food, you may move your motion.

**SECRETARY FOR ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed.

**The Secretary for Environment and Food moved the following motion:**

"That the Public Health (Animals and Birds) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 218 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be amended-

- (a) in section 4, in the new regulation 9B, by repealing "forthwith by the most direct route";
- (b) in section 5, in the new regulation 9C(b) -
  - (i) by repealing ", a vessel or an aircraft" and substituting "or a vessel";
  - (ii) by repealing ", vessel or aircraft" and substituting "or vessel"."

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

**PRESIDENT** (in Cantonese): The third to sixth motions concern the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001.

The Secretary for the Environment and Food has given notice to move two motions, while Mrs Selina CHOW and Mr Fred LI have given notice to each move a motion, under the Interpretation and General Clauses Ordinance, to amend the Regulation.

Council now proceeds to a joint debate. I shall first call upon Mrs Selina CHOW to speak and move her motion. I shall then call upon Mr Fred LI and the Secretary for the Environment and Food to speak on it and all the proposed motions.

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

**MRS SELINA CHOW** (in Cantonese): Madam President, actually, I have already mentioned other relevant issues in the speech made by me earlier on. For this reason, I do not intend to further discuss these issues in detail. I beg to move the motion under my name.

#### **Mrs Selina CHOW moved the following motion:**

"That the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 219 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be repealed."

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

**MR FRED LI** (in Cantonese): Madam President, on behalf of the Subcommittee, I move the motion under my name.

The Subcommittee noticed that in the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001 the Administration has included revised penalties for certain existing offences under the Regulation that are unrelated to the Regulation. The Subcommittee has expressed reservations about this practice. The Administration has explained that the existing penalties

for these offences are outdated and lack sufficient deterrent effect, and a separate exercise is being carried out to amend the penalty for all such offences under Cap. 139. The Administration has accepted the suggestion of the Subcommittee and agreed that existing offences not related to the Regulation should be deleted from the Regulation.

As regards the stipulations in the proposed section 4A in the Regulation, that is, the requirement that quails for sale not be put together with other birds at the same premises, the Subcommittee thinks that as violation of this provision is not a serious offence and profits from the sale of quails are not high, the fine should be reduced from level 3 to level 1 (\$1 to \$2,000). This amendment, however, is rejected by the Administration and the amendment proposed by the Administration does not include provisions for a reduction in fine under section 4A. Therefore, pursuant to the decision of the Subcommittee, I will move an amendment to amend the penalties laid down in section 3 of the Regulation.

The Subcommittee has also suggested that the transitional period be lengthened from 30 days to 60 days to allow time for existing licensees, and, in particular, local quail farmers, to sell/dispose of their stocks before the Regulation comes into effect. The Administration has agreed to the Subcommittee's suggestion and will amend section 4 of the Regulation.

Madam President, I urge Members to support my motion regarding section 3 and the motion of the Administration regarding section 4 of the Regulation.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, when Mrs Selina CHOW moved to repeal the previous Amendment Regulation, I already explained in detail the policy objectives of and justifications for the three Amendment Regulations submitted by us, and I also responded to the concerns of Members. I do not intend to repeat the relevant justifications here. I am now going to explain the reasons for moving the two amendments to the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation. The Government and the Subcommittee have reached a consensus on these two amendments; I shall also state the Government's position regarding the motion already proposed by Mr Fred LI.

The first motion I am going to move is about the deletion of the amendment related to increasing the existing penalties for the relevant offences. Since the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation has not been amended for years, some of the penalties contained therein no longer carry sufficient deterrent effect. Our original intent was to make use of this amendment exercise to increase the relevant penalties. But the Subcommittee said that it did not wish to handle the issue of penalties, which is not related to the segregation policy, in this Amendment Regulation. We accepted the Subcommittee's request and deleted all the references to raising the existing penalties in the Amendment Regulation. We will seek to amend the penalties when we conduct a comprehensive review on the Public Health (Animals and Birds) (Amendment) Ordinance and the related subsidiary legislation. Mr Fred LI will move a motion on the penalties specified in the Amendment Regulation, with the aim of reducing the penalties proposed under new section 4A from level 3 to level 1, that is, from between \$5,001 and \$10,000 to below \$2,000. The Subcommittee was of the view that since the sale of quails was not a very profitable business, retailers should not be so heavily penalized. The Government does not agree to this view. The penalties for an offence should not be linked to the gains that the offender obtains from the commission of the offence; rather, the severity and consequences and the desired deterrent effect should be considered. Violation of section 4A may lead to an outbreak of avian flu, which will seriously affect public health. We must make penalties sufficiently deterrent. For this reason, the Government does not think that the penalties specified in section 4A should be reduced. Besides penalties, we will also move an amendment motion on the transitional period for the trade. We understand that the trade will still have quails in stock when the Amendment Regulation comes into effect. In order to allow sufficient time for the trade to sell its stocks, a transitional period of 30 days for licensed animal traders now permitted to sell quails is allowed in the Amendment Regulation. The Amendment Regulation will apply on these licensees only 30 days after its effective date. The Subcommittee is of the view that the transitional period of 30 days is not long enough and should be lengthened to 60 days before it can meet the needs of the trade. After consideration, we have come to the conclusion that suitably lengthening the transitional period will not cause any adverse effect. We therefore agree to move a motion on the basis of the Subcommittee's suggestion, to extend the transitional period to 60 days. Once again, I implore Members to vote against Mrs Selina CHOW's motion on repealing the Amendment Regulation and support the amendment made by the Government to these Regulations. Thank you, Madam President.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mrs Selina CHOW, do you wish to speak in reply?

(Mrs Selina CHOW indicated that she did not wish to reply)

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

(Members raise their hands)

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

(Members raised their hands)

**PRESIDENT** (in Cantonese): I think the question is not 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 negated.

**PRESIDENT** (in Cantonese): Mr Fred LI, you may now move your motion.

**MR FRED LI** (in Cantonese): Madam President, I move the motion standing in my name, as printed on the Agenda, be passed.

**Mr Fred LI moved the following motion:**

"That the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 219 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be amended in section 3 —

(a) in subsection (1), by adding after "amended" —

"—

(a) by adding "4A," after "4(1)(a),";

(b) ";

(b) by repealing subsection (2)."

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

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

(Members raised their hands)

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

(Members raised their hands)

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

**PRESIDENT** (in Cantonese): Since Mr Fred LI's motion has been passed, the Secretary for the Environment and Food cannot move her motion in relation to section 3 of the Regulation. Nevertheless, she may move her motion in relation to section 4 of the Regulation.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I move that the motion under my name in relation to section 4 of the Regulation, as printed on the Agenda, be passed.

**The Secretary for the Environment and Food moved the following motion:**

"That the Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 219 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be amended in section 4, in the new regulation 15(3), in the definition of "specified date", by repealing "30" and substituting "60"."

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

**PRESIDENT** (in Cantonese): The seventh to ninth motions concern the Food Business (Amendment) Regulation 2001. The Secretary for the Environment and Food, Mrs Selina CHOW and Mr Fred LI have given notice to each move a motion under the Interpretation and General Clauses Ordinance to amend the Regulation.

Council now proceeds to a joint debate. I shall call upon Mrs Selina CHOW to speak and move her motion.

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

**MRS SELINA CHOW** (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed.

**Mrs Selina CHOW moved the following motion:**

"That the Food Business (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 220 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be repealed."

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

**MR FRED LI** (in Cantonese): Madam President, I move on behalf of the Subcommittee that the motion under my name, be passed.

According to the Food Business (Amendment) Regulation 2001, when water bird carcasses and offal are sold at retail outlets where live poultry are kept, the carcasses should be dressed and packed separate from their offal, and the offal of water birds should also be packed and sealed. The Regulation also prohibits the possession of live quails and other live birds for sale on the same premises. Violation of the Regulation will be liable to a fine at level 5 (that is, \$25,001 to \$50,000), imprisonment for six months and \$600 for each day of continuous violation of the Regulation.

The Subcommittee considered the penalty set down by the Regulation too harsh, since the severity of such violation is relatively minor in comparison with other criminal offences. Besides, profits from the sale of live quails or water bird carcasses and offal are meagre, so it is unnecessary to set down such a severe penalty for the offence.

Since the Administration has refused to reduce the penalty, the Subcommittee therefore decided that a motion should be moved by me on behalf of the Subcommittee to reduce the level of fine from level 5 to level 4, as well as to repeal the imprisonment and daily fine provisions.

The Subcommittee also recommended that the transitional arrangement for licensees of fresh provision shops should be brought into consistency with the arrangement for animal traders, that is, to extend the period from 30 days to 60 days, so as to give licensees adequate time to sell and dispose of their stock. The Administration has accepted the suggestion of the Subcommittee and will propose a motion to this effect.

I urge Honourable Members to support the motions proposed by me and by the Administration respectively.

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese):  
Madam President, first of all, I would like to speak on the motion moved by Mr Fred LI in respect of this Amendment Regulation. Mr Fred LI has moved a motion to amend the newly added offence penalties. The offences are primarily related to the contravention of requirements for packaging the offal and carcasses of water birds. The current level of penalties for these offences is level 5, that is, a fine between \$25,001 and \$50,000, and six months' imprisonment. If the court is satisfied that the offence is continuing, the fine will be raised to \$900 each day during the period when the offence is continued. Mr Fred LI has proposed to amend the penalty to level 4, that is, from \$10,001 to \$25,000.

We disagree to lower these penalties for two reasons. First, as these offences may have a significant impact on public health and the live poultry trade, the relevant penalties must carry sufficient deterring effect; second, under the principle of equity, the penalties for similar offences under the same regulation must be the same. At present, such foods under the same regulation as sausage,

grass jelly, and so on, are governed by specific packaging requirements. The penalties for contravening these requirements are in line with those for contravening water birds packaging requirements under the Amendment Regulation. The application of different penalties to these offences similar in nature will lead to unfairness. Moreover, the public and the trade will be confused as to the severity of these offences. Under the Amendment Regulation, a 30-day transitional period will be given to licensees of fresh provision shop licences to enable them to sell their non-compliant stocks. The Subcommittee is of the view that the transitional period should be lengthened from 30 days to 60 days. We do not object to this request made by the Subcommittee. This amendment is consistent with the previous one that seeks to lengthen the transitional period for animal trader licensees in that both of them are introduced in response to the requests of the trade. Thank you, Madam President.

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

(No Member responded)

**PRESIDENT** (in Cantonese): Mrs Selina CHOW, do you wish to reply?

**MRS SELINA CHOW** (in Cantonese): Madam President, I have moved the motion just now.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mrs Selina CHOW 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 not 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 negatived.

**PRESIDENT** (in Cantonese): Mr Fred LI, please move your motion.

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

**Mr Fred LI moved the following motion:**

"That the Food Business (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 220 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be amended by repealing section 7 and substituting -

"7. Offences and penalties

Section 35 is amended -

- (a) in subsection (1)(a), by repealing "30A" and substituting "(1A), (1C), (1E) or (1G), 30A, 30B, 30C(1)";
- (b) in subsection (3), by adding -

"(aa) in the case of an offence under section 30(1A), (1C), (1E) or (1G), 30B or 30C(1) a fine at level 4;".

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

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

(Members raised their hands)

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

(Members raised their hands)

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

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed.

**The Secretary for the Environment and Food moved the following motion:**

"That the Food Business (Amendment) Regulation 2001, published in the Gazette as Legal Notice No. 220 of 2001 and laid on the table of the Legislative Council on 31 October 2001, be amended in section 8, in the new section 37(3), in the definition of "specified date", by repealing "30" and substituting "60"."

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

## **MEMBERS' BILLS**

### **First Reading of Members' Bills**

**PRESIDENT** (in Cantonese): Members' Bills: First Reading.

### **MIZUHO CORPORATE BANK, LTD. (HONG KONG CONSOLIDATION) BILL**

### **THE BANK OF EAST ASIA, LIMITED (MERGER) BILL**

**CLERK** (in Cantonese): Mizuho Corporate Bank, Ltd. (Hong Kong Consolidation) Bill  
The Bank of East Asia, Limited (Merger) Bill.

*Bills 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 Members' Bills**

**PRESIDENT** (in Cantonese): As the Mizuho Corporate Bank, Ltd. (Hong Kong Consolidation) Bill and The Bank of East Asia, Limited (Merger) Bill presented by Dr David LI and Mr NG Leung-sing respectively relate to government policies, in accordance with Rule 54(1) of the Rules of Procedure, the signification by the Secretary for Financial Services of the written consent of the Chief Executive shall be called for before the Council enters upon consideration of the Second reading of the Bills.

**PRESIDENT** (in Cantonese): Honourable Members, as the Secretary for Financial Services is not in the Chamber at the moment, I declare that the meeting is suspended until the Secretary is back.

5.50 pm

Meeting suspended.

6.05 pm

Council then resumed.

**SECRETARY FOR FINANCIAL SERVICES** (in Cantonese): Madam President, I confirm that the Chief Executive has given his written consent for the Mizuho Corporate Bank, Ltd. (Hong Kong Consolidation) Bill and The Bank of East Asia, Limited (Merger) Bill to be introduced into this Council.

**PRESIDENT** (in Cantonese): Members' Bills: Second Reading.

Dr David LI, you may now move the Second reading of your Bill.

**MIZUHO CORPORATE BANK, LTD. (HONG KONG CONSOLIDATION)  
BILL**

**DR DAVID LI:** Madam President, I move the Second Reading of the Mizuho Corporate Bank, Ltd. (Hong Kong Consolidation) Bill.

The Bill will facilitate the consolidation of the Hong Kong businesses of The Dai-Ichi Kangyo Bank, Limited (DKB), The Fuji Bank, Limited (Fuji) and The Industrial Bank of Japan, Limited (IBJ).

All three banks covered by this Bill are licensed banks authorized by the Hong Kong Monetary Authority (HKMA).

The effect of this Bill will be to transfer the undertakings of the Hong Kong branches of DKB and IBJ to Fuji, which itself will be renamed Mizuho Corporate Bank, Limited.

Accordingly, both DKB and IBJ will cease to conduct banking business in Hong Kong on the appointed date, leaving Mizuho Corporate Bank's Hong Kong branch to continue the operations previously carried on by all three banks in Hong Kong.

Banks in general are operating in an increasingly competitive global environment, which has led to growing worldwide trend towards consolidation in the banking sector.

The consolidation of the Hong Kong businesses of these three banks takes place in the context of the global reorganization and consolidation of the Mizuho Financial Group, to which all three belong. The global reorganization is scheduled to take effect on 1 April 2002.

The Bill has been approved by the HKMA. The Bill has, prior to its gazetting, also been circulated to the Department of Justice and other relevant government departments and bureaux through the Financial Services Bureau. Further, the Legislative Council Panel on Financial Affairs has been briefed on the Bill at the Panel meeting on 5 November 2001. No objection to the Bill was raised.

A private bill is necessary and desirable to effect the consolidation in Hong Kong. It provides the best way of achieving a smooth and efficient transfer of the Hong Kong businesses of the three banks with minimum disruption to the operations of the banks, their employees, their customers, and all those with whom they have business dealings.

The Bill is also desirable because it will make the implementation process transparent, open, certain and easily understandable by employees, customers, interested third parties and the public at large.

In particular, the Bill will assist and reassure customers and others, who can be confident that all Hong Kong laws governing property and liabilities of the consolidating branches have been properly transferred in a uniform manner. Nor will customers be inconvenienced by having to sign new documentations.

It should be noted that the enactment of the Bill will not adversely affect the rights of the employees of the consolidating banks in Hong Kong. Existing Hong Kong branch employees of all three banks will become employees of

Mizuho Corporate Bank after the consolidation. The continuity of their service will not be broken, and their accrued entitlements under the Employment Ordinance will be preserved.

The Bill does not enable the banks to avoid liability for stamp duty by reason of the Bill. Nor will the banks be able to achieve, by virtue of the Bill, any benefits in respect of profits tax beyond those which have been granted in relation to previous bank mergers and in accordance with stated government policy on taxation.

In the last 20 years or so, 13 similar ordinances have been passed in relation to the merger of banks and other authorized institutions by this Council. The Bill is based on the forms of these previous ordinances. Please note, however, that the situation covered by this Bill involves the consolidation of the Hong Kong businesses of three, rather than the usual two, banks. Further, only the Hong Kong branch businesses of the consolidating banks are being transferred pursuant to the Bill.

Madam President, I believe that this Bill is uncontroversial and should be welcomed. The consolidation process is a large global undertaking, and the Mizuho Financial Group is acting in a timely manner to ensure that its Hong Kong operations can continue unimpeded.

The global reorganization and consolidation of the Mizuho Financial Group will strengthen the Group. Consolidation of the Group's businesses in Hong Kong will, in turn, contribute to the prosperity of the Hong Kong financial market and assist in maintaining Hong Kong's status as an international financial centre.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the Mizuho Corporate Bank, Ltd. (Hong Kong Consolidation) Bill 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.

**PRESIDENT** (in Cantonese): Mr NG Leung-sing, you may now move the Second Reading of your Bill.

### **THE BANK OF EAST ASIA, LIMITED (MERGER) BILL**

**MR NG LEUNG-SING** (in Cantonese): Madam President, I move the Second Reading of The Bank Of East Asia, Limited (Merger) Bill.

The Bill seeks to implement the merger of two Hong Kong banks, namely, The Bank of East Asia, Limited (BEA) and First Pacific Bank Limited (FPB). The provisions of the Bill are basically identical to those in ordinances previously passed in this Council on the merger of banks, with the exception of some adaptations in wordings to reflect some changes in the legal and regulatory aspects.

The Bill was passed to the Companies Registry, the Inland Revenue Department, the Securities and Futures Commission, the Office of the Commissioner of Insurance, the Department of Justice, the Financial Services Bureau, the Land Registry and the Privacy Commissioner of Personal Data for comments and has been approved by the Hong Kong Monetary Authority. As the President ruled that the Bill relates to government policy, the written consent of the Chief Executive must therefore be sought. I am pleased to report that the Chief Executive has given such consent in writing. Representatives of BEA also attended the meeting of the Panel on Financial Affairs on 5 November this year to brief Members on the contents of the Bill.

FPB is a private company established, incorporated and based in Hong Kong. It is a licensed bank under the Banking Ordinance operating banking businesses in Hong Kong. BEA is a public company established, listed, incorporated and based in Hong Kong. It is a licensed bank under the Banking Ordinance operating banking businesses in Hong Kong.

FPB became a wholly owned subsidiary of BEA at the beginning of this year.

Both BEA and FPB intend to effect a merger for better conduct of their business.

The Bill provides the only practicable means that enables the merger of BEA and FPB. There are a large number of agreements between FPB and its clients, employees, as well as banks, suppliers and dealers having daily business transactions with it. Therefore, attempting to effect the transfer of these agreements separately by getting all these agreements novated or assigned will pose tremendous pressure on the resources of FPB and BEA, and will waste a lot of time. Moreover, confusion might arise between their clients and other parties. The Bill facilitates the merger to be conducted in a practicable and viable manner and enables it to go through an open and transparent process that is readily understood by clients, other parties and the general community.

To effect the merger through legislation will also benefit clients, other banks and suppliers who have transactions with FPB. This is because these interested parties will understand clearly that all the assets and liabilities governed by Hong Kong laws have been properly transferred from FPB to BEA. Since it is not necessary for new documentation to be signed, customers will not be inconvenienced and need not worry about any time limits on signing any documentation and returning the same to FPB. These benefits explain why 13 mergers of banks and other institutions have been effected through Hong Kong legislation over the past two decades.

Both FPB and BEA will be unable to save any profits tax by virtue of the Bill. The Inland Revenue Department has considered the provisions relating to taxation implications in the Bill in an in-depth manner and has given its approval. Madam President, I have been given to understand that, as of today, FPB has not sustained any losses in transactions that would lead to any setting-off of assessable profits by BEA.

It is worth noting that the Bill will not adversely affect the rights of the employees of the merging banks. Employees of FPB will become employees of BEA after the merger. These employees will be employed under the conditions same as those in effect immediately before the merger. Their accrued benefits, such as annual holidays and long service holidays, will not suffer any losses as a result of the merger. Moreover, the continuity of their service will not be interrupted.

Furthermore, the Bill has not in any manner restricted the power of the Government of the Hong Kong Special Administrative Region and the regulator. Clause 18 of the Bill specifically provides that the Bill will not affect the rights of

the Hong Kong Government. Clause 16 also specifically provides that the Bill will not exempt FPB or BEA from the provisions of any laws or ordinances regulating the business of any of them.

Earlier in this Session, this Council passed two Bills on the merger of banks, that is, The Bank of East Asia, Limited Bill and the Bank of China (Hong Kong) Limited (Merger) Bill. In scrutinizing these Bills, Members expressed many valuable views and BEA has also taken them into consideration. For example, clause 7(g) of the Bill confirms that, after the merger of the two banks, the scope of customers' asset security or charge will not be enlarged.

In addition, BEA also attaches great importance to the concern expressed by Members on the privacy of customers and has instructed FPB to issue letters to its 180 000 customers notifying them of the transfer of their personal data so as to continue to provide banking services.

Madam President, I believe the Bill is not controversial and will be welcomed because it is in line with the development trend of Hong Kong's banking industry and is conducive to enhancing its competitiveness and stability.

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

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That The Bank of East Asia, Limited (Merger) Bill 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.

## **MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions. 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. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion. Reducing government fees and charges.

