

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 15 January 2003

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, G.B.S., J.P.

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, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

DR 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., J.P.

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

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE LAU PING-CHEUNG

PUBLIC OFFICERS ATTENDING:

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

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

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

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

THE HONOURABLE FREDERICK MA SI-HANG
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

CLERKS IN ATTENDANCE:

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

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instrument	<i>L.N. No.</i>
Ocean Park Bylaw	1/2003

Other Papers

- No. 52 — Consumer Council
Annual Report 2001-2002
- No. 53 — Legal Aid Services Council
Annual Report 2001-2002

WRITTEN ANSWERS TO QUESTIONS**Concessionary Bus-Bus Interchange Schemes**

1. **MR LAU PING-CHEUNG** (in Chinese): *Madam President, at present, most franchised bus companies implement concessionary Bus-Bus Interchange (BBI) schemes which offer fare discounts to Octopus card users travelling on designated route packages within specified time limits. In this connection, will the Government inform this Council:*

- (a) *of the criteria adopted by these bus companies for selecting the routes involved;*
- (b) *whether it knows the reasons why these bus companies have only introduced BBI schemes in respect of certain routes but not all the routes serving the same areas (for example, a BBI scheme of the New World First Bus Services Limited (First Bus) covers Routes 38 and 42 running between the Southern District and other areas but not Routes M590 and 590A which also serve the Southern District),*

and whether it will ask these bus companies to adopt a common approach whereby all bus routes serving the same areas are to be covered by the same BBI scheme; and

- (c) *whether it knows the reasons why these bus companies have not extended BBI schemes to bus routes of all districts, and whether it will ask them to make the relevant arrangements?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, as at end 2002, franchised bus companies have implemented 96 BBI schemes, covering 330 bus routes or 58% of all bus routes.

In selecting bus routes for BBI schemes, generally franchised bus companies take into account a number of factors including:

- (i) the scope to enhance efficient use of bus resources;
- (ii) the scope to improve network coverage;
- (iii) operational factors such as capacity of the routes concerned, physical location of the interchange;
- (iv) availability of alternative direct services;
- (v) financial implications arising from the schemes; and
- (vi) suggestions from the public.

BBI schemes involve the provision of fare concession which has financial impact on the franchised bus companies. In accordance with the system and spirit of free enterprise, it will be the commercial decision of individual bus companies on whether they could offer BBI schemes.

On the specific example mentioned in part (b) of the question, the existing BBI scheme of the First Bus involving its Routes nos. 38 and 42 is intended to facilitate passengers travelling between Southern and Eastern Districts. We understand that when the First Bus decided that the above-mentioned BBI scheme should not cover Routes nos. 590 and 590A which originate from South

Horizons in Southern District, it took into account the factors mentioned in the second paragraph above, including the availability of a direct bus route no. 99 provided by Citybus Limited between South Horizons and Shau Kei Wan in Eastern District.

We encourage the introduction of more BBI schemes and, for this purpose, we maintain ongoing discussions with franchised bus companies. For 2003, the Transport Department has approved 45 applications from franchised bus companies to introduce new BBI schemes which will increase the total number of bus routes providing BBI arrangement from 330 to 379. These new BBI schemes will be implemented subject to consultation with the relevant District Councils.

Provision of Public Facilities to Residents in Remote Areas

2. **DR LO WING-LOK** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the criteria for determining the provision of public facilities such as mains water, footpaths and street lighting to residents in remote areas; and*
- (b) *the measures in place to ensure that such facilities will not ruin the natural environment and landscape of the rural areas?*

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

- (a) The criteria in determining the provision of public facilities to residents in remotes areas are broadly described as follows:

Access roads/footpaths

Request for provision of access roads/footpaths to remote areas would normally be processed by the Transport Department/Home Affairs Department (HAD) based on merits of each case. Whether it is necessary to construct new access roads/footpaths in remote

areas would largely depend on the condition of the existing village tracks connecting the remote areas to public roads. If the existing tracks are able to cope with the existing need, it may be sufficient for the Government to carry out minor improvement on the existing tracks. In case there is a need to construct new access roads/footpaths in remote areas, we would need to consider the request based on the observed/anticipated flows and public safety. Other factors to be considered would include the nature and scope of the request, the number of beneficiaries, resources affordability and the engineering feasibility taking the existing site constraints, environmental impact and the need for land resumption into consideration.

Village lighting

Each year, the Government would in consultation with the Village Representatives propose village lighting in remote areas, and submit the proposal for approval by a Vetting Committee on Public Lighting. The Vetting Committee would normally give priority to those villages with the maximum number of households benefited. Whilst the population served by the project is an important factor, public safety is also given due weight.

Water supply

The Water Supplies Department (WSD) has drawn up a list of remote villages to be provided with metered water supply in consultation with the HAD. In developing water supply schemes to these villages, the WSD will look into factors such as reliability of local water source, whether or not the water source is polluted, hygiene and health conditions, locations of the villages in relation to the existing distribution system and engineering feasibility. The department will also take project justification, economic efficiency and resources constraints into account.

- (b) For each project, the Government would identify at the planning stage issues affecting the countryside and the environment with a view to designing the works to mitigate the adverse impacts. Departments, such as the Agriculture, Fisheries and Conservation

Department (AFCD) and the Environmental Protection Department, would be consulted where appropriate. Provisions would then be incorporated into the contract to avoid the contractor causing any damage to the environment. Compliance with these provisions would be ensured through strict site supervision by the Government. In case a project is classified as designated project under the Environmental Impact Assessments Ordinance, the project proponent would need to carry out a comprehensive environmental impact assessment and obtain the necessary environmental permit.

For those projects that would be carried out within country park areas, the project proponent would need to obtain the written consent of the Country and Marine Parks Authority (the Authority). In considering a proposed development, the Authority will assess the possible ecological, visual and landscape impacts to the country park. The Authority may also consult the Country and Marine Parks Board or its Country Parks Committee for advice where necessary.