## **REDUCING GOVERNMENT FEES AND CHARGES**

**MR LAU CHIN-SHEK** (in Cantonese): I move that the motion, as printed on the agenda, be passed. I represent the eight parties in this Council in moving today's motion to urge the Government to expeditiously reduce five categories of government fees and charges, namely, tuition, medical charges, business registration fees, and vehicle licence and driving licence fees thereby alleviating the burden on the public, in this difficult period when the economy remains in the doldrums with the unemployment rate on the rise again.

In the motion today, among the fees that I urge the Government to reduce, tuition and medical charges are two kinds of fees that even the Government admits to have significant impact on the people's livelihood. Business registration fees, vehicle licence fees and driving licence fees, on the other hand, affect the costs of many small and medium enterprises and professional drivers. Reducing these five categories of government fees and charges will provide practical relief to the hardships faced by the community. More importantly, this may demonstrate clearly to the people and public utilities the determination of the Government to tide over the difficulties together with the people in terms of these fees and charges.

This Council, in less than a month, has conducted three (today's debate included) debates on reducing government fees and charges and public utility tariffs. I trust the voting results for the present motion will, like the last two motions, gain the unanimous support of colleagues in this Council. It is imperative that all parties in this Council reach a consensus for this may enable the Legislative Council to drive home the message, loud and clear, that both the Government and public utilities should alleviate the burden on the people as far as possible in the fees and charges they impose so as to unite Hong Kong to overcome the difficulties.

In the two previous debates, both the Secretary for Transport and the Secretary for Economic Services indicated that they would be pleased to reflect to the public utilities the consensus of this Council on demanding them to reduce fees or provide concessions. As the Secretary for Economic Services pointed out in this Chamber last week, "Faced with the current economic situation, Members naturally hope to ease the financial burden on the public and alleviate their hardship. This is perfectly understandable." Thus, it goes without saying that the Secretary for the Treasury, who is with us today, will, I believe, fully understand the objective and significance of the motion proposed by the

eight parties. Since the Government endorses the consensus of this Council, that is, the consensus for a demand that the public utilities reduce their fees to alleviate the burden on the public, the Government should, by the same token, agree that reducing its fees and charges is concrete action to alleviate the burden on the public and to create an atmosphere of tiding over the difficulties together. If the Government can take the lead to reduce its fees and charges, this will certainly be conducive to encouraging privately-run public utilities to reduce their fees.

Last week, during the debate on reducing utility charges, the Government rejected the motion to request the Government to reduce water and sewage charges on the ground that "the subsidy is already very large". As a result, the Government was criticized for not practising what it preaches. I must advise the Government that if it takes a totally negative stand against the proposal to reduce government fees and charges on a pretext such as "a large estimated deficit", I believe that would not be tenable and in this way the Government may be pouring cold water on the social consensus of "tiding over the difficulties together" which is forming gradually.

Certainly, we do not know how large the deficit will be at the end of this fiscal year. Indeed, there are still four months in this fiscal year and most revenue will be collected in the next one to two months. Therefore, I do not think we should now indulge in getting any authoritative estimate of the deficit, which will confuse the public by shifting the focus of discussion. I must, however, point out that my proposal to reduce the five categories of government fees and charges today will involve a total revenue of around \$4.3 billion for the items annually. That means if the Government reduces its fees and charges by 10%, the Government will only lose some \$430 million in revenue. With an annual revenue of over \$250 billion, a loss of \$400 million-odd is less than 0.2%, that is, two thousandths. With \$400 million-odd less revenue, the Government may benefit over 1 million people. The effect will be negligible on the overall financial position of the Government.

The Government may then say that a number of government fees and charges have been frozen for several years in a row. I think, a year or so ago, or several years ago, freezing government fees and charges might achieve some effect in easing the hardships of the people. Now, however, when the economic downturn returns, the unemployment rate remains high and the income of the general public has dropped significantly, freezing government fees and charges

alone can help little in relieving the people's plight. The Government must reduce its fees and charges to achieve the effect of tiding over the difficulties together with the people.

Madam President, I hope the Government can realize that in its consideration of reducing the five categories of government fees and charges as proposed in the motion today, the focus is not (and should not be) the impact on government finance. Rather, the Government should be trying to answer an important question of policy: Does it have a duty to create an atmosphere of making a concerted effort with the entire community to overcome difficulties at a time when the economy records negative growth and the unemployment rate continues to rise? And does it agree that the general direction of its consideration in imposing fees and charges should be alleviating the burden on the public?

I hope the Government does less finger pointing but pulls its finger out. It should not play around with words but join hands with privately-run public utilities to alleviate the burden on the public in real terms during this period of difficulty.

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

**Mr LAU Chin-shek moved the following motion: (Translation)**

"That, as Hong Kong's economy remains in the doldrums with the unemployment rate on the rise again, this Council urges the Government to expeditiously reduce tuition, medical charges, business registration fees, as well as vehicle licence and driving licence fees, thereby alleviating the burden on the public."

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

**MR HUI CHEUNG-CHING** (in Cantonese): Madam President, the Hong Kong Progressive Alliance supports in principle the continuous freezing or even a reduction of tuition, medical charges, business registration fees, vehicle licence and driving licence fees for they are closely related to the people's livelihood and business operation. Hong Kong has experienced three years of deflation, so the

costs of relevant government services should have been reduced accordingly. This, in addition to the implementation of the Enhanced Productivity Programme (EPP), should incur no losses to the Government, even if the relevant fees and charges are reduced. Moreover, if the Government can take the lead in fee reduction and ride out the storm together with members of the public and business operators, it may, to a certain extent, be helpful to encouraging other public service organizations to follow suit.

Government expenditure has outgrown its revenue in recent years and it is unlikely that a balanced budget be achieved by greatly increasing its revenue in the foreseeable future. Nowadays, business is very difficult, and the income of the general public has decreased, so it is imperative for the Government to really strive to cut expenditure and rigorously enforce the EPP. If the Government can fully implement the recommendations of the Audit Commission by abolishing various unreasonable, outdated and unrealistic allowances and further reduce unnecessary costs or expenses, more resources can definitely be saved, so that the charges services related to people's livelihood and business operations can be reduced.

Of course, in adjusting its fees and charges, the Government should consider two conditions: first, according to the Basic Law, the Government must strive to achieve a fiscal balance; and by inference, even if there is a deficit, it should endeavour to contain it; and second, apart from adjusting tuition, business registration fees and professional drivers' vehicle licence and driving licence fees, the Government should also consider whether the adjustment of medical charges and private vehicle licence and driving licence fees will lead to further abuse of medical services or encourage excessive use of private vehicles that will result in traffic congestion.

Madam President, I so submit.

**MS MIRIAM LAU** (in Cantonese): Madam President, on the premise of alleviating the burden on the public, this Council has passed a number of motions urging the Government to discuss with public transport operators and public utilities, so as to encourage them to reduce their fares and charges or offer concessions having regard for their respective operating conditions. I have also called on public transport operators to take further measures within their means to ease the burden of the people. In fact, a number of public transport operators have positively responded to the demand of the people by offering concessions successively to reduce the transport expense borne by the public.

These companies have tried their best to offer concessions to the public in order to ride out the storm with the people together. If the Government is sincerely determined to encourage public transport operators and public utilities to ride out the storm with the people together, it should set a good example by taking the initiative to reduce government fees and charges, so as to relieve the plights of the people.

The vehicle licence fee now ranges from some \$1,200 to some \$12,000 a year, whereas the driving licence fee ranges from \$80 to \$900. To the general car owners, the vehicle licence fee is an unavoidable and rather expensive item of expense. Every year when they have to buy this "road ticket", many vehicle owners will feel "painful". Just take a look at the long queues outside the Transport Department every year before the release of the Budget and one can imagine how "painful" it is to car owners to pay for the vehicle licence fee. In fact, those in the queues only wanted to save a little money, hoping to buy this "road ticket" before a hike is effected by the Government. If they do not take it seriously, or if they are not gravely concerned about it, or if they do not feel "painful" at all, they would not have spent all day or hours waiting in the queue.

At present, there are about 500 000 vehicles in Hong Kong, of which 160 000 are diesel-driven vehicles, the majority of them being commercial vehicles. The other 340 000 are private cars, most of which are owned by middle-class families holding negative assets. They have to pay for the mortgages for their flats and for their cars, and worse still, they do not know when they will be given the sack. They actually face lots of uncertainties in life and their burden is indeed very heavy.

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

In nowadays Hong Kong, private cars are no longer luxurious goods. Car ownership is no longer a symbol of high social status, as it used to be in the past. Many people now own a car because of actual daily needs. In the past decade, an increasing number of people have moved to the New Territories, and almost half of the population in Hong Kong now live in the New Territories. Yuen Long and Sai Kung are districts with the highest population growth.

Despite the extensive coverage of the existing public transport network, residents of districts not yet serviced by railways such as Yuen Long and Sai Kung or remote rural areas, still have to rely on private cars as daily transport. Apart from being a daily necessity, private vehicles are also essential to the operation of many businesses. Certainly, to the transportation industry, vehicles are their means of living and are therefore indispensable. They definitely have to pay for the vehicle and driving licence fees regardless of the business condition.

In the past, the Government was concerned that if the vehicle licence fee or driving licence fee was lowered, or if such fees were not increased, car ownership would be encouraged — a threat constantly made by the Government. In that case, the number of vehicles would drastically increase. However, the Government can rest assured, because in the past few years, the growth in the number of vehicles has slowed down in tandem with the economic downturn. In the economic doldrums, the public definitely will not be stimulated to buy cars by the lowering of the licence fees by the Government, for keeping a car is indeed very expensive. On the contrary, if the Government can lower the vehicle and driving licence fees, it can slightly ease the plights of the 520 000 vehicle owners and the 1.5 million holders of driving licences.

To the transportation industry, they certainly hope that the Government will reduce the vehicle and driving licence fees, but they are more looking forward to a downward adjustment of the fuel duty by the Government. Encumbered by the weak global economy, the Hong Kong economy has been on the slide. Coupled with the negative effects of the "September 11 incident" in the United States on Hong Kong, the latest economic statistics show that the Hong Kong economy has continued to slacken and that the imports and exports of goods by land, sea and air have all dropped. Faced with the competition from mainland container terminals, the status of Hong Kong as an entreport is being challenged. While the transportation industry has lowered the transportation charges, the overall transportation charges payable by shippers in Hong Kong still compare less favourably with those in the Mainland. To maintain the competitiveness of the local freight forwarding industry in the long term, it is necessary to start by paring down the costs. If the Government does not assist the transportation industry to lower the operating costs, for instance, if it refuses to reduce the business registration fee, vehicle licence and driving licence fees, or if it ceases to offer a concessionary duty rate on low sulphur diesel, the local freight forwarding industry will face even greater difficulties in

operation and their competitiveness will be further weakened. In that case, what else is there to say about developing logistics services in Hong Kong?

As regards the passenger transport industry, as I have said before, the extension of the period for the concessionary duty rate on diesel will only benefit all members of the community. The reason is that despite a substantial increase in insurance premiums and the rising operating costs, a great majority of public transport, such as taxis, minibuses, nanny vans and public buses have barely managed not to increase their fares just because the Government is offering duty concession for diesel. Therefore, apart from reducing the business registration fee, vehicle licence and driving licence fees, the Government absolutely should continue to offer this duty concession.

The duty on petrol, which is mainly payable by private car owners, is even higher than the duty on diesel. Since 1997, the pump price of unleaded petrol has consistently stood at the high level of over \$10, of which over 60% being fuel duty levied by the Government. That is to say, more than \$6 of \$10 will go to the duty. According to the statistics of the International Energy Agency, the price of petrol in Hong Kong is almost the most expensive in the world other than Britain. To alleviate the plights faced by middle-class car owners, I think the Government should also actively consider lowering the petrol duty, apart from reducing the vehicle and driving licence fees.

Hong Kong has entered into an economic recession. This is an unusual time that has never been seen in past decades. In this unusual time, the Government should take unusual measures, including reducing government fees and charges, proactively extending the period for the concessionary duty rate on ultra low sulphur diesel and even further reducing the diesel duty and petrol duty, with a view to alleviating the burden on the public and improving the business environment.

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

**DR RAYMOND HO** (in Cantonese): Madam Deputy, it is an indisputable fact that our economy has entered a recession. At present, the unemployment rate remains high and there is non-stop news of layoffs, wage reduction and closure of companies. Under such adverse circumstances, it is understandable that small-scale companies are vulnerable. However, even consortia with a long

history such as the Furama Hotel and the Sun Tung Lok Fish Fin Restaurant have closed down in succession. Thus, our unemployment problem has deteriorated. Even worse, the Gross Domestic Product in the third quarter of this year recorded a negative growth of 0.3%. Our economic downturn has gradually aggravated and we do not know when we would be able to leave the abyss. If the Government fails to look for solutions actively, I am afraid that the status of Hong Kong as one of the four little dragons would be in imminent danger, let alone competing with other world-class cities. To stimulate economic growth, the Government should prudently and wisely utilize the existing resources to create job opportunities and formulate policies to alleviate the burden on the public and the proprietors of enterprises. One of the proposals is to reduce government fees and charges, including tuition, medical charges and business registration fees.

Nine-year free education has been implemented in Hong Kong for years but students in Secondary Four or above still have to pay tuition fees. The middle class may still be able to afford the tuition fees of their children but such fees are a heavy burden on households living below the poverty line. In particular, the tuition fees of universities cost \$40,000 per year on average. "Lifelong learning", "knowledge changes life" and "knowledge-based economy" are slogans that have been chanted by the Government in recent years. Is it easy to achieve the objectives of the first two slogans and implement the third? How can people pursue lifelong learning when life is so difficult? How can the poor without knowledge change their fate and integrate into the knowledge-based economy? Therefore, I urge the Government to reduce the tuition fees to give more people an opportunity to pursue further studies and improve their living standards in future. In the long run, it can relieve the burden on the Government and increase its tax revenue.

Medical charges have long been a concern to the elderly and the chronically ill. At present, the Old Age Allowance for the elderly is not sufficient to allow them to lead a secure life. Naturally, medical charges are a heavy burden for them and long-term medical expenses are also considerable expenditure for the elderly who are chronically ill. If the Government could provide the elderly in financial difficulty with suitable assistance, it would be able to meet the basic requirement of a highly civilized society.

In recent years, various trades and industries in Hong Kong have been struggling to stay in business, and they have to control costs through layoff and wage reduction. However, companies cannot control certain operational costs

such as business registration fees and vehicle licence fees because they are controlled by the Government. Hong Kong is a free economy, why does the Government not go ahead with it if reducing these two fees can help private enterprises tide over their difficulties without intervening in the free development of the market? I urge the Government to review the existing government fees and charges and make suitable adjustments in the light of the existing economic situation of Hong Kong.

Madam Deputy, our economy is going from bad to worse and the difficulties of the public must be expeditiously alleviated in order to restore the confidence of the public in the Government and in Hong Kong.

Madam Deputy, I so submit.

**MR SIN CHUNG-KAI** (in Cantonese): Madam Deputy, I rise to speak on behalf of the Democratic Party to give support to the motion moved by Mr LAU Chin-shek.

The paper I received from the Financial Secretary (or perhaps I should say from the Government) at 5.00 pm this afternoon is concerned with the 2002-03 Budget. It tells us that the budget deficit may be some \$60 billion this year. I believe Members have all received a copy of this paper, which mentions a lot about the future budget deficit and that public utility charges only account for a continuously diminishing share of the various charges payable by the public. I believe the Secretary for the Treasury, Miss Denise YUE, would make these her grounds of argument when she speaks in reply later on.

Actually, at different times over the past few years, the Financial Secretary would explain these figures to us whenever he met with us. We have no difficulty interpreting these figures. We certainly understand these figures and the meanings behind them; but then, we also have to take into account several other issues. Our economy is now in a hard time, a very difficult time indeed. As pointed out by other Honourable Members, a recession just seems to be inevitable. With people's life becoming increasingly difficult and the rate of unemployment being on the rise, I believe the unemployment rate in the next quarter will rise again. In these difficult times, measures saved for the extraordinary times must be employed. That is why this Council has conducted three relevant motion debates in this month, including the motion on reducing utility charges, today's motion on reducing government fees and charges, and so on.

On the surface, the economic situation of Hong Kong appears not to be as poor as that of Singapore or Taiwan. However, compared to other regions specializing in manufacturing industries, the gravest impact of external factors on our economy (for example, the service sector) may not be felt until the first and second quarters of the coming year. As far as the impact of the "September 11 incident" is concerned, I believe the most difficult time for Hong Kong is not the present moment but early January next year.

The Democratic Party has interviewed some small businessmen — they are not any big entrepreneurs but only small proprietors. During our interview, they predicted they had already boarded the last train. To put it simply, the orders they have received can only last until the third or fourth quarter of the year, and the hardest time is waiting ahead in the coming year because so far they have not received any orders for the next year.

This year's budget deficit will inevitably be high level, as certain items of non-recurrent revenue, such as land sale and the sale of the MTR Corporation Limited (MTRCL) shares, have failed to generate the expected level of returns. In this connection, the sale of MTRCL shares has become deferred payment or deferred receivable, which means that the shares will not be sold this year. Certainly, the shares can be sold next year when the market has improved. That way, the overall cumulative financial position of the Government will not be so badly affected. However, this paper from the Government seems to carry a hidden message and, that is, the Government has been sustaining an operating deficit continuously, and the deficit next year may amount to as much as \$37 billion. As Members of the Council, we naturally have to monitor the situation. But then, as Members have already mentioned many times, how much would the fees and charges we talk about today account for in total? Honestly speaking, given the present huge deficit, are the 60 Members of the Council being irresponsible in asking the Government to sustain a slightly larger deficit? Does that mean only the measures adopted by the Government can be regarded as responsible? We need to ponder on this point. As the housekeeper, the Government certainly has to be very professional and must take a longer view in managing public finance. Besides, it also has to provide this Council with the necessary data and information from time to time. Nevertheless, the Members in this Chamber all have their respective background and different points of view; some represent the grassroots while others represent the business and industrial sectors. Why then can we reach a consensus on this issue? Simply put, this is

all because the feeling that the external economy and the people of Hong Kong give us is very real.

On the other hand, the Government could in fact reap many "benefits" if it would agree to our proposal of reducing its fees and charges by several hundred million dollars in total. At least it could give members of the public the feeling that the Government does care about them or is sympathetic with their situation. As the Democratic Party has repeatedly stressed, we feel that since the Government is still holding a rather handsome fiscal reserve, it should therefore give the people a rebate by reducing the various government fees and charges. The Democratic Party holds that the amount of fiscal reserves held by the Government should be considered as basically enough if it could cover 12 month's government expenditure, and that the alarm should be raised if the amount of fiscal reserves drops to a level sufficient to cover only nine months' government expenditure. But since the Government has \$360 billion in fiscal reserves, we believe there should still be room for it to shoulder greater commitment. When we look at these problems, we have of course taken into serious consideration the difficulties facing the Government. Nevertheless, I wish to emphasize that the motion moved by Mr LAU Chin-shek is indeed very moderate. Rather than making any unreasonable demands, the motion only urges the Government to reduce those fees and charges that we closely related to the people's livelihood and their daily lives. Therefore, we hope that the Government can give us a positive response.

Actually, we may consider adjusting the fees and charges again when the economy improves. That way, a special relationship between the Government and the general public will be formed. The way the Government responds to the voices of the public is no longer just a fiscal issue but also a political issue. The Government has to handle the issue from a fiscal point of view as well as a political point of view. I just hope the Government will accept the consensus of this Council and practically reduce the relevant fees and charges for the people. I believe there is still room for the Government to undertake this commitment. Perhaps this commitment should be reflected in next year's Budget, but then, the Government does not necessarily have to wait until the publication of the next Budget to reduce its fees and charges. I just hope the Government will take actions promptly.

With these remarks, I support Mr LAU Chin-shek's motion.

**MR CHAN KAM-LAM** (in Cantonese): Madam Deputy, the global economic recession, the return of a rising unemployment rate and the waves of layoffs and wage cuts by enterprises are no longer news to the people, who are by now psychologically prepared that they must tighten their belts and wait for the recovery of the economy. But a responsible government should not of course watch the people suffer with folded arms. We very much hope that the Government can prove with actions that it is prepared to stand by the people in this time of difficulties. Keeping government fees and charges at their existing levels, or even lowering them when circumstances permit is direction action showing that the Government does appreciate the hardship of the people.

The Government is at the core of society, and its policy directions are often looked upon as a kind of pointer. For instance, following the Government's move in the middle of this year to increase those fees and charges not directly affecting the people's livelihood, the Hongkong Electric, the First Bus, the PCCW and even the two railway corporations have all proposed fee or fare increases. This shows that the Government's policy on pricing will influence various enterprises to a certain extent. Therefore, under the critical situation now, the Government should seriously consider the possibility of lowering those fees and charges that directly affect the people's livelihood, so as to set a good example and take the lead in bringing about a recovery of the overall economy.

We do realize that the request for a reduction of government fees and charges will affect the overall financial position of the Government. Such a reduction, for example, will lead to increasing health care subsidies and reduced revenue from vehicle licence fees; and the estimated revenue from business registration in the coming year will also decrease. That is why the Democratic Alliance for Betterment of Hong Kong (DAB) will not demand the Government to introduce any drastic fee reductions, nor will it demand for the application of a uniform reduction rate to all government fees and charges. But the DAB hopes that government fees and charges can be adjusted whenever possible. Even token adjustments can still offer a bit of help to the people, at least psychologically. What is more, I cannot see how such reductions will seriously affect government revenue.

Madam Deputy, ours is an externally-oriented economy in which the effects and influences of external factors are of pivotal importance. The latest economic statistics released by the SAR Government a couple of days ago

indicate that there will be negative GDP growth for two consecutive quarters in the latter half of this year. The rate for the third quarter will be -0.3%, and this will rise to -2.5% in the fourth quarter, mainly due to the negative impact of the "September 11 incident". Although the Financial Secretary has predicted that the economy of the United States may improve next year, and that Hong Kong may also benefit from the economic growth of China, we are just not sure about the medium-term economic prospects of the United States, because the statistics it has recently announced are so confusing. Besides, Japan has now entered a prolonged period of recession; Singapore and Taiwan, as suggested by the latest statistics, have recorded huge negative growth; and there is almost zero growth for the European Union. All this has brought uncertainties to the economic prospects of Hong Kong. Given all these external factors, we should at least continue to freeze the fees and charges related to the people's livelihood, or even reduce them slightly, lest unexpected economic changes may emerge and add to the people's burden.

In view of the current economic downturn and persistent high unemployment, the DAB requests the Government to freeze or reduce the fees and charges related directly to the people's livelihood. I believe that this message is very clear.

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

**MR JAMES TIEN** (in Cantonese): Madam Deputy, the Liberal Party supports this motion moved by Mr LAU Chin-shek today. The motion represents the consensus reached by the eight parties after a meeting held to discuss the matter.

We happened to receive a paper issued by the Financial Secretary today that seeks to explain the so-called deficit problem of this year's Budget and inform us that we may expect a huge deficit reaching \$60 billion. Actually, the Financial Secretary has already mentioned this figure again and again during a meeting with us in September and in previous meetings held by the Legislative Council Panel on Financial Affairs. It was pointed out by him that receipts from three major sources of government income, namely returns from Exchange Fund investments, land sales, and privatization of the MTR Corporation Limited, might fall short of the estimate by \$60 billion. We have in fact known this figure for quite some time. It is precisely for this reason that the eight parties have reached a consensus that a more moderate attitude should be adopted in requesting the Government to lower fees and charges.

Madam Deputy, I would like to point out that the economic environment nowadays is really terrible. In another meeting of the Legislative Council Panel on Financial Affairs, the Financial Secretary briefed us on his analysis of Hong Kong's future economic growth. It can be seen that the situation will remain unsatisfactory early next year, with the American and European economies performing equally unsatisfactorily too. Under such circumstances, the commercial sector and wage earners of Hong Kong will continue to face enormous hardship though we understand that the Government has its own difficulties too. From a holistic angle, the Government still has \$400 billion in reserves and more than \$300 billion in net assets from the Exchange Fund, totalling more than \$700 billion. Relatively speaking, the current situation of the commercial and industrial sectors is far worse. PCCW, for instance, has decided to lay off 500 staff today. Given that this year will soon come to an end, we certainly feel that it will be better for the company to delay its action than to take it at this juncture. Nevertheless, we understand that the company definitely has its own business considerations. This can be taken as further proof that it is very difficult to do business nowadays and businessmen are not optimistic about the future. It is needless to mention what wage earners have in their mind when even employers in the commercial and industrial sectors are harbouring this way of thinking. Most employees will agree that it is already not too bad if they can still keep their present jobs next year and escape from the bad luck of pay cuts. In comparison, we think that the Government is at least capable of helping the public since it has always had surplus.

As pointed out by Mr SIN Chung-kai earlier in the debate, the Government has abundant reserves. Even if the Government agrees to reduce the five items of fees charges, namely tuition, medical charges, business registration fees, as well as vehicle licence and driving licence fees, as proposed in the motion moved by Mr LAU Chin-shek today, the cost involved will add up to approximately \$400 million only, or 10% of \$4 billion. The significance of the Government's acceptance of this proposal will be greater than the implication of the actual amount of money involved. Let me cite business registration fee as an example. The business registration fee now stands at \$2,250 a year. Each company will pay \$250 less if a 10% reduction is offered. Tens of millions of companies, ranging from the largest companies such as HSBC to the smallest shops, will be able to benefit from this offer and save \$250 annually. Although the actual assistance is not phenomenal, at least the beneficiaries will feel that the Government is willing to do something for them. Insofar as the

middle class is concerned, Ms Miriam LAU quoted an example of a private car of below 1 500cc earlier in the debate. Given that the annual licence fee stands at \$3,929, only \$300 or so can be saved even if the Government is willing to reduce the licence fee by 10%. Though the actual amount of reduction is not great, it will still carry some significance. In this connection, the Government should really consider doing something for the general public and the business sector.

I would like to reiterate that, under the present circumstances, we hope that the Government can stop caring about whether it is still executive-led, or whether the mild proposal made by this Council (or the cross-party coalition) will eventually turn into a case of the Legislative Council holding the Government to ransom. I also hope the Government can refrain from always looking at things from this angle. If we speak purely from the money angle, the proposed \$400 million or so reduction and the previous reduction endorsed as a result of the passage of the motion moved by Mr Fred LI on water and sewage charges will add up to approximately \$800 million only. This amount is actually affordable to the Government. Madam Deputy, the only difference between this motion and the previous one is that this motion seeks to urge the Government to expeditiously lower the fees and charges, whereas the previous motion is more like an appeal. This is because the latter involves the operation of a number of public utilities and a majority of which are listed companies. Some of them are even subject to profit control. Therefore, we can only urge the Government to discuss with them in the hope that they can, if possible, slightly lower their charges to alleviate the burden on the public. In this motion, we simply ask the Government to take action because all the fees and charges involved are levied by the Government.

I would also like to add that in the paper issued by the Financial Secretary to us today, we can find some forecasts for the next few years in addition to those reflecting the situation of the current year. I am pleased to see that the Government has made more reasonable predictions based on the relevant data and no extremely pessimistic predictions have been made. Moreover, the Government has not tried to threaten us with such figures as \$800 million. In other words, apart from the \$60 billion deficit we will probably face this year, the forecast deficit for the next few years is expected to stand at a few billion dollars only. This is actually a difficult year to accurately forecast the economic condition in the next few years. Nevertheless, we share the view that it is unlikely for the economy to recover next year. We only hope that in 2003, the next fiscal year, improvements in the external economy can lead such

industries as export, retail, wholesale, and even tourism to revive. Should that really happen, government revenue will definitely grow, and the deficit will reduce. Even if this year's deficit really reaches \$60 million and even we take into account the \$25 million reduction proposed by the seven political parties last time as well as the \$800 million reduction incurred as a result of implementing a series of reduction proposals made in this motion, the amount involved will still be below \$30 billion.

Although \$80 billion is a phenomenal figure, we still consider it worthwhile for the Government to take these actions and spend this sum of money in a one-off manner to relieve the people's hardship, given that the overall reserves have reached \$700 billion. In the long run, the Government should seriously consider this since it can afford to do so. Lastly, the Government can consider reducing expenditure to tackle the overall budget deficit. The eight parties have not reached a consensus on the proposal of cutting expenditure. We will surely put forward our proposal once the outcome is known. Thank you, Madam Deputy.

**MR FRED LI** (in Cantonese): Madam Deputy, my speech will be very short because I have not prepared a script. I wish to raise two points relating to the question of fees mentioned by Mr LAU Chin-shek.

First, I wish to talk about medical charges. I have been to many elderly centres for the elderly, and my ward office has also received the opinions of many elderly people who said that even elderly persons holding a Senior Citizen Card are not offered any concession and have to pay the out-patient fee like all others. The Secretary for the Treasury may say that the out-patient fee of \$30 or \$40 is not a very big sum of money. But only Comprehensive Social Security Assistance (CSSA) recipients are exempt from paying the out-patient fee, and all others have to pay the general out-patient fee of some \$30 or the specialist out-patient fee of some \$40. The users of out-patient clinic services are mostly elderly people, many of whom do not receive any CSSA but just the old age allowance. A reduction of the existing medical charges will certainly be helpful to them, because many of them do not receive CSSA, and there has been no increase in the old age allowance over the past few years, with the result that many of them have to live on their savings. But medical consultation is an absolute necessity; seeking medical consultation is also very time-consuming, for they often have to get up at 5 am or 6 am and go to the clinics to wait in queue.

They all hope that the Government can reduce the existing medical charges. I think I have to particularly raise this point for discussion and reflect to the Government what I know is the wish of elderly people.

Second, since the motion on reducing water, sewage and utility charges was passed on Wednesday last week, I have taken the follow-up action of making appointments with the representatives of the Hongkong Electric Company Limited and the CLP Power Hong Kong Limited. I am going to meet with the Towngas representative tomorrow, and next week, I am going to meet with the relevant Bureau Secretaries. I hope the Government can take the lead in fee reduction, so as to facilitate our negotiations with the utility operators. We are now having very great difficulties in negotiating with the utility operators, because the Government has done nothing so far, and it is also unwilling to reduce its fees and charges. Seeing this, therefore, utility operators all think that it is unnecessary to reduce their fees and charges, to join hands with the people in tiding over the current difficulties. Although the Government already stated last week that it would not reduce water and sewage charges, I still hope that it can be more generous with the fees of business registration, vehicle and driving licences and tuition, so as to deliver the message that the Government is determined to help the people cope with the current difficulties. Many colleagues have actually discussed this point earlier, and so I do not wish to dwell on it any more. The loss in government revenue resulting from the proposed downward fee adjustment will just be very small in proportion, but the message thus delivered will be very good and positive.

It is hoped that the Secretary can consider the motion moved by Mr LAU Chin-shek today. Besides, I also hope that the Secretary can reconsider our request for a reduction of water and sewage charges last week and convey our fee reduction request today to the Government, so that Members can have stronger bargaining power when negotiating with utility operators.

With these remarks, I support the motion.

**DR DAVID CHU** (in Cantonese): Madam Deputy, the employment statistics released by the Government show that the unemployment rate is rising continuously, and the unemployment ranks now number close to 200 000. In fact, these days, we do frequently see some press reports about the closing down of shops and the desperation and helplessness of the unemployed. And, also

since the external economies have not shown any signs of improvement, it must be admitted that the people of Hong Kong are really facing a problem of weak and dwindling confidence. The ultimate way to solve the current problems of Hong Kong and restore the people's confidence should of course be the implementation of effective measures by the Government to revive the economy. In this connection, the Hong Kong Progressive Alliance (HKPA) is of the view that the SAR Government has already exhausted every possible means and done its utmost. But since it is not possible to see a revival of the economy overnight and the masses are still leading a very difficult life in the meantime, the Government must do the best it can to offer them immediate assistance, to give them a booster.

Over the past two weeks, the Legislative Council has passed motions on urging utility operators and the Government to reduce their fees and charges or offer concessions to customers. If these institutions can heed our advice and take positive steps to stand by the people in this time of difficulties, then, apart from easing the people's plight, they will also help increase consumption power and improve the business environment. That is why the HKPA supports the idea that financial ability permitting, the Government should continue to freeze or even reduce all those government fees and charges that directly affect the people's livelihood. It is believed that if the Government can reduce its fees and charges, it will set a good example that can encourage other institutions to follow suit.

Under the existing financial situation of the Hong Kong Government, a reduction of government fees and charges will of course exert yet greater pressure on public finances. But such a pressure can in fact be reduced. The current deflation has led to a decrease in business costs. As long as the Government can effectively implement the Enhanced Productivity Programme (EPP), control its costs properly and make effective use of public resources, I believe that there should still be some room for a downward adjustment of government fees and charges. I have been given to understand that the EPP, which was implemented in 1998, will only save government expenses by 5% when it is completed in 2003. The pace is indeed much slower than that of private-sector institutions finding the need to implement similar programmes. If the pace can be quickened, the people will be able to benefit from the EPP at an earlier time.

Madam Deputy, I wish to add one last point. During these very hard times, the various sectors and strata of society should appreciate one another's

difficulties. The Legislative Council and the Government should do so, and people with different political beliefs should also join hands to tackle our economic difficulties. This is very important, and something we should do too. With these remarks, Madam Deputy, I support the motion.

**MR ABRAHAM SHEK:** Madam Deputy, in the past few weeks, our colleagues urged the Government to lessen the public's burden in the present economic hard time. Motions on reducing public transport fares and public utility charges have been debated and unanimously passed in this Council.

I am glad to see that the various public transport operators have reacted promptly to our calls and have come to the aid of the citizens by introducing concessionary fares to alleviate their financial burden. As for today's motion on "Reducing government fees and charges", I fully support the reductions on tuition and business registration fees, as thousands of families and companies will be benefited. However, personally, I hold a different view about the reduction on medical charges.

We have noted that the quality of public health care services has significantly improved in the last decade. The public is satisfied with the high quality public health care services and the reasonable medical charges. Provision of public health care services has become one of the major welfare benefits to the public. Recently, the numbers of in-patients and out-patients in private hospitals have declined. I dare say that this is not caused by the reduction in public affordability, since the Population Census 2001 reveals that the size of high-income group has increased by 7% from 1991 to 2001. Why does the public choose public hospitals? The reason is simple. Medical services provided by public hospitals are of high quality and charges are at a reasonable level. The existing health care system has looked after the low-income earners and patients with chronic illnesses. The amount of fees to be paid by the users of public health services is much lower than their cost. The Government, as the major provider of health care services, has heavily subsidized the public health care system. The Harvard Report revealed that there is a need for different sources of financing for our quality medical services, since our public health expenditure has risen from \$11 billion in the fiscal year 1990-91 to \$30 billion in 1996-97. In this economic hard time, it is unlikely for us to obtain a public consensus on the recommendations of the controversial Harvard Report on Hong Kong's health care system, but demands for further

reducing the medical fees, in my personal opinion, are unreasonable. However, on the other hand, if we look to the masses who are daily facing economic hardship, reduction on medical fees is the only reasonable course that the Government must take.

In the light of reducing government fees and charges, I would like to take this opportunity to urge the Government to reform the internal control mechanism of resources deployment in the Civil Service. As the Chief Executive and the Financial Secretary have advised that Hong Kong will have large fiscal deficits this year and in the coming years, members of the public expect that the Civil Service should take the lead in cost-saving. However, the latest Audit Report brings much disillusionment to the public. In my view, the existing internal control mechanism of the resources deployment should be tightened so as to facilitate the operation of various government bureaux and departments in compliance with the principle of "economy, efficiency and effectiveness".

Whilst we are demanding that government fees and charges be reduced, let me make it clear that these measures should only be implemented temporarily to ease public burden in this economic hard time. I am sure that members of the public would not be happy to see persistent fiscal deficits because of heavy government subsidization in the provision of various public services. In this regard, I believe that the "user pays" principle should be introduced in the long run in order to safeguard the interests of the whole society. I urge the Government to concede to this humble request of this Council, and be with the people, for it should truly be a government of the people and for the people.

Madam Deputy, with these words, I support the motion moved by the Honourable LAU Chin-shek.

**MISS CHOY SO-YUK** (in Cantonese): Madam Deputy, over the past month, five different Members have respectively moved motions on how best to ease the people's hardship; I am sure that this can already reflect the seriousness of the problem and our concern about its urgency. The SAR Government has always stressed its determination to establish a strong leadership. In times of crisis, such a strong administration will no doubt give people confidence and thus deliver them from their plight.

However, before a strong administration can be established, a prerequisite must first be satisfied. By this I mean the Government must be able to feel the pulses of society, know what the people think, breathe the same air as they do, and implement policies and measures that can take account of their circumstances and answer their aspirations. It is only in this way that it can gain the unanimous and whole-hearted support of society for its decisions.

Unfortunately, the repeated demands of the people and even Members have all failed to move our government officials. The messages we have heard in this Chamber over the past few weeks are all very disappointing. The government officials concerned, when faced with the proposals put forward by Members, all adopted a uniform stand of refusal, saying either that the Treasury was expected to have huge deficits or that the proposals were against sound fiscal management. In brief, according to them, government fees and charges are all "fixed", with absolutely no room for any reduction.

We need not cite the examples of the governments of neighbouring places to show whether the SAR Government has done enough to ease the people's plight, because some private-sector transport operators which are often criticized for being "profit-oriented" have already started to offer fare concessions in response to public opinions. What is more, individual taxi organizations have even, of their own accord, applied to the Government for a fare reduction. No matter what reasons there are behind their moves, and although the amount involved may just be very small, they have after all heeded public sentiments in some measure. In contrast, the Government is altogether obstinate in its attitude, as if saying, "Sorry, no change, and bad luck to you." How are the people going to interpret this attitude, and how can they convince themselves that the Government is sincere in standing by the people in this time of difficulties? As long as the people think that way, the Government's determination to build up a strong leadership based on widespread public support will only remain academic.

Madam Deputy, we are not talking about carrying coals to Newcastle, but about sending charcoal in snowy weather. Every little bit of help counts. In fact, at this time of difficulties, what society needs most is an atmosphere of solidarity created by the sincere efforts of every stratum, for only this can restore the people's confidence. When it comes to this, the people will of course look to the Government to take the lead.

I support any measures that can provide genuine relief to the people's plight, and I am especially concerned about small and medium enterprises (SMEs), which have suffered so immensely long enough. These enterprises form the backbone of our economy. There are currently some 300 000 SMEs in Hong Kong, representing 98% of all local enterprises and employing about 60% of our total workforce. I personally used to operate SMEs in the past, and so I can fully appreciate their business difficulties. Miscellaneous annual fees such as \$2,000 or so for business registration, several thousands for a vehicle licence and several hundreds for a driving licence may just be negligible sums to business tycoons and large enterprises, but to SMEs on the verge of collapse, a the reduction of these fees may already be a life-saving booster. Since it is entirely within the ability of the Government to bear the financial consequences of reducing these fees, I hope that the Government can show its sincerity by responding to this very basic aspiration of society. These are truly all small benefits and favours, but I still hope that while the Government "refrains from committing any sin, however minor they may be", it will not forget to "do good deeds, minor as they may seem".

Madam Deputy, the strong leadership the people long to have is one marked by a dogged devotion to the righteous cause. What the people need are concrete measures to ease their plight, not any lip-service.

I so submit, and hope that government officials can support the motion.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam Deputy, the Government Economist brought a piece of bad news to the people last week when he announced that negative GDP growth had been recorded for two consecutive quarters this year. According to him, a period of economic recession has started in Hong Kong, and it is estimated that the GDP growth in the last quarter will also be as high as -2.5%. Moreover, we can also notice that the unemployment rate has been rising continuously, reaching 5.5% by now. And, with the dismissal of some 500 employees by the PCCW today, it is estimated that the unemployment rate at the end of this year may reach 6% or even a higher level. Madam Deputy, with the approach of the Chinese New Year, people are all in need of money. It is often said that "though the Chinese New Year is almost like an annual problem, people always manage to get over it somehow in the end". But this year, when most employees are unable to make ends meet, when there are not going to be any more year-end double pay or bonus, when

layoffs and wage cuts occur every day, people really do not know how they can cope with the Chinese New Year. The motion today urges the Government to show a little compassion and give the people an early "red packet" by reducing its fees and charges immediately, so that they can cope with the Chinese New Year.

As a matter of fact, the cumulative rate of deflation for the past four years is as high as 8.2%; this means that there is actually a very good reason for a downward adjustment of government fees and charges. Regrettably, the Government has all along ignored the people's plight, as evidenced by the fact that for the fees of tuition, medical care, business registration, vehicle licences and driving licences, it has always talked about increases only, instead of ever considering reducing them. All these fees in fact affect the people's livelihood enormously. Secondary school tuition fees are an example. The tuition fee for Secondary Four and Five is \$5,050 a year, and that for Secondary Six and Seven is \$8,750. One may look at the case of a family with a low-to-middle level of income. If such a family has to put two children through high school, it will have to spend \$1,500 to \$1,600 monthly. There is no doubt a school fee remission scheme, but under this scheme, a household with a monthly income of \$8,500 will only be entitled to a 50% remission. In the example cited above, the family concerned will still have to pay \$800 monthly, or 10% of its income, as tuition fees. Is this really too heavy a burden? If the Government can waive school fees for just a month, this family will already be able to save almost \$1,000 for the Chinese New Year. It can then buy more new clothes, and this can relieve the people's pressure on the one hand, and sort of "boost" the sluggish consumption market on the other.

Unfortunately, the Government is not only unwilling to reduce its fees and charges, but also intent upon making things worse for the people. Early this year, it still proposed in the Budget to increase the fees of vehicle and driving licences. Thanks to the opposition put up by Legislative Council Members, the Government was finally prevented from introducing such an unreasonable measure. But individual government departments have still not dropped the idea and still want to add to the people's hardship. The Post Office, for example, still insists on increasing postal charges in April next year. Is the Government really sincere in standing by the people at this time of difficulties?

Actually, the Government has never considered the people's plight in determining the levels of its fees and charges, and not only this, there has been no co-ordination among government departments. All one can see is total bureaucratic red-tape, with government officials adhering blindly to the principles of cost recovery and fiscal balance, in total disregard for the realities of the outside world. The most obvious example is the issue of university tuition fees. The Government has been emphasizing the need to train up more talents with high qualifications for the knowledge-based economy. But over the past 10 years since 1991, it has raised the university tuition fee from \$10,000 to \$42,000, a rise of 320%. How can our students cope with the financial problems resulting from such an exorbitant and unreasonable tuition fee? How can they concentrate on their studies? Some may argue that students can apply for non-means-tested loans. But Madam Deputy, is it a good idea to require students to become so heavily indebted before they can even make their own living? The Government encourages people to take up continuing studies on the one hand, but it charges such exorbitant tuition fees on the other. How can the Government then convince the people that it is really sincere in promoting its avowed policy?