In giving the consent, the Authority may also impose conditions governing the works within the country parks. These may include mitigation measures such as protection of trees and footpaths, site tidiness, colour of structures, restoration and landscaping, and so on, in order to ensure that any disturbed natural ground or vegetation shall be reinstated, and any damage to trails or country parks facilities shall be made good upon completion of works. The AFCD will closely monitor the works within country parks and the project proponent will be informed and requested to rectify any irregularities if found. The Authority may also suspend the works or take prosecution action if the project proponent refuses to rectify any noncompliance.

Video-recording of Public Processions by Police

3. **MS CYD HO** (in Chinese): *Madam President, with regard to the video-recording of public processions by the police, will the Government inform this Council:*

- (a) *of the criteria adopted by the police for deciding whether or not to take video records of public processions, and whether uniformed officers or plain-clothes officers should be deployed to do video-recording;*
- (b) *whether the police deployed uniformed and plain-clothes officers to take video records of the public procession held on 15 December last year by some organizations against the enactment of laws to implement Article 23 of the Basic Law; if so, of the respective numbers of the two types of police officers deployed;*
- (c) *if only plain-clothes officers were deployed to do video-recording on that day, whether and how the police had tried to inform the participants in the procession of the police's taking video records of them and of the justifications for doing so;*
- (d) *whether the police made use of the closed circuit television systems of the Transport Department to monitor the procession on that day and to take shots of the faces of the participants in the procession; and*
- (e) *how the Administration will dispose of the personal data collected in relation to parts (b) to (d) above, and to ensure that the relevant procedures are in compliance with the data protection principles under the Personal Data (Privacy) Ordinance (Cap. 486)?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The overriding principle governing the video-recording of public order events is that it is the event, not the personalities involved, that is the subject. Only if a breach of the peace is likely to occur, or has occurred, will the behaviour of individuals suspected of causing that breach become the subject. The purpose of taking video records of major public order events is not to target individuals. Instead, it is to enable the police to evaluate their

policing strategy in order to improve management of such events in future. In cases where offences are committed, such videotapes may be used as evidence. Video-recording is carried out by trained officers who are conspicuously identified by wearing proper police working dress, and where possible, accompanied by uniformed officers.

- (b) Six officers responsible for video-recording and wearing the police working dress were deployed to the event. However, they did not take video records of the event.
- (c) Police officers did not take video record during the event in question.
- (d) The police monitored the traffic condition along the route whilst the procession was in progress by using the Transport Department's Area Traffic Control System. This was to ensure that disruption to pedestrian and vehicular traffic was minimized. However, no video-recording was made in the process.
- (e) As mentioned in parts (b) to (d) of this reply, the police did not take video record during the event.

Consultation Document on the Proposals to Implement Article 23 of the Basic Law

4. **MR MARTIN LEE** (in Chinese): *Madam President, regarding the Consultation Document on the Proposals to Implement Article 23 of the Basic Law, will the Government inform this Council:*

- (a) *of the number of submissions received during the consultation period, how they are classified and determined as supporting or opposing the enactment of laws, and when a detailed compendium of the submissions will be published;*

- (b) *whether it will set out every undertaking made by the officials concerned on various occasions during the consultation period, in respect of the consultation concerning the enactment of laws, interpretation of the provisions and enforcement of the enacted law;*
- (c) *which legislative proposals it will revise and the reasons for making the revisions; and*
- (d) *whether it will consult the Central People's Government again on the enactment of laws; if so, whether the advice of the Central People's Government will be made public?*

SECRETARY FOR SECURITY (in Chinese): Madam President, regarding the proposals to implement Article 23 of the Basic Law:

- (a) The Government received more than 90 000 submissions during the public consultation period. Whilst a significant number of submissions clearly indicated their stance on the proposals, many made specific comments or suggestions. A compendium of the submissions will be published in due course.

(b) and (c)

The Government will take into consideration all the views expressed during the public consultation in preparing the Bill to implement Article 23 of the Basic Law. The Legislative Council and the public will have ample opportunities to examine the provisions in the Bill when it is published in due course.

- (d) The Government will consult the Central People's Government on matters of principle where necessary. The detailed preparation and drafting of the Bill is however the sole responsibility of the Government of the Hong Kong Special Administrative Region.

Non-local Students of Universities

5. **MR WONG SING-CHI** (in Chinese): *Madam President, regarding non-local students of various universities, will the Government inform this Council:*

- (a) *of the respective numbers of non-local undergraduates and non-local postgraduates admitted by each university in the current academic year, as well as their percentages in the respective total numbers of students admitted;*
- (b) *the number and percentage of non-local students staying in Hong Kong to take up employment after graduation in each of the past three years;*
- (c) *of the average amount of public fund granted to each of these non-local students, together with the total amount of such funding, in the current academic year; whether it knows which countries provide a similar level of subsidies from public funds to foreign tertiary students; and*
- (d) *given that some universities have indicated that they will increase the percentage of overseas and mainland students in their enrolments, how it will ensure that the chance of local students pursuing studies at local universities will not be affected?*

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

- (a) In the 2002-03 academic year, the eight tertiary institutions funded by the University Grants Committee (UGC) have admitted 274, 192 and 563 non-local students at the undergraduate (Ug), taught postgraduate (TPg) and research postgraduate (RPg) levels respectively. These represent 1.7%, 2.8% and 31.5% of the total number of students admitted at these three levels. Detailed breakdown is at Annex I.

- (b) We do not have statistics on the number and percentage of non-local students staying in Hong Kong to take up employment after graduation. According to the graduate employment surveys conducted by the eight UGC-funded institutions in the past three years, the number and percentage of non-local graduates who took up full-time employment outside their places of origin (including Hong Kong or other places) in 1999, 2000 and 2001 are at Annex II.
- (c) After netting off the tuition fee of \$42,100 payable by a degree student (same for both local and non-local students), the average amount of public subsidy provided to a non-local Ug, TPg and RPg student is \$204,900, \$201,900 and \$435,900 respectively in the 2000-01 academic year.

In the 2000-01 academic year, the number of non-local students enrolled in UGC-funded programmes at the Ug, TPg and RPg levels were 362, 161 and 1 200 in full-time equivalent terms respectively. The total amount of public subsidy provided to them is around \$74 million, \$33 million and \$523 million respectively.