Besides, in the midst of the current economic downturn, the Government has repeatedly stressed that it will offer assistance to the SMEs, saying that a number of loan schemes are available. Loans are of course useful, but since the quotas are always limited relative to demands, they cannot in fact provide assistance to all in need. Honestly, I would think that an across-the-board reduction of all fees would be the most practical option, but sadly, it has never occurred to the Government that it should do so. Recently, many shop tenants in government markets and shopping arcades have asked for rental reduction. Actually, shop tenants have rarely done so before, and they have been forced to ask for a 30% reduction only after the poor economic conditions over the past few years have rendered them totally unable to cope. Unfortunately, the Government has simply rejected any across-the-board rental reductions and sought to ward off the demand by resorting to revaluation of rental value as an excuse. But the work of revaluation will be carried out by the Government itself, and it is largely unknown whether there will be any rental reductions after revaluation. And, even if there can be any reductions at all, they are not going to be of an across-the-board nature. This will hardly bring any positive news to the market. So, how can we possibly boost consumption? That being the case, is the Government, may I ask, really sincere in helping all these SMEs?

Moreover, government fees and charges have remained unreasonable for a very long time and the Government has been trying to increase them continuously. But it has never tried to review these fees and charges. One example is the licence fees of van-type light goods vehicles. In 1991, the Government drastically increased the licence fees of van-type light goods vehicles by 100% on the ground that too many of these vehicles had been converted into private cars. The licence fees of van-type light goods vehicles have since remained the same as those of private cars. But the situation has changed by now, because utility vehicles accommodating seven passengers are now on the market. This means that the conversion of van-type light goods vehicles into private cars has basically disappeared as a problem, for many years, to be exact. Unfortunately, the Government has so far refused to review the licence fees of van-type light goods vehicles. I have had some discussions with the Government on this recently. But it insists on keeping the unreasonable licence fees unchanged.

Looking at the Government's policy on fees and charges as a whole, one can see that the Government has never tried of its own accord to help the people tide over their difficulties and relieve their plight. Furthermore, the existing pricing policy of the Government is not at all helpful to the implementation of its various policies. That is why I do wonder whether the Government is really sincere in standing by the people at this time of difficulties. What actually are the real purpose and precise meaning of the Government's saying that it is prepared to join hands with the people in tiding over their difficulties? As pointed out by many Members, if the Government does not set an example itself, it is pointless for it to say so. If the Government does not take the lead in fee reduction, utility operators will certainly not do so. That is why I hope that the Government can adopt an active and positive attitude and join hands with the people to tide over the difficulties, or the people may think that it is altogether apathetic, oblivious to their sufferings.

Madam Deputy, I so submit.

**MR HENRY WU** (in Cantonese): Madam Deputy, I believe few people will raise strong objection to urging the Government to reduce fees and charges as soon as possible because the economy of Hong Kong has remained in the doldrums and the unemployment rate has been standing at a high level. Insofar as the various arguments for demanding the Government to appreciate the sentiments of the people, other Members have already advanced them one after another. Therefore, I shall not repeat them here. The focus of my speech

today is to analyse the case from another perspective, hoping that the local business environment can be improved with the Government taking the lead to reduce charges, thus benefitting all people in Hong Kong.

First of all, I support the proposal to reduce government fees and charges as espoused in the motion today. However, I think there is room to extend the reduction to other items of fees and charges. In other words, adjustments should not be confined to the five fees and charges proposed in the motion. Apart from government fees and charges, some of the fees charged by public utilities and those in connection with public interests should also be reviewed as soon as possible, with a view to making appropriate adjustments circumstances permitting.

The Government always calls upon the business sector to tide over the hard times together with the public, but the actual assistance it provides to the business sector is minimal. Therefore, today's proposal to lower the business registration fee has my absolute support. However, compared to the poor economic conditions currently faced by the business sector, an isolated measure of reducing the business registration fee appears to be negligible. If a reduction is introduced, it must be done in a systematic and more far-sighted manner.

Madam Deputy, the Government actually can lower the operational costs of local business organizations especially those of the SMEs by way of reducing various charges that deal with business operation, thereby improving their business environment. It will enable them to increase their room of survival in an economic hard time. By lowering the prices of products and services correspondingly when they turn from making losses to making profits, consumers can also benefit, thereby achieving a three-win situation. That is, the Government, the business sector and the public can also benefit from it. Why can the Government still win after lowering its fees and charges? Apart from winning the applause, government revenue will seem to have decreased. However, by looking at it deeper, we will find that an improved business environment will benefit the general public as it will not only reduce the pressure on the business sector lay off staff but also relieve the burden of living on the public. Furthermore, it will also help reduce the Government's enormous expenditure incurred from tackling unemployment and other social problems. Is this measure not good and lucrative?

Apart from the fact that the Government should take the lead to lower various business charges, other public utilities or even private corporations

involving public interest should also follow suit. By so doing, we can really unite and work together to ride out the storm.

In this connection, Madam Deputy, I cannot help mentioning the expenditure incurred by the financial service sector in paying for relevant licences. Especially when the economy is in the doldrums and the future is uncertain, the charges will undoubtedly constitute a heavy burden on the industry concerned. Currently, among the operational costs of the securities and futures sector, at least some eight items are in connection with different kinds of operational charges which include considerable licence fees for securities dealers, futures dealers, dealer representatives, futures dealer representatives, investment consultants, and so on.

Apart from paying for the licence fees for the points of business and securities dealing, securities firms also have to pay for the licence fees of the dealer representatives working for them. According to the Annual Report of the Securities and Futures Commission (SFC) in 2000, the levy and charges collected from the financial services sector amount to some \$400 million, with the bulk being borne by the securities industry. In addition, the latest financial information of the SFC has shown that the SFC has a staggering reserve of \$660 million. Thus, there is actually room to lower the charges imposed by the SFC.

I hope the SFC can review the existing level of licence fees levied, and adjust them downwards appropriately. In view of the fact that local economy will continue to adjust downwards and no improvement is expected in the next nine months, I urge the Government here to reduce its fees and charges, and the SFC to review its fees. So doing will improve the business environment and reduce the costs of business to the benefit of the spending masses and the general public.

Madam Deputy, I so submit.

**MR MICHAEL MAK** (in Cantonese): Madam Deputy, the latest economic data just released by the Hong Kong Government have forecast negative growth in Gross Domestic Product for two consecutive quarters in the second half of this year. Therefore, by technical definition, Hong Kong has entered a period of recession. At the same time, the Hong Kong Government has adjusted the projected economic growth downwards from 1% to zero. The economy in the first half of next year is expected to slow down continuously, and the unemployment rate will continue to surge.

Madam Deputy, the registration of negative growth in the economy would mean the desire of consumption will further be dampened substantially and the unemployment rate will continue to increase. Just like today, the PCCW seemed to rub salt into the wounds by laying off staff without reasonable grounds, causing an increase of some 500 people in the unemployed ranks. However, I find that the Government appears to be blind and deaf in such an economic hard time because it is "dumb" to the immediate hardships suffered by people. It can neither hear nor see the public's difficulties. All members in the community are miserable. Can the Government actually hear their cry for help?

Our Financial Secretary is still harping on the old tune in this difficult time. On the one hand, he uses deficits as a "shield" and on the other hand, he expects to employ verbal coercion again, saying that the overall fundamentals of the United States economy are not that bad, and it is believed that the United States economy will recover next year with the Afghanistanian conflicts clearing up, and the economy of Hong Kong will be stimulated. Besides, the economy of mainland China has continued to grow, this will also bring many benefits to Hong Kong. Therefore, the general public needs not be overly pessimistic about the future.

Despite all this, it boils down to one word — "wait". Hong Kong people have to wait a little while with patience. As long as we wait, we will see better days. Madam Deputy, we all know that "practising Taichi" can build up a strong physique, and it is good for our bodies in the long run. However, I believe that an injection can really make us recover more quickly. What the public currently needs is a direct and effective injection to relieve the existing pain.

The most immediate effective method is to cut the necessary daily living expenses of the public as far as possible. The Government has enormous deficits, but those of the general public are even worse. The proposals made by Mr LAU Chin-shek in the motion to reduce tuition, medical charges, business licence registration fees, vehicle licence fees and driving licence fees are effective pain-killers because these fees and charges are closely related to the people's livelihood and the business environment. On the other hand, the basic factors of business operation can also be taken care of.

It is forecast that the various fees and charges mentioned above will fetch \$4.3 billion for the Government in this fiscal year. Even if they are reduced by

10%, the loss in revenue will only be \$400 million. Compared to the \$15 billion to be collected from various government charges and public utilities, or even to the total of some \$200 billion revenue to be collected by the Government annually, that can just be considered as a drop in the bucket. However, to the people who have to pay licence fees and various charges every year, a reduction or otherwise of these fees and charges will have substantive meaning to them.

To the general public, expenses on tuition and medical charges are just like the expenses on rents or making mortgage repayments, savings in these items can hardly be made even though they wish to. If the Government can ease the public's financial pressure in this respect, people will be very grateful. Perhaps when the Chief Executive pays community visits next time, the public will be more active to shake hands with him in order to show support for the Government. And then the Chief Executive can more accurately implement some policies that meet the needs of the public, perhaps all sectors will be pleased by then. The year is fast approaching the end, the Government should implement some benevolent policies, so that all people in Hong Kong can welcome a new year in a much happier mood!

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

**MISS CHAN YUEN-HAN** (in Cantonese): Madam Deputy, I have handled many cases relating to redundancy and salary cuts in the last few months, and the situation has recently become more serious. The PCCW also said today it has to dismiss another 500 workers. And we can also hear these bad news on television and radio every day. The cases received by me and those reported by the media, and the sight of people around us who feel troubled when facing these problems every day have all reflected that the economic condition and employment situation of Hong Kong are currently very poor. Certainly, there is no denying that some people will make use of the current poor economy of Hong Kong and the lack of competitiveness of wage earners in Hong Kong to rub salt into the wounds. But overall speaking, the poor are poorer in Hong Kong now with the working population facing even greater difficulties. Their conditions will also make people lose confidence in the prospects, thereby affecting the desire of consumption of the whole community. The year is approaching the end, what do we hope for now? We hope the temperature to fall. If the weather does not turn cold, I wonder what will happen to the businesses in the next few months. I am very worried that the condition will continue to worsen after the Lunar New Year as the unemployment rate of Hong

Kong may exceed 6% next spring, and we will have to face greater difficulties by then.

Thus, both wage earners or business operators hope that government fees and charges can be reduced amid the difficult environment currently. The motion proposed today suggests reductions in tuition, medical charges, business registration fees, vehicle licence fees, and so on. These we all support. The various political parties in this Council have also reached a consensus on this. Let me quote some examples. Since we have to conduct this motion debate, I have surveyed trade unions affiliated with the Hong Kong Federation of Trade Unions (FTU). For example, in order to make contact with the trade unionists, more often than not, I have travelled in taxis. I found that taxi drivers are currently in very pitiable circumstances, and they have also spontaneously proposed many self-rescue methods including the suggestion made by some smaller-scale taxi organizations to reduce taxi fares. However, some people are worried that they may not have any passengers even though they reduce the fares. What can they do if there is no passenger? Many members of the Motor Transport Workers General Union under the FTU belong to this type of professional drivers. They always say it is now difficult to "make a living". Such difficulties are also experienced by taxis and public light buses. Many modes of transport also find business difficult. In the face of this situation, drivers hope very much the SAR Government can appreciate the hardships suffered by their trade and provide them with assistance. They hope that the Government can lower vehicle licence fees and driving licence fees. I wish to stress that drivers of taxis, minibuses and lorries also have strong views in this respect.

In addition, I would also like to talk about the existing median wage of \$10,000 in Hong Kong. However, we can see that the income of many families is less than \$10,000. Since a large group of people is actually earning less than \$10,000, below the median wage. However, most of them have to face very heavy burdens because medical charges and tuition fees are essential expenditures of a family, especially so for families with elderly people and children. If a family has four to five members including a couple of kids and elderly persons, the monthly expenditure on health care and education will become a substantial burden to it. Therefore, we hope that the Government can be willing to continuously lower the relevant tuition fees, or provide more concessions with a view to easing the people's burden.

On the other hand, we can also see that the elderly of some Hong Kong families are also in very pitiable circumstances because their children, daughters-in-law or sons-in-law, and so on, have lost their jobs or are earning less income. Very often, the elderly also have to struggle in various aspects when dealing with different expenditures. Some elderly have recently expressed to me that they feel very worried because they have heard that the government fees and charges would be increased. Since they are already leading a very difficult life, they have been in constant fear of public hospitals increasing charges. Certainly, they have no idea what charges will be increased. However, they will feel very frightened once they heard such news. In fact, they have to go in and out of public hospitals very frequently. If the Government still proposes charge increases under the current atmosphere and environment, this will undoubtedly constitute a very heavy burden to the general public especially the elderly. I hope the Government can appreciate this situation.

I would also like to talk about the deficit announced by the Government today. Although the deficit is not hundred billions of dollars as forecast earlier, \$60 billion is nevertheless enormous. Hong Kong people are currently facing the most difficult time. I understand that the existing deficit of the Government is substantial, but Hong Kong people are also in dire straits. We have to strike a balance between the two. Several political parties have proposed in the Legislative Council a series of demands on the Government to render assistance and the figures involved are not enormous. Even if we add to them the amount of reduction proposed today, it is estimated that the Government will only incur a loss in revenue of around \$800 million. By striking a balance between the two, I feel that if the public can be helped to pass the most difficult section of the road through the Government's support measures and actions in lowered government fees and charges, the outcome may conversely stimulate some other special qualities such as confidence and public appreciation of the Government's care for them. These will also become very important socio-political factors.

In such a critical period nowadays, we hear incidences of salary cuts, welfare slashes and redundancies every day. I also deal with such cases daily. More often than not, people like us who handle such cases direct will also feel very upset. In the face of such poor circumstances and a critical period with so many problems, I think the Government should implement more measures that are beneficial to the public.

Madam Deputy, I support the original motion.

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

(No Member responded)

**SECRETARY FOR THE TREASURY** (in Cantonese): Madam Deputy, I would like to thank Mr LAU Chin-shek for moving the motion today and Honourable Members for their valuable advice. The Government of the Hong Kong Special Administrative Region (SAR) understands the wish of Honourable Members to revise government fees and charges downwards so that people from all walks of life can ease their psychological and financial pressures at this time of an economic downturn. Honourable Members are of the view that such action by the Government would have a leading effect, inducing public utilities to reduce their charges or offer concessions so that they can show a determination to tide over the difficulties together with the public. I would make a detailed analysis first of each of the four items of government fees and charges mentioned in the motion. Then I would make further comments on several items of government fees and charges for which Honourable Members have expressed concern. It is my wish that we can provide Honourable Members with sufficient details to enable them to understand the Government's thinking.

The first item of fees and charges mentioned in the motion is tuition. It is the policy of the SAR Government to provide a nine-year free education. We provide free education to all school age children and young people from Primary One to Secondary Three through our system of government and subsidized schools. In general, families will only have to pay school fees for their children studying in senior secondary classes, that is, from Secondary Four to Secondary Seven.

At present, the annual school fees for Secondary Four to Secondary Five in government and subsidized schools are \$5,500. School fees for students studying in Secondary Six to Secondary Seven are \$8,750 per year. The present level of school fees came into effect since the school year of 1997-98 and has remained so throughout the four years ever since.

School fees at the senior secondary level are one of the items heavily subsidized by taxpayers. Our goal is to subsidize 82% of the total costs. That is to say, our goal is to recover 18% of the costs from the school fees. As

school fees for the senior secondary level have not been revised over the past four years, so calculating on the costs for the current school year, only 15% of the costs can be recovered.

Even though we have provided a nine-year free education and to perk the target rate of subsidy for school fees at the senior secondary level at a very high percentage of the total costs, we are aware that monthly expenses on each child at a few hundred dollars, together with the related expenses of schooling, may be a financial burden on low-income families. To ensure that no students will be deprived of the opportunity to receive education because of the lack of means, the SAR Government has devised many measures to provide financial assistance to eligible families. These measures include mainly the following.

The first is the Senior Secondary Fee Remission Scheme which provides full- or half-fee remission for families in need. According to the fee remission reckoner system, a family of four with a total monthly income of \$8,500 or less with two children studying in the senior secondary level may be eligible for full remission. The case is not quite the same as has been mentioned by an Honourable Member earlier that only half-fee remission may be granted. A family of four with a monthly income between \$8,500 and \$20,900 may be granted half-fee remission. During the past school year, nearly half of the senior secondary students in government and subsidized schools were granted full- or half-fee remission. Of these students, 25% were granted full remission.

THE PRESIDENT resumed the Chair.

The second measure is to provide a remission of examination fees for those studying in Secondary Five and Secondary Seven who have been granted full or partial remission of their school fees.

The third measure is to provide for those families in need full or half textbook grants for their children studying from Primary One to Secondary Seven. During the last school year, about 40% of the students in primary and secondary schools studying in government and subsidized schools were given textbook grants.

The fourth measure is the Travel Subsidy Scheme for those from the age of 12 to full-time undergraduates which provides full or half subsidy of their travel expenses. We have also a Cross-net Travel Subsidy Scheme for those who have not yet reached 12 years of age and are studying in schools outside their respective primary one admission nets. The total number of students receiving travel subsidies in the current school year amounts to 30% of the size of their respective groups.

The fifth measure is to provide subsidies in living expenses for students in matriculation classes who have been granted full or half remission in school fees. In this current school year, about 2 000 students in the matriculation classes have been granted this subsidy.

The abovementioned subsidies for primary and secondary students involve an amount of public money as much as \$1.2 billion.

Apart from tuition fees at the senior secondary levels, there is also the issue of pre-school and post-secondary tuition fees. These are not items of government fees and charges, but we also adhere to the same principle that through the provision of different kinds of subsidies, no one will lose the opportunity of receiving pre-school or post-secondary education due to a lack of means. Such schemes include the Kindergarten Fee Remission Scheme, and the grants and low-interest loans under the Local Student Finance Scheme. There is also the Student Finance Scheme for students of non-government subsidized courses in post-secondary institutions, which was approved by the Finance Committee in July this year. During the past school year, a total of about 40% of those studying in kindergartens and post-secondary institutions subsidized by the Government were granted subsidies. The amount of grants given was about \$1.2 billion and the amount of low-interest loans given was about \$0.6 billion. In addition, we have a Non-means Tested Loan Scheme to provide another source of loans to students. During the last school year, more than 10 000 students were granted loans and the amount involved was about \$0.3 billion.

In order to raise the amount of financial assistance given to students and to benefit more households, the Secretary for Education and Manpower will apply for funding from the Finance Committee of the Legislative Council on the day after tomorrow. The application is made with the aim of improving the means test mechanisms and reckoners for the above finance schemes with effect from

the next school year. It is estimated that more than 100 000 students will benefit, including about 20 000 new applicants to the schemes. This improvement will incur an additional annual expenditure of more than \$0.3 billion for the Government.

As the SAR Government has provided these finance schemes to students and households in need, we think that the proposal to reduce the school fees for senior secondary levels is very likely to make taxpayers pay additional subsidies to families which do not need any financial assistance.

Madam President, reducing the school fees for senior secondary levels will mean a reduction in public revenue and hence this will mean that the Government will have to make up for the huge additional expenses incurred on subsidized schools as a result of the reduction in school fees collected. Likewise, if the various institutions funded by the University Grants Committee and the Vocational Training Council reduce the tuition fees for courses subsidized by the Government, these institutions will have to apply to the Government for additional funding to make up for the reduced income. Therefore, all this will further add to the financial burden of the Government.

The second item of government fees and charges mentioned in the motion is medical charges. The health care policy of the SAR Government is to ensure that the public will not be deprived of proper medical attention due to financial difficulties. Therefore, we have been subsidizing public health care services enormously. Through the out-patient clinics under the Department of Health (DH) and the hospitals and specialist clinics under the Hospital Authority (HA), the public can enjoy public medical services subsidized to a large extent by taxpayers.

At present, the fees charged by the general and specialist out-patient clinics under the DH and the HA are \$37 and \$44 respectively. These fees include services like medical consultation, dispensing, X-ray and laboratory tests, and so on. If a member of the public goes to the clinics for injection or medication and where medical consultation is not required, the fees are only \$15 per visit. As for hospitalization fees, the daily charge for a hospital bed in the public ward of a public hospital is \$68. The charge already covers clinical, biochemical and pathological tests, vaccine injections, general care as well as bed and meals. The above medical charges came into effect in 1996 and have been maintained at the same level for five years. When we are to determine these charges, we will take into account the affordability of the public and set a proper level of subsidy.

Currently, the income from medical fees and charges collected by public hospitals only accounts for 2.5% of the total costs of all the services provided. Thus the proportion of subsidy given is very high indeed. The objective of revisions in medical fees and charges is only to maintain the level of subsidy unchanged. Take the example of hospitalization services, when the fees were revised back in 1996, the amount of subsidy was set at 96%. As the fees have not seen any adjustment for more than five years, while operating costs have been increasing all the time, so the costs of these services have gone up. At present, the amount of subsidy for hospitalization fees has increased to more than 97%. As for specialist out-patient services, the fees charged in 1996 accounted for 10% of the costs at that time. When calculated according to the current costs, the rate of costs recovered is only 7%.

In addition, when charges for out-patient service, injection and dressing services in the general out-patient clinics were revised in 1996, the charges accounted for 19% of the costs at that time. Now we can only recover 17% of the costs. As for injection and dressing fees, the proportion of costs recovered has dropped from 26% at that time to 22% at present.

Despite the low level of medical fees and charges, we understand very well the financial pressure faced by low-income families. For those patients in financial straits, the Government has a system of waiving their medical fees and charges. All recipients of Comprehensive Social Security Assistance (CSSA) are exempted from payment of medical fees and charges. Other patients who have financial difficulties may also apply for exemption from payment of medical fees and charges. During the last financial year, the HA and the DH exempted a total of some 240 000 cases of hospitalization charges and 2.56 million cases of out-patient charges. The number of cases where patients are exempted from payment of fees and charges accounts for 19% of the total number of users of these services. It can be said that the present system has served to ensure that people will not be deprived of suitable medical attention due to a lack of means. If medical fees and charges are reduced across-the-board, it is very likely that taxpayers will have to provide further subsidy to those who do not need such assistance.

Apart from providing inexpensive out-patient and hospitalization services, the DH and the HA have also put in a large amount of resources to develop preventive and primary health care services and to encourage and help the public to live a healthy life. For example, if members of the public would like to visit a family planning clinic or a methadone clinic, they will only have to pay a

nominal fee of \$1. Members of the public may go to the maternal and child health centres, the special skin clinics, the social hygiene clinics, the chest clinics to have vaccinations or injections free of charge. In addition, the hospitals of the HA provide round-the-clock emergency services free.

Madam President, any downward revision of the medical fees and charges will reduce the income of the Government and the HA, thereby obliging the HA to apply to the Government for more funding, and this will exert a heavier burden on public finance.

The third item of government fees and charges mentioned in the motion is the business registration fees. As provided in the Business Registration Ordinance, most business operators have to register their business with the Inland Revenue Department. The business registration fees carry a tax component and the fees charged are not linked to the costs involved. At present, business registration permits are valid for one year or three years and the respective charges are \$2,250 and \$5,950. Of the charges collected, a sum of \$250 and \$750 respectively is allotted to the Protection of Wages on Insolvency Fund. When employers become insolvent, employees may be given compensations from the Fund. So, the actual amount receivable by the Government from business registration permits is only \$2,000 out of the one-year permits costing \$2,250 each. As for those permits with a three-year validity period, the actual amount received by the Government is only \$5,200.

The fee for the one-year business registration permits remains at the same level as it was in 1994. The three-year permit was launched in 1999, with the purpose of saving the trouble of having to renew the permit every year and to save a total amount of \$800 for business operators over the three-year period. At present, 616 000 companies have been issued with the one-year business registration permit and more than 4 000 with the three-year permit.

In the current financial year, we estimate that the SAR Government will be able to generate about \$1.3 billion of revenue from this item and this is a very important part of our total recurrent income. For individual companies, business registration fees only take up a very small percentage of their total operational costs. Take the example of the one-year business registration permit, the monthly outlay in this item is less than \$200. In addition, holders of

such permits may apply for a waiver of the business registration fees if their average monthly turnover is less than the statutory ceiling which is currently set at \$30,000 per month. Therefore, we are of the view that the levy of business registration fees will not impose a heavy burden on business operators. A downward revision of the business registration fees will not provide any immediate and effective relief to companies in financial difficulties.

Madam President, the SAR Government is currently taking active steps to improve the licensing system, streamline customs declaration procedures and place greater emphasis on assessing the impact on the business environment when new policies and legislation are to be formulated. It is believed that this will help the trades and industries to reduce their operational costs, enhance efficiency and make Hong Kong a better place to do business. With regards to the economic policies aimed at providing support to business activities, the Chief Executive has proposed in the policy address delivered in October that a sum of \$1.9 billion will be set aside to set up four funds to help the small and medium enterprises (SMEs).

In our opinion, an increase in funding to help the SMEs which are in need of financial support to assist their efforts in training human resources, promoting business, and engaging in innovation and application of technology would achieve greater economic benefits than reducing business registration fees.

The last item of government fees and charges mentioned in the motion is driving licence fees and vehicle licence fees. Driving licence fees carry a tax component and are not linked to costs. Before June 1997, driving licences were valid for one year or three years and the annual fees were \$288. Thereafter, driving licences are valid for 10 years and the fees charged are only \$900. So when compared to the fees charged before mid-1997, the new driving licence which is valid for 10 years is able to bring in an annual saving of about \$200 to the drivers.

The present level of driving licence fees has been maintained for more than four years. In the \$900 charged for a driving licence valid for 10 years, \$380 is levied on behalf of the Traffic Accident Victims Assistance Fund. The Fund aims at giving financial assistance to traffic accident victims. So the actual income received by the Government from every driving licence valid for 10 years is only \$520.

We think the proposal to reduce driving licence fees will not bring any immediate benefit to the majority of drivers, because during the past few years most of them have renewed the new driving licence which is valid for 10 years, and their new driving licence will not expire until three or four years later.

Vehicle licence fees are divided into two major categories, that is, private cars and commercial vehicles. We believe that as this tiny place of Hong Kong has a well-developed and excellent public transportation network, private cars are not a daily necessity for the vast majority of the public. Those people who choose to own private cars should have considered and believed that they have sufficient means to pay the annual vehicle licence fees which are about \$4,000. Those members of the public who own private cars of a large capacity, that is, those private cars on the high end, should have even greater means to pay for the annual vehicle licence fees of about \$12,800. The present level of licence fees came into force in 1991 and has not been revised for 10 years.

Similar to driving licences, the vehicle licence fees also contain a tax component and they are not linked to costs. There are many kinds of commercial vehicle licences. The taxi licence fees are about \$3,200 per year, those for lorries and light goods vehicles are set at \$1,300 to \$4,700, depending on the permitted gross weight of the vehicles concerned. The licence fees for public light buses are about \$8,400 per year. These fees also came into effect in 1991 and have not been revised ever since. When these fees were set, the Government had taken into account the impact on the operating costs of these commercial vehicles and so the licence fees for commercial vehicles are lower than those of the private cars. As vehicle licence fees only occupy a very low percentage of the operational costs of commercial vehicles, so a reduction of the licence fees of this type of vehicles will not bring much substantial benefit to the owners. On the other hand, it will further add to the Government's deficit.

Now I would like to respond to several issues relating to government fees and charges which are of concern to Honourable Members. The SAR Government has well-established mechanisms and principles to review its fees and charges. Most of the government fees and charges are determined according to the time-tested "user pays" principle. The "user pays" principle requires a coupling of the level of charges with all of the costs or the pre-set level of cost subsidy. The purpose is to require the users of the services concerned

pay for all or part of the costs of the services so that taxpayers will not have to pay for all such services. When the costs of service reduce, the fees concerned will be adjusted downwards. However, if the fees are forced to be adjusted downwards by other factors, that would go against the well-established "user pays" policy. So we must be very careful about it.

The Government will adopt a flexible approach in the progress of achieving full or partial recovery of the costs. This is meant to avoid the impact of a one-off substantial increase of fees and charges on the users. We will adopt a phase-by-phase approach in achieving full or partial recovery of the costs of individual services.

The "user pays" policy is fair and reasonable, and it can show the Government's commitment to social services and ensure a rational distribution of public resources. From the perspective of public finance, the policy helps the Administration to put in practice the low-tax policy as provided in the Basic Law, and it is also an essential policy to help us achieve a balance in public revenue and expenditure as provided for in the Basic Law.

Some Honourable Members queried earlier that at times of deflation why government fees and charges were only frozen and not reduced. They asked whether this was raising the fees and charges in disguise. Madam President, I would like to emphasize that since 1999, the aggregate deflation rate for Hong Kong is about 12%, but during the same period, a zero growth rate is recorded in the Government Consumption Expenditure Deflator which reflects costs of government services. In the four items of fees and charges discussed today, some of them, such as the vehicle licence fees, have not been revised for 10 years. If the fees are measured against the Government Consumption Expenditure Deflator, the real value of this item has fallen by more than 80% since it was last revised in 1991. Or take the example of medical charges, they have not been revised for more than five years. But during the same period, the aggregate growth in the Government Consumption Expenditure Deflator which reflects the costs of government services registered an aggregate growth of 15.2%.

As a matter of fact, the largest component in government expenditure is the remuneration of civil servants and staff employed by subvented organizations. During the three-year period of deflation from 1999 to 2001, there was an

average increase of 3.1% in the salaries of civil servants and staff of subvented organizations. In addition, about half of the civil servants can have their salaries increased by one annual increment. That also explains why despite the deflation, there was sustained growth in staff expenditure in the Government over the past three years.

Madam President, I understand Honourable Members are concerned about government expenditure and so in respect of controlling costs, we would step up our efforts in controlling expenditure, revising work flow, and so on, so as to achieve the goal of productivity enhancement.

We understand that at times of economic difficulties, both Honourable Members and the public would like to have some immediate and specific assistance to help the low-income groups and the financially stringent members of the public to tide over their difficulties. So in formulating relief measures, we have to act with extra care, so that the limited resources can be used to relieve the hardship of the grassroots and the socially advantaged who are the most badly in need of assistance.

Some Honourable Members make the criticism that the relief measures adopted by the Government are not enough. In fact, the Chief Executive has proposed in his policy address in October a series of short-term, medium-range and long-term policies, the core of which is promoting economic and social developments. In respect of short-term measures, we will create more than 30 000 jobs which are conducive to the development of Hong Kong. Now various government departments are speeding up the pace to create these posts at the soonest. Other relief measures such as rates concession and raising the tax deduction ceiling for mortgage loan interests were all adopted after extensive reception of public opinion and careful and prudent consideration. As for the medium-range and long-term measures, we will set up a number of funds, improve the business environment and continue to make substantial investments in education and infrastructure.

In our opinion, the measures proposed in the policy address are appropriate. As we do not have a clear picture of the short-to-medium-term future, we do not think that any rash measures should be adopted. Many economic analysts and scholars have pointed out that the relief measures can only produce a very limited effect in boosting the economy. Under the present financial circumstances, it is prudent to make appropriate use of the funds.

Some Honourable Members think that the SAR Government has huge reserves of more than \$400 billion, then why can government fees and charges not be adjusted downwards to ease the hardship of the people? An Honourable Member even did some calculations for me and said that the annual revenue from the items of government fees and charges mentioned in the motion would only be about \$4.3 billion. So if the charges were reduced by 10%, the revenue would only be reduced by \$430 million, and the sum would not be very substantial. Madam President, the revenue from these four items of fees and charges is indeed only about \$4 billion, but if we reduce the school fees for senior secondary levels, the income for subsidized schools will be reduced, and likewise the income for the eight tertiary institutions, as well as that of the HA in terms of the medical charges. If the income of these organizations is reduced, they would definitely apply for more funding from the Government. Therefore, even if Honourable Members hope that government fees and charges can be reduced slightly, the pressure to be exerted on public finance will be far higher than \$430 million. A responsible government cannot act rashly just for a temporary applause from the public. As a matter of fact, Honourable Members are well aware that we are facing a very great financial pressure. In March this year, we estimated that there would be a deficit of \$3 billion for this financial year. Now the deficit projected by us would reach an all-time high, much more than the \$23 billion deficit recorded as a result of the moratorium on land sale for nine months in the wake of the Asian financial turmoil in the year 1998-99.

Despite the economic downturn, government expenditure has not been reduced, but on the contrary, it has been increased. But there has not been any corresponding increase in government revenue. According to our estimation, the revenue for this financial year will fall greatly short of the estimates made by us this March. The relief measures announced in this year's policy address will further reduce public revenue for this year and the coming year. As a result, we have to draw down the accumulated fiscal reserves substantially this year. Such a move is necessary and will meet the objective of accumulating the reserves. But we should also take into account the fact that a reduction in reserves will mean a decrease in the returns that we can expect to make from investment with the reserves. That would only create pressure on public revenue.

Lastly, I would like to remind Members that the Financial Secretary has announced earlier that before the end of the current financial year, that is, before end March next year, no increase will be made on four major items of government fees and charges, that is, water tariffs, sewage charges, medical

charges and school fees, which have a direct bearing on the people's livelihood. We will continue to keep a close watch on the prospects of our economy and will make timely and appropriate decisions when we have considered and weighed all relevant factors.

Thank you.

**PRESIDENT** (in Cantonese): Mr LAU Chin-shek, you may now reply and you still have up to nine minute 35 seconds for your speech.

**MR LAU CHIN-SHEK** (in Cantonese): Madam President, I am very grateful to Honourable colleagues as I believe the consensus expressed in this debate can reflect the current feelings of members of different strata of society. This consensus was not reached in a hastily manner, as stated by the Secretary. In fact, we have reached this consensus only after careful consideration and repeated discussions. In respect of the Government's deficit mentioned by the Secretary just now, I believe that to accurately project the ultimate deficit of this fiscal year is obviously very difficult given the ever-changing economic environment presently.

We also know that major revenues of the Government are generally collected in the last few months of the fiscal year. According to past experience, the level of deficit will drop significantly at the later stage of the fiscal year. Although I agree that there will be deficit in this fiscal year, I do not believe it will reach \$60 billion as claimed by the Secretary. I also wish the Government not to scare the public with "crying wolf". However, even there is a deficit of \$60 billion as remarked by the Secretary, so what? The Government has a reserve of several hundred billions of dollars, so relatively, it is wealthy, but not the public. The Secretary has spent a lot of time explaining the existing policies and measures, saying that the Government will render assistance to the public if they are in difficulties, or the otherwise.

However, has the Secretary considered that given the existing economic recession, people are not optimistic about their prospects regardless of they are rich or poor. If the Secretary's logic is followed, will the Government demand public transport operators to reduce their fares? However, we have to check

first whether the public are wealthy or not before they board the vehicles. If they are not, they will be charged less whereas the rich will not be charged less. Should this be done? Should people be required to undergo an assets test? How can this be regarded as relieving the people's hardships?

Furthermore, what were mentioned by the Secretary are all general policies and measures. Today, we are neither discussing what happened last year or several years ago. Nor are we discussing things which happened at the release of the policy address. Currently, the economy continues to worsen while the unemployment rate keeps surging, and adding to these is the "September 11 incident". What do we expect? We expect the Government to be able to see that we are in a critical condition and it must adopt very drastic measures. Members demand the Administration to ease the pressures suffered by the public psychologically and financially, and the Secretary said she appreciated it. However, after listening to the Secretary's speech, I think the public will feel hurt and the financial pressure on their back will continue to be heavy. Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek 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): Second motion: Reviewing the labelling system for prepackaged foods.

## **REVIEWING THE LABELLING SYSTEM FOR PREPACKAGED FOODS**

**MR CHAN KAM-LAM** (in Cantonese): Madam President, when we buy foods from supermarkets or shops, we usually read labels on the packages, in addition to the price tags. One may say that food labelling is a most effective way of letting consumers know the quality and quantity of prepackaged foods. Therefore, we are very much concerned about the information on the labels and how accurate it is. At present, the labelling of prepackaged foods is regulated by the Food and Drugs (Composition and Labelling) Regulations under the Public Health and Municipal Services Ordinance. After an amendment in 1996, the Ordinance has neither been reviewed nor improved for five years now. However, during these five years, great changes have taken place in the development of food technology and retail sales methods, making loopholes to appear in the Ordinance, which is beginning to fall short of providing effective protection for the rights of consumers.

Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) conducts surveys each year on the sale of foods which have passed their durability dates in supermarkets and convenience stores. In each survey, we would find quite a number of these foods on sale. Apparently, one may blame such sale on poor rack management by the retailer. But loopholes in the law are also responsible for causing the situation to deteriorate. Existing laws require that food manufacturers and packaging agents attach a "use by" or "best before" durability label for perishable goods. However, the law only imposes penalties on the sale of foods past the "use by" dates. The sale of foods past the "best before" dates is not illegal. When the Food and Environmental Hygiene Department finds foods past the "best before" dates on sale, it will only issue a letter to the relevant retailer requesting it to recall the foods and the case is closed. The DAB thinks loopholes in the law directly cause retailers to pay less attention to the sale of foods which have passed their durability dates. In our past surveys, there were more foods past the "best before" dates than foods past the "use by" dates. In this year, for example, our survey revealed a total of 72 food items which had passed their durability dates, of which 17 were past the "use by"

dates while 55 were past the "best before" dates. Obviously, the absence of penalty for the sale of foods past the "best before" dates will cause retailers to pay little or no attention to the sale of foods which have passed their durability dates. The DAB is of the opinion that it is imperative that the Government immediately amends the law to impose penalties on the sale of foods past the "best before" dates to arrest the attention of retailers to the problem.

Madam President, with the growing popularity of megastores, people can buy almost all daily necessities from supermarkets. A growing variety of fresh foods are also prepackaged for sale. But due to the fact that some foods are exempted under the relevant labelling legislation, consumers cannot tell the status of the foods they buy. Fresh green groceries, for example, are exempted from labelling under existing laws. As a result, we have recently received a number of complaints against stale prepackaged or cut fruit only after the complainants have returned home with their shopping. They complained that they could neither open the packaging to examine the foods nor find suitable labelling to indicate durability. They felt they were very much vulnerable. Moreover, many shops now prepare food packs containing food items in set proportions for making soups. We found some such packs, such as packs for making cane and imperatae soup containing fresh ingredients but there was no labelling on durability except a date of packaging so that consumers are very much confused.

Madam President, people are obviously becoming more concerned about the safety and nutritional value of foods. Thus, in point (c) of my motion, I suggest that the Government explore the feasibility of introducing a "nutritional value" label, meaning that food manufacturers be required to provide information on elements of nutrition in the product labels. The elements may include such items as fat, calories, protein, vitamins, and so on and their respective proportions. The food labelling system of Hong Kong and those in European Union countries are very much alike in that food manufacturers and packaging agents are not required to provide a "nutritional value" label. They are required to provide only information ingredients and substances known to cause allergy. However, other parts of the world, especially the American countries, have for some time been requiring labelling on "nutritional value". The DAB understands that the requirement, if implemented, will mean higher costs of production for food manufacturers and packaging agents. Nevertheless, such information is of the utmost importance to those people who pursue a health diet, when we look at the matter from the consumers' perspective. Moreover,

many food advertisements are trying to highlight the abundance of vitamins, the high calcium and low fat contents or the benefits resulting from certain nutritional elements of their product to the human body when they promote their products. If we do not regulate the claims so that purchasers may have a clear idea of the relevant information, they make lack protection. That is why the DAB thinks that it is necessary to carry out a feasibility study on the introduction of a "nutritional value" label.

In recent years, food technology has advanced by leaps and bounds, making genetically modified (GM) foods and health foods grow in popularity. Rapid developments in this area also make existing monitoring mechanism for food safety lag behind the times. In the last Session, this Council passed a motion to urge the Government to immediately introduce a food labelling system for GM foods. Though there is as yet no authoritative scientific conclusion regarding the effect of GM foods on the human body, the immediate introduction of a labelling system is necessary in the interest of protecting the right of the consumers to know. Moreover, most advanced countries, such as the United States, the European Union, Japan, South Korea, and Singapore, have laid down all forms of requirements for GM food labelling. Hong Kong, however, has only just completed a consultation exercise on the issue. Obviously, Hong Kong lags far behind advanced countries in this respect. It has been the position of the Government that we should wait till the United Nations Codex Alimentarius Commission (Codex) completes formulating a set of international standards on food labelling before going ahead with our own legislation. The DAB agrees that introducing legislation after the United Nations has established the international standards is the most satisfactory way. Nevertheless, in view of a demand from the community for an expeditious introduction of a labelling system at this moment, the Government must act. It may, for instance, formulate some guidelines, set up a database for GM foods or introduce test technologies to expedite any upcoming legislation on the subject.

Madam President, despite the weak economy now being experienced by Hong Kong, it is the advertisers of health foods that claim to help people with slimming, breast augmentation and better health that stand above advertisers of other products which have to tighten their advertising budgets. Health food marketing men are quick to spend millions of dollars to engage celebrities in promoting their products. They are the saviours of the advertising industry. Last year, the DAB conducted a survey on the purchase of health foods by Hong Kong people. Results showed that 30% of the people had purchased and taken health foods, while 40% of the interviewees said they spent \$100 to \$500 monthly on health foods. A similar survey carried out by the Biochemical

Department of The Chinese University of Hong Kong also showed that nearly 20% of the interviewees had taken health foods and spent \$300 monthly on them on average. From these data, it can be seen that the health food market is very promising. At the moment, regulation of health foods relies mainly on the composition of the food items. Health foods with Western medicine in them will come under the purview of the Pharmacy and Poisons Ordinance, whereas those with Chinese medicine, the Chinese Medicine Ordinance. The Undesirable Medical Advertisements Ordinance also regulates advertisements on medicines or foods claiming to be able to cure diseases such as cancer or AIDS. Apparently, there is regulation, but the DAB thinks there are in fact some loopholes in the regulatory mechanism.