Information for the 2001-02 and 2002-03 academic years is not yet available.

We have not conducted any comprehensive study on the amount of public subsidy to local and foreign tertiary students in other countries but we understand that the policies and practices can vary quite substantially among different parts of the same country and different types of tertiary institutions.

- (d) Following the Higher Education Review, the number of non-local students at the Ug and TPg levels is subject to a ceiling of 4% of the total publicly-funded places at the two levels. Since the ceiling represents a small number of student places and about 90% of our secondary school graduates who meet the minimum requirement for entry can be admitted to undergraduate programmes in recent years, the chance of local students pursuing studies at local universities should not be greatly affected.

Non-local student intake in UGC-fund institutions in 2002-03 academic year

	<i>CityU</i>	<i>HKBU</i>	<i>LU</i>	<i>CUHK</i>	<i>HKIEd</i>	<i>PolyU</i>	<i>HKUST</i>	<i>HKU</i>	<i>All institutions</i>
<i>Ug Programmes</i>									
Total student intake	2 386	1 371	736	2 936	1 192	2 559	1 884	2 781	15 845
Non-local student intake	57	20	9	68	5	35	44	36	274
Non-local student intake as percentage of total student intake	2.4%	1.5%	1.2%	2.3%	0.4%	1.4%	2.3%	1.3%	1.7%
<i>TPg programmes</i>									
Total student intake	711	482	-	1 343	760	813	268	2 457	6 834
Non-local student intake	12	1	-	20	-	7	9	143	192
Non-local student intake as percentage of total student intake	1.7%	0.2%	-	1.5%	0.0%	0.9%	3.4%	5.8%	2.8%
<i>RPg programmes</i>									
Total student intake	179	34	13	662	-	150	346	403	1 787
Non-local student intake	61	20	6	105	-	49	162	160	563
Non-local student intake as percentage of total student intake	34.1%	58.8%	46.2%	15.9%	-	32.7%	46.8%	39.7%	31.5%

CityU : City University of Hong Kong
 HKBU : Hong Kong Baptist University
 LU : Lingnan University
 CUHK : The Chinese University of Hong Kong
 HKIEd : The Hong Kong Institute of Education
 PolyU : The Hong Kong Polytechnic University
 HKUST : The Hong Kong University of Science and Technology
 HKU : The University of Hong Kong

Non-local graduates in 1999, 2000 and 2001 taking up full-time employment outside places of origin

	1999			2000			2001		
	<i>Ug</i>	<i>TPg</i>	<i>RPg</i>	<i>Ug</i>	<i>TPg</i>	<i>RPg</i>	<i>Ug</i>	<i>TPg</i>	<i>RPg</i>
	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>	<i>Programmes</i>
Full-time non-local graduates	20	46	305	15	72	362	17	56	381
Responded non-local graduates	16	25	96	13	25	160	6	17	115
Responded non-local graduates who take up full-time employment outside their places of origin (including Hong Kong or other places)	14 (88%)	10 (40%)	26 (27%)	9 (69%)	6 (24%)	31 (19%)	4 (67%)	5 (29%)	23 (20%)

Note: The percentage in brackets show the ratio of responded non-local graduates who took up full-time employment outside their places of origin (including Hong Kong or other places).

Civil Servants' Applications for Reinstatement

6. **MR ABRAHAM SHEK** (in Chinese): *Madam President, regarding the processing by government departments of civil servants' applications for reinstatement, will the Government inform this Council:*

- (a) of the total number of such applications on which government departments consulted the Public Service Commission over the past five years and, among them, the number of those for which the Commission recommended approval;*
- (b) whether it knows the basis on which the Commission recommends approval for reinstatement; and*
- (c) in respect of the reinstatement cases which were recommended for approval as mentioned in (a) above, of the longest period for which the applicants had been suspended?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President, my reply to the question raised by the Honourable Abraham SHEK is as follows:

- (a) in the past five years, we have consulted the Public Service Commission on a total of 10 applications for reinstatement. They were all approved following the favourable advice of the Commission;
- (b) in processing the applications, the Commission has taken into account the following factors:
 - (i) operational needs such as recruitment difficulties/availability of a substantial amount of vacancies;
 - (ii) no promotion blockage;
 - (iii) satisfactory conduct and performance records whilst in service; and
 - (iv) special grounds, such as compassionate grounds.

- (c) among the approved cases mentioned in (a) above, the one involving the longest break of service is 15 years.

Relationship Between Economic Growth and Public Finance

7. **DR YEUNG SUM** (in Chinese): *Madam President, regarding the relationship between economic growth and public finance, will the Government inform this Council:*

- (a) *given that the Government forecast in March last year a 1% annual economic growth rate (in terms of real Gross Domestic Product (GDP)) for 2002, and subsequently revised the rate to 2% at the end of November last year, of the implications of such revision on the following items of public finance:*
 - (i) *the revenue on recurrent account for the current financial year;*
 - (ii) *the deficit on recurrent account for the current financial year; and*
 - (iii) *the 2002 to 2006 Medium Range Forecast of public revenue and expenditure; and*
- (b) *whether it has assessed the impact on economic growth of a 1% reduction (on a cash basis) in the current budget expenditure; if so, of the results of the assessment?*

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

- (a) (i) Although in November 2002 we raised our forecast for real GDP growth from 1% to 2% for the calendar year 2002, we at the same time lowered our forecast for the GDP deflator from -1.5% to -2.5%. As a result, our November 2002 forecast for the GDP in 2002 remains at -0.5% in nominal terms, the same as our forecast in March 2002. Therefore,

to the extent that our recurrent revenue is affected by GDP growth in nominal terms, our November 2002 forecast has not provided a different basis for assessing our recurrent revenue for 2002-03. The Financial Secretary will present his revised estimate for the recurrent revenue for 2002-03 in his coming Budget.

- (ii) Similarly, our November 2002 forecasts for the GDP for the calendar year 2002 on its own have not provided a different basis for assessing our operating balance for 2002-03. The Financial Secretary will present his revised estimate for our operating balance for 2002-03 in his coming Budget.
 - (iii) We are working on the next annual Medium Range Forecast. The Financial Secretary will present this Forecast in his coming Budget.
- (b) With consumers' propensity to save and leakage to imports rendering a diluting or else offsetting effect, an increase in public sector expenditure on a GDP basis on the whole would only render a limited short-term boost to GDP. Our estimate is that for every dollar of increase in public sector expenditure, it would lift GDP by around half of a dollar in the year of incidence. Conversely, for every dollar of decrease in public sector expenditure, it would reduce GDP by around half of a dollar in the year of incidence. Converting the latter result into percentage terms, a 1% decrease in public sector expenditure on a GDP basis would reduce GDP by 0.07 of a percentage point in the year of incidence.

Students Crossing Border to Attend Schools in Hong Kong

8. **MR IP KWOK-HIM** (in Chinese): *Madam President, regarding the children who cross the border to attend schools in Hong Kong, will the Government inform this Council:*

- (a) *of the number of such students and the districts in which their schools are located;*

- (b) *of the modes of transport used by these students for travelling to and from school; and*
- (c) *whether the travelling expenses incurred by these students are higher than those incurred by students living in Hong Kong; if that is the case, whether it has accordingly adjusted the level of travel subsidy granted to them; if it has, of the computation formula for the subsidy and the criteria for granting the subsidy; if it has not, the reasons for that?*

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

- (a) Information on the number of Hong Kong students who live in the Mainland and cross the border to attend schools in Hong Kong as well as the districts in which their schools are located is as follows:

<i>Location of Schools</i>	<i>Number of Students</i>
North District	3 125
Yuen Long	417
Tai Po	25
Total:	3 567

- (b) We do not have any statistics on the modes of transport used by these students for travelling to and from school.
- (c) The amount of travelling expenses incurred by students depends on many factors like the location of the school, the distance between home and school, the modes of transport available and individual preferences. Hong Kong students who live in the Mainland and cross the border to attend schools may receive Student Travel Subsidy or Cross-net Travel Subsidy for the expenses incurred in travelling to and from school within the boundaries of Hong Kong, provided that they have passed the means test. The amount of travel subsidy is calculated on the basis of the average fares on public transport to and from the transit area and the district in which the school is located.

According to our record of travel subsidy payments made in the 2002-03 school year, as at 31 December 2002, the average travel subsidy received by students who cross the border to attend schools in Hong Kong is higher than that for all eligible students. The relevant information is shown below:

	<i>Eligible Students who Cross the Border to Attend Schools</i>	<i>All Eligible Students</i>
Cross-net Travel Subsidy Scheme	\$2,250	\$1,320
Average amount of subsidy		
Student Travel Subsidy Scheme		
• Average amount of subsidy — full grant	\$4,261	\$2,561
• Average amount of subsidy — half grant	\$2,047	\$1,291

Ethnic Minorities' Applications for Naturalization as Chinese Nationals

9. **MR BERNARD CHAN:** *Madam President, it has been reported that a Hong Kong-born Indian girl, who is not a near relative of any Chinese national, was recently naturalized as a Chinese national. It is learnt that such case is quite rare. In this connection, will the Government inform this Council whether:*

- (a) *there has been a change recently in the policy for handling ethnic minorities' applications for naturalization as Chinese nationals; and*
- (b) *it has estimated the number of persons belonging to the ethnic minorities who are going to apply for naturalization as Chinese nationals in the near future; if so, of the details?*

SECRETARY FOR SECURITY: Madam President,

- (a) There has been no change in the policy for handling ethnic minorities' applications for naturalization as Chinese nationals. All naturalization applications are processed in accordance with law without regard to the applicant's ethnicity.

Since 1 July 1997, all naturalization applications are processed by the Immigration Department (ImmD) in accordance with the Nationality Law of the People's Republic of China (Nationality Law) promulgated in the Hong Kong Special Administrative Region (SAR). All matters relating to the operation of the Nationality Law in the SAR are governed by the Chinese Nationality (Miscellaneous Provisions) Ordinance, Cap. 540.

In accordance with Article 7 of the Nationality Law, foreign nationals or stateless persons who are willing to abide by China's Constitution and laws and who meet one of the following conditions may be naturalized upon approval of their applications:

- (i) they are near relatives of Chinese nationals;
- (ii) they have settled in China; or
- (iii) they have other legitimate reasons.

Furthermore, upon approval of the naturalization application, the applicant shall not retain foreign nationality as stipulated in Article 8 of the Nationality Law.

Section 5(1)(a) of Cap. 540 provides, amongst others, that the discretion in connection with any nationality application (including naturalization) shall be exercised without regard to race, colour or religion of any person who may be affected by its exercise.

- (b) The ImmD does not have any estimate of the number of persons belonging to the ethnic minorities who are going to apply for naturalization as Chinese nationals in the near future. In the past three years (2000 to 2002), on average 443 applications for naturalization were received each year.

Investigations Conducted on Intermediaries by SFC

10. **MR HENRY WU** (in Chinese): *Madam President, regarding investigations conducted on intermediaries by the Securities and Futures Commission (SFC), will the Government inform this Council whether it knows:*

- (a) the types of investigation conducted by the SFC other than routine and sampling investigations, as well as the purpose and sampling method of each type of investigation;*
- (b) whether the SFC has issued to its investigating officers the procedures or guidelines for conducting each type of investigation; if it has, of the details; and whether it has made public or notified the investigation targets of such procedures or guidelines; if it has not made them public or notified the investigation targets, of the reasons for that;*
- (c) of the number of such investigations conducted by the SFC in each of the past three years, together with a breakdown by the types of intermediaries and investigations;*
- (d) for cases in which no breaches were found upon completion of the investigation, whether the SFC has notified the investigation targets of the completion;*
 - (i) if it has, of the manner of notification; and among those investigations which were completed within the past three years, of the average, longest and shortest duration taken by the SFC from the commencement of investigation to notifying the targets of the completion, together with a breakdown by the types of intermediaries and investigations; and*
 - (ii) if not, of the reasons for that, and*
- (e) of the number of such investigations completed by the SFC in each of the past three years, as well as the number among these investigations in which no breaches were found but the SFC has not yet notified the targets of the completion in writing so far?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese) Madam President, in response to the Honourable Member's question, we have sought relevant information from the SFC, as follows:

- (a) The Enforcement Division of the SFC conducts investigations when there are suspected breaches of the laws relating to the securities and futures industry, for example, on market manipulation, insider dealing and unregistered activities. The Enforcement Division does not conduct routine or sampling investigations and does not confine their investigations to registered intermediaries.