First of all, the existing regulatory mechanism cannot effectively monitor all health foods. In 1996, the Department of Health (DH) conducted a survey on the sale of health foods at retail outlets. Among 769 products, 67% contained Chinese medicine, 20% contained Western medicine and 12% could not be classified and was therefore treated as food for regulation purposes. Though from a safety point of view, the 12% unclassified items still came under regulation as foods in general, the major difference between health foods and foods in general is that health foods claim to have one or more effects on the human body and they are more expensive. Thus, the accuracy of the claimed healing effects or efficacy of these products directly affect the interests of consumers.

In addition to the above observations, the DH, in carrying out the survey, found that most health foods contained Chinese medicine. More and more health foods claiming to have been made from traditional Chinese medicine, natural materials, and so on have in recent years emerged on the market. Regulation in this area has thus become more urgent than ever. But after the Chinese Medicine Bill was passed several years ago, the Government has yet to come up with proposals on the regulation of Chinese medicine and proprietary Chinese medicine. This not only stifles progress in the development of Chinese medicine in Hong Kong but also deprives buyers of foods containing Chinese medicine of suitable protection. Members may have noticed recently that the Consumer Council had a dispute with food manufacturers on tests carried out on foods claiming to have detoxicating and slimming effects. What is causing concern is that the report by the Consumer Council pointed to ambiguity and faults in labelling on the composition of some of the tested samples. In addition, suitable warnings were absent simply because existing laws are unable to regulate labels relating to Chinese medicine.

The DAB opines that existing laws are obviously unable to regulate all health foods. But then health foods may become a new industry and so overly strict regulation may remove all the room for its development. We thus maintain that the regulation of health foods should have a clear objective. For example, health foods containing Chinese medicine claiming to be able to prevent or cure diseases or improve bodily functions should be treated as Chinese medicine. Clinical tests should be conducted to verify the validity of the claims. Other health foods claiming to possess general effects such as preservation of health, nutritional supplement, alleviation of symptoms, and so on may be more leniently treated so that only the labels, explanatory notes, compositions and warnings are regulated. This may protect consumers without killing the vitality of a new industry such as the health foods industry to develop under some regulation.

Madam President, food technology and sales methods are rapidly changing. We should not restrict ourselves to old thinking and look at new things through a pair of old glasses. With a progressing community and a people with ever-increasing demands, the Government must keep itself abreast with the times in food regulation by making improvements in the interest of protecting consumers.

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

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

"That, as the existing labelling system for regulating prepackaged foods is inadequate and fails to keep pace with the sales practices of food retailers and the developments in food technology, hence depriving consumers of the full right to information and adequate protection, this Council urges the Government to conduct a comprehensive review of the existing system, including:

- (a) imposing penalties for the sale of foods which have passed their durability dates;
- (b) the arrangements for exemption from labelling under the existing legislation;
- (c) exploring the feasibility of introducing a "nutritional value" label;

- (d) expeditiously legislating for the labelling of foods containing genetically modified ingredients; and
- (e) expeditiously devising a monitoring and labelling system for health foods."

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

**MRS SELINA CHOW** (in Cantonese): Madam President, at a glance, the motion moved by Mr CHAN Kam-lam sounds very nice, for he is making all the proposals in the interest of consumers. However, if he is to paint a perfect picture of the whole issue, may be he has to point out the price consumers have to pay to realize all these proposals; and the price the industry has to pay to meet all the requirements. It in fact is a question of balance. If we do not strike a good balance, we will run the risk of making consumers pay more as they will have no choice. For those in business, it will mean more obstacles and troubles.

Besides, we have to consider the situation on a macro scale. Recently, many people have described our economy as an externally-oriented one. As a market for foods, just how large is the market here? Ours is in fact only a very small market. Many of the foods we consume are imported from all parts of the world. When we try to strike a suitable balance, shall we not take into account the pace of development in some advanced countries in this respect? Shall we adopt a pace which is faster than theirs? If we take on a faster pace, then what will happen? For example, the United States has not legislated to require that some kinds of labels be shown, but if we legislate on this, do you think the United States will make tests especially for a tiny market like Hong Kong in order to comply with the statutory requirements there? The answer is of course no. Then would our importers do so? They will not, for if labels are required, that would mean products will have to be tested and the costs of testing would be tremendous. If all these people will not do so, then what will happen in the end? The answer is we will not have these kinds of food any more.

I think the key issue here is whether or not these foods will endanger the health of the public. I think this is in fact the bottomline for this issue. The question of whether a labelling system should be insisted would have to be considered from the perspective of protecting the health of the public.

Let us look at the five points suggested in the motion. In respect of durability dates, as Mr CHAN Kam-lam has said, there are presently two kinds of labels with the words "use by" a certain date and "best before" a certain date. The first kind of labels is put on for health reasons. It is because for some foods which may easily turn bad, like dairy products, if there are problems with the labels, that will pose some health hazards to the public. Therefore, some penalties should be imposed. However, if the purpose of labelling is only to provide more information to consumers to help them tell what kinds of food are better, not as good, or the best, and the existence or otherwise of these labels will not endanger the health of the public, then these labels are there for marketing purposes only. In such circumstances, shall we legislate to require that labels be appended to these products? Please do not forget, each costs money to make and the cost will not be borne by the industry but will ultimately be transferred onto the consumers. So consumers will definitely have to pay more.

Now in some advanced countries the so-called double label system is practised. That is to say, products will have "use by" and "best before" labels at the same time. However, as to the question of legislating to require products to carry the "best before" label, it has never been done any where. Markets in general and advanced countries do not insist that "best before" labels be put. Therefore, I will certainly object to the idea of imposing penalties in this respect.

I would like to turn to the question of exemption now. Mr CHAN Kam-lam mentioned earlier that it would be preferable if those kinds of food such as beer and fruits which are exempted now would not be given any exemption in future. I believe these two kinds of food can be exempted at present. However, if fruits cannot be exempted, the impact would be very great indeed. Or it may be said that the impact is so great that it is beyond imagination. What Mr CHAN said earlier may well be the truth, that at times when some fruit baskets are sent to a place, the fruits may have already turned bad. But the seller of the fruits in the first instance may not be the person who should be held

entirely responsible, for the fruit baskets may have changed many hands before they are sent to the clients. But that is another question. Turning back to the question of exemption, how are fruit stalls going to meet the labelling requirement? It would be wrong to say that this will not bring any inconvenience to the people concerned. It is simply not the case.

As to the question of labelling beer, all the beer in the world do not have any "best before" labels or any other labels showing the ingredients. Now a can of beer sells for \$3 and if labels showing ingredients are required to provide such information to consumers, the sale price will have to go up by 50 cents. Will consumers be willing to pay for this?

As to the question of the safety of GM foods, there is no conclusive answer to that. Mr CHAN Kam-lam mentioned this point earlier. Some people in the industry said to me that the issue actually boiled down to a kind of commercial warfare between the United States and the European Union (EU). It is because the EU wishes to set up sort of a framework and impose very stringent requirements on labelling. Though being a very advanced country, the United States does not have such requirements, and so foods from the United States cannot be imported into the EU. At first, the EU set the labelling requirement at 0.1, and that was later changed to 1. It was impossible to meet the initial requirement, but now the requirement has been made even more stringent.

Therefore, when considering this issue, the practice in other countries must be considered, in particular the practice in other advanced countries. Consideration should also be made as to how consumers can be benefited before a labelling system is put in practice.

Madam President, I oppose this motion.

**MISS CHOY SO-YUK** (in Cantonese): Madam President, with regard to the motion, I would like to focus on the issue of legislation on the control of foods containing GM ingredients and the setting up of a labelling system for such purpose. Before I discuss this issue, please let me tell a story which Honourable Members may already know. After the Swiss chemist Paul MULLER discovered that DDT was a powerful insecticide in the 1930s, many countries in the world used it widely as an insecticide for crops, as well as using

it to control the spread of malaria. In 1948, MULLER was awarded the Nobel Prize for medicine in recognition of his contribution.

However, the damages caused by DDT began to surface in the 1960s. Many experts in environmental protection discovered that the number of certain species of birds in Europe saw a marked decline. After detailed studies, it was discovered that the decline was related to the application of DDT and a few other kinds of insecticides. Then in the 1970s, the United States and the governments of European countries banned the manufacture and use of DDT, but it was already too late. Over the past decade or so, scientists found that DDT existing in the environment together with a few organic compounds with chlorine such as polychlorinated biphenyl, and so on may cause feminine characteristics to develop in animals. It is suspected that the pollution of the environment by these chemicals will not only cause wild animals to become feminine, in humans they will lead to a decline in the number of sperms in the male, a rise in the incidence of breast cancer, a weakening of the immunity functions, and so on.

Even though the manufacture and application of these organic compounds were banned many years ago in advanced places like the United States, Europe and Japan, they are still being used in many Third World countries. In addition, the stable chemical characteristics of these materials and their decomposed matters enable them to exist in the environment for a long time, which means they can be found in water, soil, atmosphere and even the fatty layer and tissues of the human body. Thus in breast feeding, these compounds may be passed onto the babies. Scientists have also discovered that these pollutants are found in many places where DDT has never been used before. The mobile and permanent nature of DDT can therefore be seen.

Madam President, for the past few decades, Western countries have applied very stringent control on the manufacture and use of foods and chemicals. I have no idea whether or not similar ecological disasters will occur again. However, the above example has made it clear that scientific progress is a double-bladed sword: it can bring both improvements as well as disasters to us. The vision and alertness of governments in the world is pivotal to preventing the blessing which technology bestows on mankind from turning into a curse.

Let me come back to the topic today. As we all know, animals and plants which have undergone modifications through genetic engineering have the advantages of greater resistance to extreme climates, enhanced production and a lower death rate in the course of shipment. When such animals and plants are produced on a large scale, it can lead to a marked increase in global food production and shed a ray of hope to backward areas long been plagued by the problem of famine. Leaving aside the ethical issues brought about by GM foods, there are still a lot of unknowns with regard to the potential adverse impact on the human body and the ecology. These unknowns include the possible emergence of new allergies, the impact on the efficacy of antibiotics and the changes in the nutritional value of foods. In order to avoid repeating the same tragedies of the past, we need to be extremely careful.

The 15 EU countries, Norway and Switzerland have made legislation to require the labelling of foods containing GM ingredients. Countries in the Asia-Pacific Region like Australia, New Zealand, Japan and South Korea will implement a labelling system in the coming year. As for places like Brazil, Mexico, Russia, Poland and Taiwan, they are finalizing the details of a labelling system.

In addition, the State Council adopted in May this year the Administrative Regulations on the Safety of Agricultural Genetically Altered Biological Products with the objectives of ensuring the safety of agricultural genetically altered biological products, preventing the danger and potential risk of genetically altered biological products on human beings, animals and plants, micro-organisms and the ecological environment. The Administrative Regulations also state that the State shall implement a labelling system on agricultural genetically altered biological products, whereby all genetically altered animals and plants, micro-organisms and their directly processed products shall be labelled.

As a matter of fact, this Council passed a motion at the beginning of last year to urge the Government to make reference to the experience of the majority of member states of the EU and introduce legislation expeditiously on the implementation of a labelling system for GM foods.

The prudence and care which places all over the world, the mainland Government and this Council have shown to foods containing GM ingredients serve to demonstrate that the concerns of the green groups are not unfounded and fabricated. As a matter of fact, despite the great contribution made by scientists

in the past century to human civilization, the quality of life and public health, there are some inventions which have left behind some irreparable harms to the future generations despite having solved some problems.

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

**DR LO WING-LOK** (in Cantonese): Madam President, the main function of food labels is to serve as a channel of communication between food manufacturers and consumers. Food labels enable the manufacturers to provide information to the consumers, so that the latter can make an informed choice.

Under the existing Food and Drugs (Composition and Labelling) Regulations of the Public Health and Municipal Services Ordinance (Cap. 132), labels or marks must be put on prepackaged foods. The information to be indicated includes the following six items: (1) the name or brand of the food; (2) the ingredients or food additives used; (3) the durability date; (4) instructions on special storage methods or use; (5) the name and address of the manufacturer or packaging company; and (6) the quantity, weight or volume of the product. It can be said therefore that the regulation of prepackaged foods at present can in general serve the main functions of food labels.

The motion moved by Mr CHAN Kam-lam seeks to enhance the regulation in this aspect and to enable consumers enjoy the full right to information and adequate protection. I understand that the right to information and transparency is the demand of a civilized society. Consumers indeed have the right to know what they are eating. But the question remains what can be deemed as "adequate". Would information only be considered adequate if such details as the place of origin of the ingredients used, the processing procedures, the product and even the retail points are all listed? If this is the case, then I think for every kind of food, there will be a separate book attached to it in order that all the relevant information is included.

If this is clearly not practicable, we can only list the information selectively on the labels. Before we are to make such a selection, we should ask ourselves: What in fact are the purposes of food labelling? To me there are at least five purposes. First, to make foods safer. Second, to promote a healthy diet. Third, to provide information to consumers in their choice of foods. Fourth, to serve as a means of social movement. Fifth, to serve as a barrier to trade.

As a medical practitioner, I am certainly most concerned about the first function, that is, food safety. Therefore, I would think that information such as the production date and durability date, special methods of storage and instructions on use is absolutely essential. Moreover, as some people may be allergic to certain food ingredients or may have some undesirable reactions to them, therefore, food labels should indicate the ingredients which may cause allergy, as well as the food additives used. Information on these aspects is essential and important.

As far as I am aware, the authorities completed a review of the legislation on the labelling of prepackaged foods in January this year and made some recommendations on improvement. These include the requirement that eight types of materials regarded by the Codex Alimentarius Commission that may cause allergy be listed on food labels. In addition, food labels are required to show the ingredients of additives by listing clearly their names in full or their codes of identification. Food labels should show the durability date of the food in a manner which the industry finds flexible and the consumers find clear to understand. I hope these measures will be implemented soon so that food safety can be enhanced.

The second purpose is to promote a healthy diet. Theoretically, it would be useful to list on food labels detailed information such as the ingredients, composition, materials contained and nutritional value, and so on. There would be some educational value to the consumers if the nutritional value of the food is indicated. But the question is whether consumers can be induced to improve their diet simply by relying on the educational value of the food labels.

People who already follow a good diet will not need food labels to help them. Those who do not have a good diet will not change their diet even if there are food labels. Speaking from my own professional experience, I do not think that is necessarily possible.

For example, a diabetic eating foods with a high sugar content will cause harms to his health. Or if those who suffer from hypertension or heart failure should refrain from taking foods of a high salt content. As a matter of fact, for patients of certain diseases, if they can talk with medical or nursing professionals and be able to get some proper nutritional advice or education which suits their individual case, that would be more effective and important than the information

provided by food labels. Labels with nutritional value information would at best serve as sources of supplementary information.

As for the third purpose, it is to provide information to the consumers to help them choose the foods they buy, to ensure that they make informed choices. For example, some foods contain additives. Even if the additives may not cause any allergy or undesirable effects, but since what the consumers want to buy in the first place is food rather than additives, so they have the right not to buy foods that contain additives. Labelled information such as the quantity, weight or volume of the food may enable consumers to compare different products so that they can make a prudent choice and not to be deceived by things like packaging, names and outward appearance, and so on.

The fourth purpose is that food labels may promote some social movements. Take the example of GM foods, the green groups are very concerned about the effect of GM foods on the environment. Therefore, they are pushing for a more stringent food labelling system. They also try to educate the public not to buy GM foods in the hope that the market for such foods will shrink. They also hope that a more stringent food labelling system will increase the costs, so that the incentive for manufacturing and processing GM foods will be undermined, hence the goals of environmental protection can be reached.

Lastly, food labels can serve as a kind of barrier to trade. A strict food labelling system makes it difficult to import foods from other places and so the interests of the local agricultural sector can be protected.

In the five purposes of food labelling mentioned by me, we are most concerned certainly about food safety and provision of information to consumers. The existing legislation on food labelling and the improvement recommendations made should in general be able to meet the abovementioned requirements.

**PRESIDENT** (in Cantonese): Dr LO, your time is up.

**DR LO WING-LOK** (in Cantonese): I so submit.

**MR FRED LI** (in Cantonese): Madam President, Hong Kong has to rely on imports from overseas and the Mainland for its staple and non-staple foods. Thus, in addition to the sampling inspection conducted by the Food and Environmental Hygiene Department, the labelling of prepackaged foods is also an important means to ensure that the foods people eat are safe for consumption. Indeed, food labels are an important channel through which the food manufacturers can communicate with consumers. If the information listed on such labels is not complete, or labels are not required for certain conditions, it will naturally be very difficult for the consumers to find out whether the ingredients of the foods they purchase are suitable for consumption.

Over the past years, Hong Kong has relied on the Food and Drugs (Composition and Labelling) Regulations under the Public Health and Municipal Services Ordinance to regulate the sale of prepackaged foods. Regrettably, however, the Regulations treat different food labels quite differently. If we look at the relevant provisions carefully, we can see that it is an offence under the Regulations to sell prepackaged foods which have passed the "use by" date and the punishment for such an offence is rather severe. On the other hand, if any person should sell prepackaged foods which have passed only the "best before" date, he would not be liable under the Regulations. In my view, it is not reasonable to specify significantly different liabilities and penalties for these two date labellings: besides, the interests of consumers simply lack protection under such circumstances. That is why we can always read reports of supermarkets selling expired prepackaged foods. Given that they will not be held liable, supermarket operators are naturally happy to sell out all their stock this way.

We in the Democratic Party hold that the SAR Government has not attached enough attention to the interests of consumers, and that the existing laws and regulations are unable to cope with the development needs of society. With regard to the regulation of foods and health foods, even though the Government has repeatedly emphasized that it would make reference to the latest requirements prescribed by the Codex Alimentarius Commission under the United Nations, overseas countries and even our neighbours in Asia are progressing faster than us in this respect and their rules and regulations are more stringent than ours. Taking GM foods as an example, despite the fact that there are plenty of GM foods on the market, the Codex Alimentarius Commission may not be able to formulate internationally recognized standards for GM foods until

2003. But then, the European Union, Australia, New Zealand and even Japan have already formulated their own standards to monitor the sale of GM foods. Hong Kong, on the contrary, is still remaining at the stage of discussing without making decisions. I just hope the Government will not wait until the United Nations have formulated the general standards to commence the relevant legislative process; otherwise, Hong Kong may have to wait until 2005 to complete all the legislative procedures. Before then, I am afraid Hong Kong may become a target market for some food manufacturers to dump their GM foods. Last year, the Democratic Party submitted an opinion paper to the Government, suggesting that in view of the time-consuming legislative process, the Government might first introduce a voluntary system to encourage the food manufacturing industry to attach labels on their GM food products. We also proposed that this period of voluntary compliance should not exceed 18 months, during which the Government must proceed with its legislative work to provide for a mandatory labelling system. As regards the control over GM ingredients, more stringent standards should be applied to require foods containing over 1% of GM ingredients to have labels attached on their package. We consider that consumers should enjoy a sufficient right to information and that the proposed mandatory labelling system should be able to help consumers make their right choices.

On the front of health foods, even though the Government has suggested setting up a regulatory framework in the middle of the year, so far public consultation work has yet to be commenced. The progress of the efforts in this connection is even slower than the efforts to legislate for the regulation of GM foods. Taiwan and Australia are acting much faster than us in this field. At present, the local market is filled with food products which claim that they can help "slimming up", "excreting toxic substances" or even "preventing cancer". If these products should be put on sale in Taiwan and Australia, their manufacturers would be required to provide some specified evidence to prove their claims. Yet such requirements are not imposed in Hong Kong. Recently, the manufacturers of certain food products that claim to help excreting toxic substances has told the media that because the Chinese Medicine Ordinance has not yet come into operation, they would not list the ingredients of their products on the package lest their business secrets might be disclosed. Given that the relevant laws in Hong Kong are so lenient, it is not surprising that our market is filled with all kinds of so-called "health foods" the effects of which are really questionable. According to my understanding, because of the stringent regulatory measures, only seven health foods are allowed to be sold in Taiwan.

Perhaps our Government should really put in a greater effort to expeditiously set up a regulatory framework to prevent consumers from being harmed by the foods they eat.

Madam President, even though we do have a Policy Bureau responsible for matters relating to food safety, in terms of the food labelling system, I am afraid we still have a long journey ahead before we can effectively regulate the sale of various types of foodstuffs in our market. In our view, since the existing legislation is lagging behind the development of the times, it is possible that our legal system just can do nothing if one day certain members of the public should suffer from health ailments as a result of consuming some expired GM health foods.

With these remarks, I support the motion.

**MS AUDREY EU** (in Cantonese): Madam President, I speak in support of Mr CHAN Kam-lam's motion.

The international community still does not have explicit evidence to prove that GM foods will adversely affect our health. But precisely because GM foods have been introduced onto the market not for a long time, it takes time to verify its nutritional value. For the sake of the health of consumers, the Government should expeditiously implement a mandatory labelling system for such foods.

The purpose of implementing a labelling system is to protect consumers' right to information and allow them to choose to accept GM foods. Actually, for religious or environmental protection reasons, or as a result of a lack of confidence in the safety of GM foods, consumers have the right to refuse to accept such foods. However, the existing system has deprived them of their right to information and they may have unwittingly eaten GM foods at any time.

Apart from advanced countries in Europe, and such others as the United States, Australia and New Zealand, Japan and South Korea in the Asian region have taken the lead to implement a labelling system for GM foods. The Mainland has also enacted the Regulations on Administration of Agricultural Genetically Modified Organism Safety in May this year for comprehensive

regulation on the research, production, import and export of GM foods as well as the implementation of a mandatory labelling system. Evidently, it is an international tendency to regulate GM foods, so the SAR Government should indeed not be out of touch with such a tendency.