The Intermediaries Supervision Department (ISD) of the SFC conducts routine inspections of intermediaries to assess general compliance with rules and regulations. The ISD also conducts special inspections which include:

- (i) Theme inspections — these refer to the review of a selected sample of intermediaries with common features. The objective is to identify possible common compliance problems in respect of certain regulatory requirements and any systemic risk factors in order to develop the appropriate regulatory response and policies. Examples in the past include theme inspections on margin financing activities, Internet trading and introducing brokers.
- (ii) Other special inspections — these may be performed when the SFC receives information suggesting possible regulatory breaches by a registered intermediary which may pose significant risks to its clients or the market. In other situations that are deemed necessary by the ISD, special inspections would also be performed. For example, the ISD would conduct a special inspection to review the financial situation of an intermediary in default to ensure that client interests and assets are protected.

The ISD uses a risk-based approach in selecting intermediaries for inspections. The criteria to assess risk include compliance history, standard of internal controls, complaints received by the SFC, information on financial returns and opinion in auditor's reports.

- (b) The inspection procedures to be followed by the inspection staff are detailed in the ISD's Operating Manual. The Operating Manual covers procedures for the whole inspection cycle, including planning and pre-inspection work, fieldwork control and review, and the issue of letters to the management of inspected intermediaries post-inspection. The Operating Manual is for the internal use of ISD staff who are subject to a statutory secrecy regime. The Operating Manual is not made public because by doing so may compromise the effectiveness of the SFC's inspection of the intermediary concerned. The SFC's operating procedures are however subject to scrutiny by the Process Review Panel (PRP) which may make recommendations to the SFC for improvements.

In general, intermediaries that are selected for inspections are informed of the purposes and scope of inspections in advance and ISD staff will communicate the process of the inspection at the opening meeting before commencing inspection.

- (c) The number and types of inspections conducted by ISD staff in the past three financial years are summarized at Annex A.
- (d) and (e)

Generally the completion of the inspection fieldwork is signalled by a meeting at the end of fieldwork visit where the inspection team will inform the management of the intermediary of any concerns, including any identified breaches.

If deficiencies have been identified following the inspection, the ISD will send a letter of deficiencies to the intermediary setting out the identified breaches and deficiencies which the inspection staff have discussed with the intermediary. The intermediary is normally required to provide a written response to state the rectification actions which have been or will be taken.

If ISD staff has not identified any areas of concern following the inspection, a thank-you letter would be sent to the inspected intermediary advising it the completion of the inspection and expressing appreciation for its co-operation.

A total of 750 routine inspections and 197 special inspections were conducted by the ISD in the past three financial years. As of 31 December 2002, there are 37 routine inspections and seven special inspections that have not been completed. All of these inspections were commenced in 2002. The information on the duration of inspections is summarized in the table at Annex B.

Irrespective of whether breaches have been identified, the inspected intermediaries are always informed of when the inspections are completed.

Annex A

Inspection Conducted and Completed by the ISD of the SFC
from 1 April 1999 to 31 March 2002

<i>Type of intermediary</i>	<i>1 April 1999 to 31 March 2000</i>		<i>1 April 2000 to 31 March 2001</i>		<i>1 April 2001 to 31 March 2002</i>	
	<i>Routine</i>	<i>Special</i>	<i>Routine</i>	<i>Special</i>	<i>Routine</i>	<i>Special</i>
	<i>inspection</i>	<i>inspection</i>	<i>inspection</i>	<i>inspection</i>	<i>inspection</i>	<i>inspection</i>
Stock Exchange of Hong Kong (SEHK) Participant Dealer	20	64	93	11	97	23
Non-SEHK Participant Dealer	52	8	46	9	24	8
Hong Kong Futures Exchange (HKFE) Participant Dealer	8	1	16	1	14	-
Non-HKFE Participant Dealer	8	1	3	-	2	-
Leveraged Foreign Exchange Trader	3	-	1	-	1	-
Investment Adviser	148	7	86	1	62	8
Commodity Trading Adviser	34	-	16	-	12	2
Share Margin Financier	-	53	1	-	3	-
Total	273	134	262	22	215	41

Annex B

The Duration of Inspections Completed in 2002¹

<i>Type of intermediary</i> ⁵	<i>Cases with no deficiencies identified</i>			<i>Cases with deficiencies identified</i>		
	<i>No. of days² to complete the inspection³</i>			<i>No. of days to complete the inspection</i>		
	<i>(No. of days to complete the inspection fieldwork⁴)</i>			<i>(No. of days to complete the inspection fieldwork)</i>		
	<i>Average</i>	<i>Longest</i>	<i>Shortest</i>	<i>Average</i>	<i>Longest</i>	<i>Shortest</i>
Securities dealer	73 (2)	132 (3)	17 (1)	100 (6)	185 (24)	18 (1)
Commodities dealer	75 (8)	85 (13)	64 (3)	85 (7)	120 (17)	19 (2)
Investment adviser	33 (2)	75 (5)	16 (1)	92 (5)	161 (13)	1 (1)
Commodities trading adviser	N/A	N/A	N/A	97 (5)	133 (9)	63 (1)
Share margin financier	N/A	N/A	N/A	173 (9)	185 (10)	160 (8)
Leveraged Foreign Exchange Trader	N/A	N/A	N/A	91 (13)	91 (13)	91 (13)

Note 1: Due to resource constraints the SFC could only provide information for inspections completed in 2002.

Note 2: The number of days refers to working days.

Note 3: The number of days to complete the inspection is counted from the date of commencement of inspection fieldwork to the date of issue of letter indicating the completion of the inspection. The number of days to complete the inspection fieldwork is the number of days that ISD staff physically visit an intermediary's office and conduct review on site.