In February this year, the Government introduced a consultation paper on "Labelling of Genetically Modified Food" and the contents of the paper seems to reveal that the Government is inclined towards implementing a voluntary labelling system on a trial basis first and making legislation when the time is ripe. But the effects of a voluntary labelling system are questionable. On the one hand, food suppliers may worry about the effects on the sales and may adopt a wait-and-see attitude. On the other hand, the lack of a uniform standard in the market would only make consumers confused and find the choice difficult.

In fact, the experience of Europe and the United States indicates that the lack of a uniform standard for the regulation and testing of GM foods in the international community has not stopped them from implementing mandatory food labelling. Thus, the Government should not use this as an excuse for procrastination in making legislation.

The food manufacturing industry certainly has reservations about mandatory labelling and it worries about an increase in production costs. However, just as the Government has stated in its consultation paper, the implementation of mandatory labelling would certainly promote the provision of more food testing services and the testing expenses would gradually decrease. Businessmen should take up social responsibilities besides earning money. The Government has stated that even if mandatory labelling is implemented, the industry will be given an 18-month grace period and the industry should not be excessively worried.

Genetic modification is a novel biotechnology and the general public has limited knowledge of GM foods, so the Government has to step up public education in this respect. Besides publicity activities through the media, the Government may consider conducting regular random check on GM foods and publishing the relevant information. It may also consider collecting information on GM foods in the international community, setting up a complete database and assisting the academic sector in studying the matter.

Apart from enhanced regulation of GM foods, I also agree that, as stated in the motion, the existing labelling legislation on regulation of prepackaged foods is inadequate and it is particularly lax in regulating canned foods, thus, a review is necessary.

As regards health foods, there is a wide variety of health foods on the market now. A survey conducted by the Consumer Council earlier indicates that some foods with the so-called detoxification or anti-cancer effects are actually exaggerating and such foods even have adverse side effects. Madam President, it is disgraceful for lawless businessmen to reap colossal profits by cheating and jeopardize the health of consumers. Therefore, I agree that a comprehensive review on the regulation of health foods should be conducted and a labelling system should be implemented to better protect consumers.

With these remarks, I support the motion.

**DR RAYMOND HO** (in Cantonese): Madam President, I believe that the principal purpose of the Government in formulating the existing labelling system for prepackaged foods and the relevant legislation is to ensure that the public can buy foods that are suitable for human consumption. However, due to some recent survey and newspaper reports on such issues as supermarkets selling foods past their durability dates, the questionable contents of certain health foods, foods containing GM ingredients that have been a constant concern to the public, and so on, many members of the public have begun to query whether the existing system and legislation can afford them sufficient protection.

In a recent survey concerning supermarkets selling foods past their durability dates, a total of 79 supermarkets and convenience stores in different districts across the territory were surveyed and 72 items of such foods were identified. Among those 72 food items, 30 have passed their durability dates for more than a month, while another three have even passed for more than a year. If members of the public should inadvertently purchase and consume such foods, their health might be adversely affected. In order to protect the health of the people and the interests of consumers, there is indeed a need for the authorities concerned to formulate penalties to prevent shops from selling to the public foods that have passed their durability dates.

On the other hand, the importance of food labelling is also demonstrated by these expired foods. If there were no legislation providing for the labelling of "best by" and "use by" date markings on prepackaged foods, the public just could never know whether the foods they bought had expired or were still suitable for consumption. Indeed, members of the public should enjoy the right to know and to choose as consumers. When choosing foods, people should be able to tell from the label on their package whether the ingredients contained suit their needs before deciding whether or not to buy them. By the same token, the package of foods containing GM ingredients should also be labelled to help consumers make their shopping decisions.

Even though there is currently no scientific or medical evidence proving that GM foods are not suitable for consumption by human beings, I still hold that consumers should have the right to know whether the GM ingredients contained in foods have exceeded the threshold level. In addition, if the GM ingredients have caused any significant changes to the characteristics of the foods, relevant information like the allergens that may produced by GM ingredients, food ingredients, nutritional value, and so on, should also be indicated in the package labels.

In my view, rather than just relying on efforts to encourage food manufacturers to attach labels to their food products, legislation should be the most effective way to extend food labelling to GM foods. It is only through legislation that food retailers and manufacturers can be effectively induced to list all the GM ingredients on food labels. If we only rely on the self-discipline of merchandisers to provide the food labels, we may not be able to have the co-operation of all merchandisers. As such, this arrangement could only provide the public with limited protection.

Furthermore, the relevant authorities should also address squarely the issues of regulating health foods and setting up a more stringent labelling system. As the health awareness of the public has been becoming increasingly higher in recent years, many people will purchase health foods for consumption. However, since many people do not know very clearly the ingredients of the health foods they consume, in many cases they would end up getting the opposite results in detriment to their health. For this reason, the authorities concerned should really step up the relevant regulatory efforts to protect the people's health.

For the above considerations, I very much hope that the Government will expeditiously review the labelling system for prepackaged foods to protect the health of the public and to safeguard the interests of consumers. With these remarks, Madam President, I support the motion. Thank you.

**MR ABRAHAM SHEK:** Madam President, in the light of a growing demand in Hong Kong for prepackaged foods, there is also a rising concern for prepackaged food safety and greater expectation for a food labelling system.

In recent years, scientists in food technology have created a new range of food additives and genetically modified (GM) ingredients to enhance both quality and taste in food. Manufacturers may or may not list all of these new ingredients clearly and accurately on food labels. Consumers, therefore, can only rely on a set of modern food labelling regulations to help them make wiser choices in food products.

Our existing labelling system seems to be lagging behind other major developed countries in keeping pace with such rapid development in food technology. In the '90s, the emergence of GM ingredients in such popular food products as potatoes, soya beans, tomatoes and corn has brought great challenge to food labelling regulations. Our neighbouring countries, including Japan and Korea, have already legislated on GM foods this year. Hong Kong also needs to study how to incorporate GM materials into our food labelling requirements.

From experience in other developed countries, legislation for GM foods covers a wide range of complex issues. In order to stimulate discussion on the most appropriate labelling legislation in Hong Kong, the Government has published a consultation paper early this year. But the public has not reached consensus on some key issues, such as: Should there be a voluntary or mandatory labelling system? What is the acceptable threshold of GM materials in food products?

Key players in the food trade, including food importers and sellers, are worried that additional labelling requirement is likely to increase costs for the industry. This may affect the price of food sold at the retail end and increase the financial burden on consumers eventually. It is, therefore, important to strike a balance between consumer information rights and the need to guard against imposing unnecessary burden to the food trade, especially in a time of adverse economic conditions.

At the moment, the international community has not agreed on a set of common standards on labelling GM materials in foods, although there is different legislation in various parts of the world in relation to GM foods. Hong Kong will need time to develop a labelling system which most suits our food market and eating habits. Instead of rushing into legislation, the Government should encourage discussion and consensus building between various stakeholders in the food industry. At the same time, the Government could take time to study the experience of overseas countries in implementing their GM food labelling systems before deciding on the approach for our system.

As to the existing legislation on food labelling, I urge the Government to stay alert of new developments in the food trade and conduct regular revisions to keep them up-to-date to meet consumer needs and technological changes. As suggested by today's motion, there are new developments in the food trade which require the Government's attention. For example, should we devise a separate labelling system for the increasingly popular health food products? And should we introduce a "nutritional value" label in addition to the existing label of ingredient composition? As for the existing list of items exempted from compliance with the statutory labelling requirements, is the list updated and is there any need to delete certain items from the list?

Early this year, the Government has begun to seek public opinions on new initiatives in food labelling regulations, including labelling of allergenic substances and details of food additives as well as improving labelling format for the "best before" or "use by" date. I believe that the Government can place the above-mentioned issues on its agenda and seek public opinions. But we must not legislate without giving various interest parties sufficient time for discussions.

For future implementation of food labelling system, I urge the Government to improve its laboratory testing standards and step up regular inspection of food importers and sellers and its random collection of food samples. Established in 2000, the Food and Environmental Hygiene Department is relatively new in food safety and public health programmes. For a start, it inspected approximately 55 000 food labels, issued 239 warning letters and instituted 87 prosecutions against labels not in compliance with the statutory requirements last year. It is important for the department to continuously enhance its monitoring and co-ordinating role in maintaining food safety.

Food labelling is important to both manufacturers and consumers. There is a need for a review of the labelling system, but such a review should only be conducted after detailed public consultation.

Thank you, Madam President.

**MR BERNARD CHAN:** Madam President, this motion is a classic example of a problem that we have here in Hong Kong. On the one hand, we look to the Government to make everything perfect, usually by devising more and more regulations on business. On the other hand, we want low-cost products, and efficient companies that create jobs. And in reality, it is not easy to have both.

This motion is suggesting a number of measures that sound reasonable. However, people have to accept the fact that these measures will push up retail business costs, and therefore consumer prices.

One suggestion is the imposition of penalties for the sale of foods which have passed their "sell-by" dates. If there is a health hazard, then by all means take action. But in most cases, that is not the case — packaged food is safe to eat long after the "sell-by" date. So what benefit will the community get from additional fines? Retailers would say that all we will get is higher prices.

Another suggestion is that we need "nutritional value" information on packaged food labels. In fact, many imported products in our supermarkets already have this information — but only in English. If we require this information by law, food distributors will have to put Chinese language stickers on every imported pack of food. That will cost money, and the extra cost will be passed on to consumers. We will probably also be told that all those extra stickers damage the environment!

Madam President, if we decide to have more statutory requirements, let us bear in mind that there will be compliance costs for companies, and there will be higher prices for consumers to pay. The whole community needs to ask the question: "Is it worth it?" And are we willing to pay for it?

Thank you.

**MISS CYD HO** (in Cantonese): Madam President, I rise to speak in support of Mr CHAN Kam-lam's motion, particularly the part on the labelling of GM foods.

As the world is becoming increasingly complicated, diversified developments in technology have made the foods that people eat no longer as simple as before when they used to contain only some organic substances. While genetic engineering has made crops and fishes more resistant to pest, cold weather and droughts, it still remains unknown whether or not the consumption of GM foods will have any harmful effects on human beings. Thus, green groups have urged the Administration to impose a mandatory labelling system on foods containing GM ingredients, so as to protect the consumers' right to information and enable members of the public who have food allergies or religious faiths to make informed choices.

Actually, Madam President, the Government already issued a consultation paper on the question in February 2001. Upon the completion of the three-month consultation period, we followed up the matter through both the relevant panel and a debate at a Council meeting. At that time, we asked the Policy Bureau concerned what method it would employ to sum up the opinions collected after completing the consultation process. We asked it whether the quantitative method or the qualitative method would be used, but we did not receive any answer then. It is really strange that although it has been six months since the completion of the consultation at the end of May, the relevant Policy Bureau still has not come up with any final decision. How is the Administration going to deal with the consultation results and what follow-up actions will be taken in respect of the opinions collected? Will legislation be formulated for the purpose; if so, what is the timetable and what contents will the relevant legislation have?

Indeed, as indicated by the findings of a number of opinion surveys, the majority of the public support the Government legislating for the mandatory labelling of foods. Besides, they also consider that the threshold of GM content should be set at 1%, and that the relevant legislation should be implemented expeditiously.

The public opinion has never been so clear on the policy side. Even though this Council has debated the matter for several times since the end of May,

so far a clear reply has yet to come from the Administration. That is why I hope that later on the Secretary will positively and clearly give us some response. With regard to the three options put forward by the Administration in the consultation paper, I hope the Secretary will inform us whether the Administration has decided to draw up legislation; and if so, of the timetable. I also hope that the Secretary will inform us whether the threshold of GM content will be set at 1% or 5%, and whether the labelling system will be implemented on a mandatory or voluntary basis. In my view, it is only in this way that the Government can do justice to those members of the public who have responded to consultation exercise, as they have indeed spent time expressing their opinions on the subject.

Now that half a year has passed, the Government should at least give us a clear reply regardless of whether it will draw up the relevant legislation or take any follow-up actions. If later on the Secretary tells us that this is not time for legislation, I will all the more hope that she can clearly explain this to us today with respect to the opinions collected during the consultation process: Why does the Administration still refuse to adopt the consultation results when so many members of the public have clearly indicated their support for legislation?

Madam President, I so submit.

**MR MICHAEL MAK** (in Cantonese): Madam President, as the old saying goes, "Food is of top priority to the people". Following the changes of the times, Hong Kong is now developing into a knowledge-based economy. While a large variety of food products are available on the market, food technology is also developing in leaps and bounds. On the part of the public, they are expecting significantly higher of the quality of the foods they consume and their food safety awareness has also enhanced considerably.

On the whole, the Government is lagging gravely behind other advanced countries and places in terms of its progress in legislating on the control of foods and its efforts to combat expired foods. Let us take the labelling of prepackaged food as an example. Under the existing Food and Drugs (Composition and Labelling) Regulations, the penalty provisions are applicable to only prepackaged foods with "use by" markings, merchants selling foods which have

passed their "best before" dates will be issued warnings only. At present, some self-service snack chain stores always divide and sell the contents of bulk snack packs separately, but since the durability dates of such snacks are not marked on their individual packings, they might be mixed and sold with some other expired snacks together. May I therefore ask if the Government has considered monitoring the snacks sold in this type of stores?

With regard to the provision under the Food and Drugs (Composition and Labelling) Regulations for the exemption of "Prepackaged food sold at a catering establishment for immediate consumption" from the food labelling requirement, I wish to inform Honourable Members that the meal boxes and cooked foods currently sold at supermarkets, both cold and hot dishes alike, do not carry any "best before" or "use by" date markings. If the room temperature or humidity should become too high, such foods would very easily perish and thus posing a threat to public health. I therefore hope that the authorities concerned will proactively review the relevant manner of operation and take follow-up actions.

Madam President, the issues involved in GM foods are very complicated and have far-reaching impact, as there are people who may develop allergies after taking GM foods while some religious circles are opposed to adding certain genetic substances into foods. So, it involves not only people's right to know and to choose or their health, but also moral issues.

A year or two ago, China already classified GM foods as new resources foods and a committee was also set up to examine a labelling system for such foods. On the contrary, despite its reputation as an international metropolis, Hong Kong is lagging far behind the Mainland and is at a loss as to how to handle matters related to GM foods. For this reason, I must urge the Government to promptly give an account of the consultation conducted in respect of GM foods and implement the relevant policies expeditiously.

As the health awareness of the public has been enhanced in recent years, people have paid more attention to their health than as they did a dozen or so years ago. As such, health foods have become very popular. Regrettably, there have all along been some grey areas in the control of health foods in Hong Kong. At present, the Government is monitoring health foods through a

number of functional laws, including the Pharmacy and Poisons Ordinance, Public Health and Municipal Services Ordinance, Chinese Medicine Ordinance and Undesirable Medical Advertisements Ordinance. But since there are plenty of loopholes in these Ordinances, many an unscrupulous businessman can very easily exploit those loopholes to their advantage. According to the findings of a sampling inspection conducted by the Consumer Council in September this year, a certain fruit juice has listed on the label on its package such uses as cancer prevention, anti-wrinkles, excreting toxic substances, lowering blood glucose level, and so on. Actually, this fruit juice has already been sold in the market for quite sometime, and it is fortunate that so far no members of the public have fallen sick as a result of consuming the juice. For the sake of public health and safety, I hereby urge the Government to step up control on health foods.

Further still, there are yet problems with prepackaged foods. As indicated in the information provided by the Food and Environmental Hygiene Department, during the period between January and October this year, a total of 91 complaints against perished prepackaged foods were received. Besides, the Department has also received 10 complaints against expired foods while the Consumer Council has received seven. Moreover, due to the lack of co-ordination and co-operation between the relevant bureau and government departments, the comprehensive monitoring over the manufacturing process of food manufacturers and the need to combat expired foods regularly have been overlooked, thereby posing a serious threat to public health. Bearing in mind that the Government and its various departments must co-operate with each other closely, I very much hope that the Government will strengthen its co-ordinating role and functions in this respect.

For the aforementioned reasons, I urge the Government to expeditiously review the labelling system for prepackaged foods and monitor the situation concerned, with a view to protecting the people's right to information and their health.

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

**MR YEUNG YIU-CHUNG** (in Cantonese): Madam President, I would mainly speak on points (a) and (b) of the motion. In the past, the Democratic Alliance for Betterment of Hong Kong (DAB) pointed out after several surveys on foods sold in retail points that had passed their durability dates that the existing

legislation had not specified penalties for sale of foods that had passed their durability dates. There is a big loophole. The DAB initially wishes to standardize the existing durability date labels, in other words, all prepackaged foods should bear the "use by" label to reduce the confusion caused to the public about such labels. However, we are also concerned that the durability date labels in the international community are mainly divided into "use by" and "best before". To adapt to the present international trade practice and avoid excessive increase in the costs of food producers or packagers, the DAB has made the standardization of durability date labels as a long-term target. To plug the loopholes in the existing legislation, the fastest and most effective proposal is to induce retailers to pay attention to rack management and specify penalties for the sale of foods that have passed their durability dates.

Some have remarked that consuming foods that have passed the "best before" dates may not have any impact on the human body and they would only have a poorer quality, the existing legislation has also specified that foods that are unsuitable for consumption cannot be sold, so the protection should be adequate. In reality, however, unless there is any incident in which foods that have passed the durability date do harm to people's health, the Food and Environmental Hygiene Department (FEHD) cannot inspect every kind of foods, thus, the regulation is actually very passive. Besides, nobody can say how long after the foods have passed the specified date on the "best before" labels are still safe for consumption and how long after that would our health be affected. The survey conducted by the DAB this year discovered that supermarkets had offered for sale foods that had passed the date on the "best before" labels for one year. Yet, they had not violated the law. Last week, it was suspected that 100-odd primary school students suffered from food poisoning after they had consumed prepackaged sweet soup provided by a food supplier that had passed the durability date for one year. This incident illustrates that once foods have passed the durability dates, their quality would become poorer and it would pose a greater threat to public health. It is obviously very ridiculous that it is not an offence in law to sell foods that have passed the durability dates regardless of how long they have passed the dates. If retailers are not cautioned for the sale of foods of reduced quality, it is unfair to people who have paid cold and hard cash for the foods.

Some have remarked that imposing penalties on the sale of foods that have passed the "best before" dates would induce retailers to recall and destroy foods

that have passed the dates but are still fit for consumption, and it would be a waste of foods. The DAB disagrees because the FEHD will issue letters of advice to retailers after it has discovered foods that have passed the durability dates when inspecting food retailers, asking them to voluntarily recall the foods. Individual retailers have also stated that consumers who have bought foods that have passed the durability dates can return the foods for a refund. Therefore, food retailers have all along recalled foods that have passed the durability dates and they have not done so because they would be fined. The DAB hopes Members will understand that we have only proposed specifying penalties for the sale of foods that have passed the durability dates to remind retailers the need to pay attention to rack management. Our proposal would not increase the costs of food manufacturers and packagers, and retailers only need to pay more attention to management. There would be a negligible extra burden but we would be able to plug the loopholes in the existing legislation and protect the interests of consumers.

Madam President, I would like to turn to the exemption from labelling. The DAB thinks that the method of food sale has changed quite a lot nowadays. When we went to the market to buy foods for our meals in the past, we could choose and inspect very well before buying. But in recent years, supermarkets have begun the sale of wet foods one after the other; they even sell prepackaged foods with all the necessary ingredients as well as fresh cut fruit plates. No doubt, it would be more convenient to the general public, but it has given rise to loopholes in protecting people's interests. As fresh fruits and vegetables are now exempted from bearing durability date labels, when we buy prepackaged fruits and vegetables or fruit plates from some retailers, we can see that some of them have affixed labels specifying the packaging date but some others have not affixed any label. As a result, the specifications on the labels are confusing and people cannot determine whether they can consume these foods in an assured state of mind.

Although some have remarked that, if it were necessary to affix durability date labels to prepackaged fresh fruits and vegetables, it would increase the costs of retailers, especially small traders, the DAB thinks that all food sellers have to provide consumers with quality foods. As fruits (especially cut ones) would easily perish, the sellers should pay more attention and be responsible to consumers. The DAB hopes that the Government would take the effects on small traders into account when conducting the relevant review in order to make sound arrangements.

At present, beverages with alcohol content exceeding 1.2% are exempted from durability date labelling, but the quality of some beverages with low alcohol content such as beer would deteriorate with the passage of time. In 1999, the DAB conducted a survey on 34 brands of canned and bottle beer and it discovered that 23 of them bore ex-factory date or durability date labels. So, it could be seen that quite a few beer producers had voluntarily given consumers such information. Last year, the Government issued a consultation paper on improving the food labelling system and proposed the affixation of durability date labels to beverages with alcohol content below 10%. The DAB welcomes the relevant proposal.

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

**MR IP KWOK-HIM** (in Cantonese): Madam President, I would speak on the expeditious development of a monitoring and labelling system for health foods.

We used to eat to make our stomach full, but we now eat for health and even to improve our figure and adjust our bodily functions today. In the past 10 years, various kinds of health foods have emerged on the market. Huge sums were spent to invite celebrities to be the mouthpiece of these products and such trendy expressions as excretion of toxic substances, slimming, whitening and bust enhancement were created. Evidently, we have a health foods market of a certain scale in Hong Kong. It cannot be denied that health foods are commodities with enormous potentials. If a quality health food brand can be established for the export sale of the products to various parts of the world, it will certainly bring Hong Kong considerable financial proceeds.

Madam President, the Government mainly confirms whether health foods should be regulated under the respective ordinances on Chinese or Western medicine on the basis of whether they contain controlled substances. The regulation of health foods that do not contain controlled substances is not in any way different from that of general foods. This mode of regulation has two problems. First, the regulation of health foods regarded as general foods is obviously inadequate, in particular, the existing legislation only emphasizes the safety of foods but not the reliability of the claimed curative effects. Second, though health foods containing drugs can be regarded as proprietary Chinese medicine or proprietary Western medicine for regulation, the legislation exercises stringent control on drugs. In particular, there is an extremely high

requirement for clinical verification. Yet, applied to general health foods, the control on the claimed curative effects may be excessively stringent.

As health foods are products that lie between foods and drugs and it is not suitable to adopt either of the existing modes of regulation, it is essential to control them independently. Such countries and regions as the United States, Australia and Taiwan have imposed regulation on health foods. Though they may not be able to clearly define health foods, they start off with the regulation of the claimed effects. The United States specifies that the four health effects permitted by the Food and Drug Administration must be declared publicly only after scientific verification. However, products that have not yet been examined and approved are permitted to contain general health or function claims. Taiwan defines health foods as products that must undergo examination and approval, and they can only be sold in the market after they have complied with the seven health claims approved by the health department of Taiwan. Australia permits health foods to contain claims of intermediary or general curative effects. Various countries and regions are not consistent in giving permission to claims of curative effects: while some are severe, some others are lax, but they have basically classified such claims into two major categories: first, claims of effects that can only be made after stringent verification and second, general claims of effects that are monitored less stringently. It can ensure that stronger claims of effects and impacts on the human body can only be made after clinical verification in order to protect consumer interests.

In addition, to protect consumer interests and introduce the products to the international market, the safety of health products and the standardization of manufacturing procedures are very important. Though the existing legislation has specified that retailers cannot sell foods that are not suitable for human consumption, if we wish to establish a health food brand and introduce it to the international market, the existing regulation is obviously inadequate. The DAB thinks that the Government can formulate a "code on best production" to standardize the quality and quantity of health food production and dovetail with the international production standards and management of relevant foods in order to help the introduction of local health foods to the international market.

Madam President, to effectively implement the regulation on claims of effects and production, the Government must formulate suitable regulation on labels and descriptions. The DAB thinks that the labels of health foods should not only set out the information and claims of effects of foods, but it is more

important to attach suitable warnings. Health food manufacturers should also submit the information and contents of the labels on products to the regulatory authorities for inspection before introducing such foods to the market so as to ensure the accuracy of the relevant information. At present, the descriptions of products are not regarded as part of the product labels, but the DAB thinks that the descriptions of products are also important channels through which consumers obtain product information, thus, corresponding regulation is essential to protecting consumer interests.

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

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

(No Member responded)

**SECRETARY FOR THE ENVIRONMENT AND FOOD** (in Cantonese): Madam President, first of all, let me thank Mr CHAN Kam-lam for moving this motion on food labelling. I also wish to thank Honourable Members for their views on the motion.

Food is a daily necessity to us. In addition to formulating legislation and adopting corresponding measures to ensure food safety, the Government also agrees that consumers should be provided with the basic information on foods, so as to enable them to make informed choices in their purchase of foods. In this connection, the Government has formulated legislation on food labelling to protect consumer interests. We will also review the relevant legislation from time to time, to ensure that the legislation can always keep up with the times.

Before responding to the views raised by Members, I should like to first explain the major factors considered by the Government in formulating policies and legislation on food labelling.

The major purpose of food labels is to provide consumers with information on food safety, such as the durability period of perishable foods, food ingredients, and so on. That way, consumers can avoid consuming perished foods on the one hand, and select foods in the light of their health conditions to avoid buying

foods that will cause allergy on the other. In addition, the labels on the package of foods should also provide information helpful to consumers in selecting and handling them, such as the quantity in the package, name of manufacturer, instructions on consumption, and so on.

However, in protecting the rights and interests of consumers, we must at the same time ensure that the laws and regulations on food labelling will not pose obstacles to trade. As a member of the World Trade Organization, we must abide by the Agreement on the Application of Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade to ensure that the food-related laws and regulations formulated by us are in line with internationally accepted practices. At present, countries of the world are encouraged to adopt a series of detailed recommendations for food labelling made by the Codex Alimentarius Commission under the United Nations. Indeed, the recommendations made by the Codex Alimentarius Commission have been adopted by many countries as the blueprint for their legislation on food labelling. As a member of the international community, we will also endeavour model on the recommendations for food labelling made by the Codex Alimentarius Commission in formulating local legislation.

Furthermore, we also need to adopt a practical point of view to consider what information should be listed on the limited area on the food packages. If we should require a large amount of information to be listed on food labels, not only would the cost of foods be pushed up, consumers would also find it very difficult to identify the most important information or the information they need from the many data provided.

In Hong Kong, food labels are currently regulated by the Food and Drugs (Composition and Labelling) Regulations under the Public Health and Municipal Services Ordinance (Cap. 132). According to the Regulations, with the exception of a few exempted types of food, prepackaged foods are required to be marked or labelled with six items of information, including:

- (a) name or designation of the food product;
- (b) list of ingredients and food additives;

- (c) durability period. The "use by" date marking is used in food items that are perishable while the "best before" date marking is used for other kinds of food;
- (d) special condition for storage or instruction for use;
- (e) name and address of manufacturer or packer; and
- (f) count, weight or volume.

Besides, the Public Health and Municipal Services Ordinance also specifies that it is an offence against the Ordinance to list false information on the label of the foods concerned, or to list any misleading information on the nature, composition or quality of foods on their labels.

To enforce the above legislative requirements on the labelling of prepackaged foods, regular inspections are carried out by the Food and Environmental Hygiene Department (FEHD) and random food samples are collected to verify the contents of the labels. Basing on the results of inspection or laboratory testing, follow-up actions will be taken by the FEHD, and these actions may include issuing advice, warnings and taking out prosecutions against offenders. During the period between January and October this year, the FEHD inspected approximately 42 000 food labels, issued some 500 advisory letters and 800 warning letters, and instituted over 100 prosecutions.

In order to tie in with the latest international development, new food production method and the expectations of the public, we will regularly review the various requirements for prepackaged food labelling.

After the recent round of legislative review, we have put forward four legislative amendment proposals to improve the existing requirements. These four amendment proposals cover four areas, namely foods containing substances known to cause allergy in some individuals, food additives, labelling of alcoholic drinks, as well as improvements to the manner in marking the durability period of foods. We have consulted the relevant industries on these proposals and received general support. We are currently drafting the relevant legislative amendment proposals, and we expect to submit them to the Council next year.

Subject to the passage of the amendments, the requirements will be put into effect upon the expiry of an 18-month grace period.

Mr CHAN Kam-lam considers that prepackaged fresh fruits and vegetables should not be exempted from the requirement of listing the durability date on their labels. At present, many countries including the European Union, Singapore, and so on have exempted all fruits and vegetables from their food labelling legislation. Yet on the other hand, we also notice that indeed more and more fruits and vegetables are packaged before sale, making it very difficult for consumers to evaluate their quality. The Government will therefore examine carefully the opinions from different sectors before making any decision on this issue.

Madam President, we have heard some people expressing the hope to standardize the "use by" and "best before" date markings. We have reviewed the present arrangement and come to the view that these two labels should be retained as they provide different information to consumers. The "use by" date is marking used in food items that are easily perishable and have a relatively short shelf life, such as fresh milk, fresh meat and sashimi. Consumption of such foods after the expiry date poses considerable risk to human health. Therefore, they should not be sold after the expiry date. The "best before" date marking is used for other general kinds of food. It indicates that the quality of the food item, for instance colour, taste, and appearance, will remain in the best condition before this date. It does not mean that the food item will necessarily perish after this date and pose a risk to human health. The application of two different date markings provides consumers with more useful information. Similar practices are adopted by a number of countries like Australia, New Zealand, European Union countries and Singapore. We will strengthen our publicity effort to explain to the public the differences between the two date markings.

Some Members suggest making it an offence to sell foods that have passed their "best before" dates. We have reservations about this suggestion. In most cases, consumption of foods which have passed their "best before" dates will not pose any risk to human health. For this reason, selling foods which have passed the "best before" dates should not be considered illegal. Speaking of perished foods, if the FEHD should find any foods which seem to have perished or unsafe during inspect of retail outlets of foods, samples of such foods would be taken for laboratory testing regardless of whether they have passed the "best before" dates.

In the event that the result of tests indicates that the foods have perished or are not fit for human consumption, we will also take prosecution action. According to the relevant legislation, any person found selling food items unfit for human consumption is liable on conviction to a maximum fine of \$50,000 and six months' imprisonment.

Just now the Honourable YEUNG Yiu-chung mentioned a case in which a primary school student and a teacher suffered from food poisoning after consuming some expired foods. According to the findings of the investigation conducted by the Department of Health, since no biological abnormalities had been found with the student and teacher involved in the case, the Department decided not to list the incident as a food poisoning case. During its investigation of the incident, the FEHD was also informed that the school management had returned the foods in question to the supplier for destruction. As the FEHD was unable to take samples of the foods, it could not confirm whether the foods had passed the expiry date.

Earlier on, some Members also urged the Government to expeditiously study the feasibility of implementing a nutritional value labelling system. Actually, we have already commenced work in this respect. An ad hoc committee has been set up under the FEHD to study the feasibility of implementing a nutritional value labelling system. This study will make reference to the relevant legislation and guidelines of other countries, and will also conduct a nutritional value labelling market survey in Hong Kong. The study is expected to complete in 2002, by then we will disclose the findings to this Council and the public.

Next I should like to switch to the labelling of genetically modified (GM) foods. Before going into the details of this issue, I have to emphasize two points again. Firstly, there is no scientific or medical evidence to date to suggest that GM foods are unsafe or unfit for human consumption. The World Health Organization and the Food and Agriculture Organization have both recognized that foods manufactured with the application of modern biotechnology are not necessarily less safe than that produced by conventional means. Secondly, there is at present no international consensus on labelling of GM foods or on a GM food testing protocol. The Codex Alimentarius Commission is discussing the introduction of international standards on GM food labelling and working out a testing protocol. It is uncertain when an international accord will be reached.

Last year, the Legislative Council passed a motion to urge the Government to implement a mandatory labelling system for GM foods. Just now several Members have also indicated their support for legislation on the labelling of GM foods. Earlier on, we issued the consultation paper on "Labelling of Genetically Modified Food" to consult the public, the food industry, green groups and other relevant organizations. The paper proposed a labelling approach that requires foods with GM content above a threshold be labelled. Three options for implementation were proposed, namely, voluntary labelling, mandatory labelling, and voluntary labelling to be followed by mandatory labelling at a later date.

We have received over 6 000 opinion papers during the consultation period. Among them, some 5 000-odd used standard email, signature forms, and postcards supplied by a green group. The views expressed mostly agree to a labelling system for GM foods and hope that the Government will implement a mandatory labelling system.

Nevertheless, we have also received views from the industry, indicating that a mandatory labelling system for GM foods would have serious impact on the industry and consumers alike. The industry also pointed out that under a mandatory GM food labelling system, they would have to obtain documentation from the suppliers or producers of raw materials to certify whether the raw materials have been genetically modified, and they would also have to conduct verification tests on the raw materials and products. These would result in a substantial increase in the costs of food. The industry has also expressed the view that Hong Kong is a very small market for overseas food manufacturers. If the GM food labelling system in Hong Kong should be significantly different from those implemented in other markets, overseas manufacturers would probably give up the Hong Kong market. The industry is concerned that there would be an increase in food prices and a reduction in the variety of food products available to the community.

As food is a basic necessity, we have to consider the industry views on the potential impact a mandatory GM food labelling system may have on food prices and supply. We will therefore conduct a detailed economic assessment on the impact of a GM food labelling system on the food industry and on food prices before deciding on the way forward. We have already started the relevant work.

At the same time, we will also keep a close watch on the latest developments in respect of GM food labelling and testing technology in the

international community. Apart from that, we will also actively step up our education efforts through such means as exhibitions, distribution of information leaflets, uploading the relevant information to the homepage of the FEHD, and so on, with a view to enabling the public to have a better understanding of GM foods.

Now I should like to speak on the monitoring and labelling of health foods. At present, there is no definition of health foods in our legislation. As a matter of fact, it is rather difficult to define health foods. Among the different commodities claimed as health foods that are available on the market, some are similar to traditional food items in terms of their appearance and nature. As for others, some are available in the form of pills, medicated powder, and so on; whereas some others contain also Western or Chinese medicines. Even though there are so many types of so-called health foods on the market, we can still monitor them through a number of laws.

Firstly, as general commodities, health foods are subject to the provisions under the Trade Descriptions Ordinance (Cap. 362). Under this Ordinance, any person who, in the course of any trade or business, applies a false trade description to any goods commits an offence. The Customs and Excise Department is responsible for enforcing this Ordinance, and the key enforcement effort is to combat counterfeit goods to protect the interests of trade mark proprietors and consumers.

Secondly, as general food items, health foods are also subject to the Public Health and Municipal Services Ordinance (Cap. 132). This Ordinance provides that food manufacturers and merchandisers shall have the responsibility to ensure that their products are fit for human consumption. In addition, it is also an offence under the Ordinance to provide or display any food labels containing false descriptions or misleading information on the nature, ingredients or quality of the food items concerned. Furthermore, the Food and Drugs (Compositions and Labelling) Regulations made under the Ordinance have also specified the labelling requirement for prepackaged foods. The FEHD is vested with the responsibility to enforce the aforementioned provisions. Besides, the FEHD will also take samples of the various types of food items (including health foods) for laboratory test and will consider taking prosecution action upon finding any foods containing illegal or harmful ingredients or food labels with false descriptions.

Thirdly, health foods containing Western medicines are subject to the Pharmacy and Poisons Ordinance (Cap. 138). The Administration has set up a drugs registration system under the Ordinance, with a view to ensuring the safety, quality and effectiveness of the products concerned, and requiring that the information provided in the product description must be true. The Pharmacy and Poisons Regulations made under this Ordinance also require general medicines to be attached with labels listing such information as composition, dosage, usage, frequency of administration, and so on. Inspectors from the Department of Health will conduct several thousand visits to inspect the pharmacies and drug manufacturers across the territory annually to find out whether the drugs sold at these outlets contain any false descriptions or descriptions other than the approved and registered ones.

Fourthly, upon the commencement of the relevant provisions under the Chinese Medicine Ordinance (Cap. 549), health foods containing Chinese medicines will have to register as proprietary Chinese medicines under the Ordinance. We expect that the Chinese Medicine Council of Hong Kong will make and submit to this Council for consideration the relevant subsidiary legislation on the regulation of proprietary Chinese medicines towards the end of 2001. When vetting the registration applications, the Administration will examine the safety, quality and effects of the medicines concerned, as well as the truthfulness of the information contained in the product descriptions. Moreover, all such medicines are required to be attached with labels listing such detailed information as composition, dosage, usage, frequency of administration, and so on. Under this Ordinance, manufacturers, importers and wholesalers have to obtain licences before they can manufacture or sell such medicines in Hong Kong. The enforcement work in this respect is the responsibility of the Department of Health, which is the enforcement agent of the Chinese Medicine Council in Hong Kong.

Lastly, the Undesirable Medical Advertisements Ordinance (Cap. 231) provides that no person shall publish any advertisement (including product description and label) likely to lead to the use of any medicine or surgical treatment for the purpose of treating human beings for or preventing human beings from contracting any disease specified under the Ordinance. Also, under the Ordinance, no medical products can claim that they can treat human beings for or prevent human beings from contracting any disease specified under the Ordinance. The Undesirable Medical Advertisements Ordinance is enforced by the Department of Health and the police.

So, a basic mechanism for monitoring commodities known as health foods has already been provided through the aforementioned laws and regulations. Given that such commodities have gained increasing popularity in recent years, naturally consumers will wish to have more and accurate information on the products and have higher expectations of the safety of such products. The Health and Welfare Bureau is currently looking into the formulation of a regulatory framework to control claims relating to the health improvement effects of products. In the meantime, the Government will step up enforcement action to ensure that the commodities concerned are in compliance with the existing legislation.

Madam President, like Honourable Members, the Government will also keep a close watch on the developments in food manufacturing methods and sale patterns. Where necessary, we will also improve the existing food labelling requirements. As regards the views expressed by Members today, some of them really coincide with our plans; but for others, we still have to further consider and examine them from different angles before we can come up with any decision. Nevertheless, here I can assure Members once again that we will review the food labelling legislation regularly and support such reviews with education, publicity and law enforcement efforts to afford consumers reasonable protection.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam, you may now reply and you still have up to one minute 54 seconds for your speech.

**MR CHAN KAM-LAM** (in Cantonese): Madam President, the motion proposed by me today can be described as not politically controversial, which is pretty rare in recent years. I believe Members have been told the position of the Government many times, but while its position is positive, it also has deficiencies. It is strange that Members from the business sector have strongly opposed the motion. We already have a labelling system, but it is not very explicit. Though many foods and products are labelled, the labels may not have clearly stated information that consumers should, wish to and must know. Some packaged foods are even not affixed with labels, and this affects the goodwill of the commodity market and consumer interests. Actually, a sound labelling

system will only effectively regulate commodities of inferior quality and businessmen who intentionally sell commodities and products of inferior quality.

I hope that Honourable colleagues who are going to vote against the motion would consider the matter over and over again because their opposition would simplify the matter. It would pitch the business environment against the protection of consumers' right to information, both of which being concerns to us. People would have an impression that as a sound labelling system would become the prime culprit of an adverse business environment, they must therefore oppose it. This would seriously distort the picture and be rather misleading, which is most disappointing and unfortunate. Thank you, Madam President.

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

(Members raised their hands)

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

(Members raised their hands)

Mr CHAN Kam-lam rose to claim a division.

**PRESIDENT** (in Cantonese): Mr CHAN Kam-lam has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Dr Raymond HO, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Mr Kenneth TING, Mr Eric LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Henry WU and Mr Tommy CHEUNG voted against the motion.

Mr HUI Cheung-ching abstained.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Fred LI, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Miss Emily LAU, Mr SZETO Wah, Mr TAM Yiu-chung, Mr WONG Sing-chi, Ms Audrey EU and Mr YEUNG Yiu-chung voted for the motion.

Mr Andrew WONG and Mr MA Fung-kwok voted against the motion.

Dr David CHU and Mr Ambrose LAU abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, eight were in favour of the motion, 11 against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 18 were present, 13 were in favour of the motion, two against it and two abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

**NEXT MEETING**

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 12 December 2001.

*Adjourned accordingly at Ten o'clock.*

### WRITTEN ANSWER

#### Written answer by the Secretary for Health and Welfare to Mr LEE Cheuk-yan's supplementary question to Question 1

To clarify the definition of "low earning" category, Comprehensive Social Security Assistance (CSSA) applicants aged 15 to 59 who are able to work, earning no less than \$1,610 a month, assessed as not having sufficient earnings to cover the expenditure of their recognized needs, would be classified under the "low earning" category.

The table below shows the distribution of cases by the amount of monthly earnings at the end of October 2001 (excluding CSSA payments):

<i>Monthly Earnings</i> (\$)	<i>No. of case**</i>
Less than 1,610*	834
1,610 - 2,999	563
3,000 - 4,999	1 986
5,000 - 6,999	2 366
7,000 - 8,999	1 184
9,000 or above	509
Total	7 422

\* If an applicant subsequently earns less than \$1,610 a month, the case will be reclassified under the "unemployment" category by the Social Welfare Department.

\*\* A case may cover several family members in a household.

## Annex II

## WRITTEN ANSWER

**Written answer by the Secretary for Financial Services to Mr SIN Chung-kai's supplementary question to Question 4**

The information in respect of the ratio between low denomination bonds and total bonds issued by the statutory organizations that have issued bonds is hereby attached at the Appendix for Members' reference.

## Appendix

Table 1: Proportion of low denomination (\$50,000 or less) bonds, as of September 2001

	<i>Total outstanding</i>	<i>Of which: with denomination of HK\$50,000 or less</i>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>In percent</i>
Airport Authority	6,500	3,500	54
Hong Kong Mortgage Corporation	23,839	22,739	95
Mass Transit Railway Corporation	8,545	500	6
Kowloon-Canton Railway Corporation	0	0	0
Total	38,884	26,739	68.77

Table 2: Breakdown of Table 1 data by original maturity, as of September 2001

	<i>Total outstanding</i>			<i>Of which: with denomination of HK\$50,000 or less</i>		
	<i>Years</i>					
	<i>0 &lt;= 3</i>	<i>3 &lt;= 5</i>	<i>5 &lt;= 30</i>	<i>0 &lt;= 3</i>	<i>3 &lt;= 5</i>	<i>5 &lt;= 30</i>
	<i>(HK\$ million)</i>			<i>(HK\$ million)</i>		
Airport Authority	3,750	2,750	0	2,500	1,000	0
Hong Kong Mortgage Corporation	13,480	8,521	1,839	12,480	8,421	1,839
Mass Transit Railway Corporation	2,550	5,330	665	0	500	0
Total	19,780	16,601	2,504	14,980	9,921	1,839