Note 4: Although the duration of some inspections might appear to be long, the number of days that ISD staff visited the intermediaries for inspection fieldwork (that is, on-site review of books and records) was much shorter. The actual time that an intermediary needs to devote to an inspection is short. In the case of an intermediary that does not have any major issues, the actual time needed for it to interact with ISD post fieldwork is only a matter of a few hours.

Note 5: A registered intermediary may hold more than one licence. In such case, the intermediary would be counted separately under different type of licence.

Procurement of Guns by Police

11. **MR NG LEUNG-SING** (in Chinese): *Madam President, it has been reported that among the batch of 1 000-odd "Smith and Wesson Model 10" heavy barrel revolvers bought by the police a few months ago, some 200 had to be returned to the manufacturer for replacement because cracks had been found in the gun barrels. In this connection, will the Government inform this Council of:*

- (a) the police's gun procurement procedure;*
- (b) the number and percentage of guns bought by the police over the past five years that were returned due to specification-related problems; and*
- (c) the procedure followed by the police in replacing guns that do not meet the specifications and taking relevant follow-up actions?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) As part of the Force's ongoing efforts to ensure the functioning and quantity of firearms held are adequate to meet different operational needs of our officers, all firearms are being regularly inspected and closely monitored. New firearms are to be procured on a regular basis for the purpose of upgrading, replacement or supplementary provision to meet the impending demand of officers working in varying operational environment. Each and every newly purchased firearms will be delivered to the Force Armoury Workshop for inspection. The arms will undergo strict consignment tests with all parts stripped down for checking and testing before formal acceptance and payment. Any gun found failing to comply with the specifications will be returned to the supplier for rectification.
- (b) Over the past five years, a total of 262 firearms, representing 12.7% of the overall number of firearms procured by the Force, were found to be substandard and returned to the supplier after inspection. The rejection of such newly delivered firearms was, in the main, attributed to the high standards and stringent testing procedures

adopted by the Force before acceptance of the firearms procured.

- (c) It is a long established practice that all firearms procured has to undergo strict quality control inspection before they are issued to police officers. Any firearms failing to meet the specifications will be returned to the supplier for rectification. The fixed firearms subsequently returned by the supplier will similarly undergo the same level of checking and testing before formal acceptance. That said, an appropriate timeframe allowing sufficient lead time is always set to ensure that the Force always maintain adequate stock of firearms for use by our officers to meet their varying operational requirements.

Rules and Regulations Relating to People's Liberation Army Garrison Stationed in Hong Kong

12. **MR ANDREW CHENG** (in Chinese): *Madam President, regarding the rules and regulations relating to the People's Liberation Army Garrison stationed in the Hong Kong Special Administrative Region (SAR), will the Government inform this Council whether:*

- (a) *it knows the disciplinary rules and regulations which members of the Garrison are required to observe, in addition to abiding by national and SAR laws, including the rules governing their off-duty attire outside the barracks (for example, whether they are allowed to wear military uniform);*
- (b) *other than the relevant provision in the Summary Offences Ordinance (Cap. 228), there are other laws as well as any mainland laws and regulations restricting the wearing or use of the Garrison's military uniform by persons other than members of the Garrison; if so, of the details; and*
- (c) *the Garrison and its members are required to pay levies to the Traffic Accident Victims Assistance Fund; if so, of the respective numbers of vehicles and personnel in respect of which the Garrison is liable to pay the levies each year since the reunification of Hong Kong, and the total amount of such levies paid?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) In accordance with Article 14 of the Basic Law, in addition to abiding by national laws, members of the Garrison shall abide by the laws of the SAR. Also, in accordance with Article 16(2) of the Law of the People's Republic of China on the Garrisoning of the SAR (Garrison Law), members of the Garrison shall abide by national laws and the laws of the SAR, and observe military discipline. The Garrison Law and laws of the SAR do not have any specific provision governing the off-duty attire of members of the Garrison outside the barracks. According to section 87 of an "Internal Affairs Order for the Chinese People's Liberation Army", "members of the army going out not for duty, female members of the army during pregnancy and supplies personnel going out for procurement should wear ordinary clothes".
- (b) The relevant provision in the Summary Offences Ordinance (Cap. 228) provides that any person who wears a uniform which he is not entitled to wear or dress so closely resembling the same as to be calculated to deceive shall commit an offence. In addition, the Official Secrets Ordinance (Cap. 521) also provides that a person commits an offence if he, for the purpose of gaining admission or of assisting any other person to gain admission to a prohibited place, or for any other purpose prejudicial to the safety or interests of the State or Hong Kong uses or wears, without lawful authority, any military uniform, or any uniform so nearly resembling the same as to be calculated to deceive, or falsely represents himself to be a person who is or has been entitled to use or wear any such uniform. The existing laws of the SAR only restrict the wearing or use of the Garrison's military uniform or any attire closely resembling the Garrison's military uniform under the circumstances described above. In accordance with Article 18 of the Basic Law, national laws shall not be applied in the SAR except for those listed in Annex III to the Basic Law. The national laws listed in Annex III to the Basic Law do not restrict the wearing or use of the Garrison's military uniform by persons other than members of the Garrison.
- (c) Provisions under the Traffic Accident Victims (Assistance Fund) Ordinance (Cap. 229) are not clear on whether military vehicles and drivers of the Garrison should pay the levy and how to make

payment. The Administration is considering whether the Garrison should be required to pay levy to the Traffic Accident Victims Assistance Fund, and the necessary legislative amendments.

Derailment of Light Rail Vehicle

13. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, on 18 December last year, the derailment of a Light Rail vehicle disrupted services for more than two hours, causing inconveniences to tens of thousands of passengers. Some people suspected that the derailment was caused by the failure of a switching point at a rail crossing, or the excessive erosion of tracks in some sections. In this connection, will the Government inform this Council:*

- (a) *whether it knows:*
 - (i) *the effective operation rate of switching points at Light Rail crossings in the past three years, and how this rate compares to those in other countries;*
 - (ii) *the frequency and timetable for changing the tracks of all lines since the commissioning of the Light Rail Transit System (LRT), and how they compare to the international standard;*
 - (iii) *the number of times for which Light Rail tracks and the relevant mechanical control devices were found to have been eroded over the past three years, and the remedial measures adopted by the authorities concerned; and*
 - (iv) *if the authorities concerned have assessed whether the current overhead Light Rail tracking projects have affected the normal operation of the Light Rail signalling system; if so, of the results of the assessment;*
- (b) *of the authorities' measures to ensure the continued safe and efficient operation of the LRT; and*
- (c) *how the authorities will improve the contingency traffic arrangements in times of the LRT incidents, so as to ensure the timely diversion of the passengers concerned?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, according to information provided by the Kowloon-Canton Railway Corporation (KCRC),

- (i) Light Rail's automatic point machines at rail crossings were operated at a reliability rate of 99.97%, 99.97% and 99.98% in 2000, 2001 and 2002 respectively. They are better than the rate of 99.96% set by the manufacturer. Similar figures for other countries are not available. It should also be noted that even on very rare occasions when the point machines could not operate automatically, the points would be held in a locked position. The safety of the railway system would not be affected;
- (ii) like other railway systems, the tracks of Light Rail will suffer normal wear and tear owing to the running of trains. Regular inspections and measurements are carried out to ascertain the condition of the tracks. Appropriate actions such as rail grinding and rail replacement are then taken. The above maintenance process is in line with international practice. Given the present track condition, the KCRC considers that there is no need to carry out a system-wide replacement of tracks for Light Rail;
- (iii) the tracks and other relevant mechanical components of a railway have wear and tear owing to the running of trains. Such wear and tear is normal. Light Rail has a well-established mechanism in place to monitor and maintain its facilities, as well as to replace the worn components so as to ensure the safe operation of the railway. Over the past three years, about 2 km of rail tracks and 33 units of point switches or crossings have been replaced; and
- (iv) the Light Rail grade separation works are being carried out under very close supervision of the KCRC's construction team and the Light Rail operations and engineering teams. The works have not caused any disruption to the normal operation of the Light Rail signalling system.

After the derailment on 18 December 2002, staff of the Hong Kong Railway Inspectorate (HKRI) inspected the incident scene immediately and initiated action with the KCRC to investigate into the cause of the incident. The

Environment, Transport and Works Bureau requested the KCRC to take immediate action to ensure the normal operation of Light Rail, and to submit a report on the incident as soon as practicable. Pending the completion of the investigation, the Corporation has, under the monitoring of the HKRI, taken precautionary measures on operations and maintenance, and completed a system-wide check on the condition of all the track turnouts in the network; the condition of the wheels of all Light Rail vehicles; and the automatic point machines and the associated signalling system. Through this inspection, the KCRC has confirmed that the Light Rail system is in good condition and is operating safely.

Both the KCRC and the Transport Department (TD) have established contingency plans to handle traffic in case of Light Rail incidents. The TD and the KCRC have also conducted a joint review meeting in light of the 18 December 2002 incident. Both parties agreed, with a view to minimizing the adverse impact on passengers due to railway incidents, to strengthen communication and co-ordination when incidents occur, and to review the contingency plan and emergency bus arrangement from time to time.

Mobile Medical Services

14. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, regarding the dispatching of Department of Health (DH)'s mobile dispensaries, floating clinics and flying doctors to provide medical services to residents living on outlying islands and certain remote areas in the rural parts of the territory, will the Government inform this Council:*

- (a) *of the numbers of vehicles, vessels and helicopters deployed to provide mobile medical services, and their annual operating and maintenance costs;*
- (b) *of the respective numbers of medical and supporting staff at various ranks for such services and the annual expenditure on their salaries;*
- (c) *of the annual salary and other expenditures for the relevant supporting staff (such as pilots and crew members) of other government departments involved;*

- (d) *of the unit cost of mobile medical services and how it compares to that of a general out-patient clinic;*
- (e) *of the districts in which mobile medical services are provided and the timetables for the services;*
- (f) *of the total attendance to receive mobile medical services and the average number of persons served in each trip in each district over the past three years;*
- (g) *whether it knows where the residents in such districts would go to seek medical services at other times; and*
- (h) *of the criteria for deciding which districts should be provided with mobile medical services; whether it has regularly reassessed if such services should be maintained in the relevant districts in the light of factors such as demographic changes, the demand for such services, the availability of public transport services and networks, as well as the costs for providing the services in these districts?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese):
Madam President, the DH provides medical services through floating clinics and helicopters to serve residents in outlying islands and remote areas, as follows:

- (a) Four vehicles, two floating clinics and one helicopter are currently used by the DH for providing mobile medical services. The annual operating and maintenance costs for the mobile medical services are \$5.4 million (of which \$1.7 million are borne by the DH and \$3.7 million by other government departments).
- (b) and (c)

The manpower and the staff costs involved in the services are set out as below:

DH

<i>Rank</i>	<i>No.</i>
Medical and Health Officer	2.3
Registered Nurse	2.3
Dispenser	2.3
Assistant Clerical Officer	2.3
Motor Driver	0.4
Workman II	2.3

Other government departments

<i>Rank</i>	<i>No.</i>
Marine Department	
Senior Launch Master	2.00
Launch Assistant	6.00
Government Flying Service	
Pilot I	0.04
Pilot II	0.04
Air Crewman Officer II	0.04
Air Crewman Officer III	0.04

The total staff cost of the mobile medical services is \$9.1 million with the following breakdown:

	<i>\$ Million</i>
DH	6.8
Other government departments	2.3

- (d) The unit cost at 2002-03 price level is \$1,610 for mobile medical services and \$219 for general out-patient service.

- (e) and (f)

The locations and the timetable for the mobile medical services and the number of attendances in the most recent three years for which data are available are set out at Appendix.

- (g) All the locations are covered by the mobile medical services on a regular basis. The residents can also travel to urban areas for medical services in the private and public sectors by various means, depending on their location and clinical condition.
- (h) The DH provides health care facilities through the mobile medical services in the remote and less densely populated areas taking into account the accessibility to other health care services, the demands for and utilization patterns of these services as well as the need to rationalize the resources. These services are currently under review in the light of urbanization and improvements in transportation network. We shall modify the scope and mode of operation of the mobile medical services given the changing circumstances.

Appendix

Mobile Medical Services by the DH

<i>Service</i>	<i>Location</i>	<i>Frequency</i>	<i>Length of Each Session (/minutes)</i>	<i>Average Number of Attendances per Session in the Past Three Years (1999 to 2001)</i>	<i>Number of Attendances in the Past Three Years (1999 to 2001)</i>
Chee Hong Floating Clinic	Ma Wan	3 sessions per week	30 - 45	7	7 081
	Penny's Bay	2 sessions per week	15 - 30	2	
	Po Toi Island	2 sessions per week	20 - 30	2	
	Tung Lung Island	2 sessions per week	15 - 35	1	
	Po Toi O	2 sessions per week	30	3	
	Kau Sai	2 sessions per week	30	2	
	Leung Shuen Wan	2 sessions per week	30	5	
	Yam O	1 session per week	5	<1	
	Sha Lo Wan	2 sessions per week	10 - 30	3	
	Pak Mong	1 session per week	15	1	

<i>Service</i>	<i>Location</i>	<i>Frequency</i>	<i>Length of Each Session (/minutes)</i>	<i>Average Number of Attendances per Session in the Past Three Years (1999 to 2001)</i>	<i>Number of Attendances in the Past Three Years (1999 to 2001)</i>
Chee Wan Floating Clinic	Sai Lau Kong	1 session per week	15	< 1	8 671
	Kat O	3 sessions per week	75	6	
	Ap Chau	3 sessions per week	60 - 75	1	
	Shum Chung Pier	2 sessions per week	15 - 30	1	
	Tap Mun Pier	2 sessions per week	75	5	
	Kau Lau Wan Pier	2 sessions per week	30 - 60	3	
	Lai Chi Chong Pier	1 session per week	15	< 1	
	Sum Wan Tsai	1 session per week	30	2	
	Yim Tin Tsai	1 session per week	60	9	
	Wu Kai Sha	2 sessions per week	30 - 45	6	
Lantau Island Travelling Dispensary	Ngong Ping	1 session per week	75	13	2 395
	Luk Wu	1 session per week	30	2	
	Ling Yan Monastery	1 session per month	75	11	
Ma On Shan Travelling Dispensary	Ma On Shan Tsuen	1 session per month	105	6	201
Helicopter Medical Service	Lai Chi Wo	1 session every 2 weeks	15	< 1	266
	Tai Long	1 session every 2 weeks	15	2	
	Sai Wan	1 session every 2 weeks	15	1	
	Yung Shue O	1 session every 2 weeks	15	2	

<i>Service</i>	<i>Location</i>	<i>Frequency</i>	<i>Length of Each Session (/minutes)</i>	<i>Average Number of Attendances per Session in the Past Three Years (1999 to 2001)</i>	<i>Number of Attendances in the Past Three Years (1999 to 2001)</i>
Sai Kung Travelling Dispensary	Tseng Lan Shu	2 sessions per week	60	12	6 208
	Mang Kung Uk	2 sessions per week	30	6	
	Sheung Yeung	2 sessions per week	25	3	
Shek Wu Hui Travelling Dispensary	Wu Kau Tang	1 session every 2 weeks	40	3	1 304
	Lin Ma Hang	1 session per week	60	5	
	San Uk Ling	1 session per week	60	2	

Outsourcing Winding-up Cases by Official Receiver's Office

15. **MR ERIC LI** (in Chinese): *Madam President, in 2001-02, private insolvency practitioners (PIPs) who provided winding-up services on behalf of the Official Receiver's Office (ORO) handled 851 cases, while the ORO itself handled 322 cases. Moreover, a consultancy study considers that outsourcing winding-up cases is a cost-effective approach. In this connection, will the Government inform this Council whether:*

- (a) *it has studied why it is more cost-effective for the ORO to outsource winding-up cases than to handle them itself; if it has, of the findings; and*
- (b) *it will consider outsourcing all winding-up cases to PIPs in order to reduce public expenditure?*

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

- (a) We have not carried out any cost comparison between the ORO and PIPs regarding the handling of winding-up cases. Winding-up

cases can be classified into two categories, namely, summary cases (each with realized assets unlikely to exceed \$200,000) and non-summary cases (each with realized assets likely to exceed \$200,000). Summary cases are outsourced to PIPs whereas non-summary cases are normally handled by PIPs selected by creditors. The consultant tasked with reviewing the ORO's role has taken the view that such arrangements are a cost-effective approach. It allows the ORO to deal with increases in case volume at a lower cost than that is likely to be incurred by expanding in-house resources. Moreover, this approach is in line with the Government's overall policy to outsource public sector work to the private sector; and

- (b) Our current policy is for all cases to be handled by PIPs who seek to cover their fees by the assets realized in the insolvent estate. The Official Receiver (OR) only acts as the liquidator of the last resort. In the year 2002-03 (up to end December 2002), all summary cases (870) were outsourced to PIPs. As regards non-summary cases, no creditors have sought to appoint the OR as the liquidator and all such cases have so far been handled by PIPs.

Railway Development

16. **MS MIRIAM LAU** (in Chinese): *Madam President, the Government announced the objective of developing railways as the backbone of Hong Kong's transport system in "Hong Kong Moving Ahead: A Transport Strategy For The Future", and proposed the provision of six new railway lines in the Railway Development Strategy-2000 (RDS-2000). As there have been reports that the Administration is considering delaying the implementation of new railway projects, will the Government inform this Council whether:*

- (a) *"developing railways as the backbone of Hong Kong's transport system" still remains the Government's objective; if not, of the reasons for that; and*
- (b) *various new railway lines will be completed on schedule according to the anticipated timetable in the RDS-2000; if so, of the specific completion date of each railway line; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, railways are environmentally-friendly and efficient mass carriers. They are well proven to be the most reliable and efficient system for carrying large numbers of people. It remains our transport policy of using railways as the backbone. Railway "trunk lines" will be supplemented by "feeder" services using other public transport modes.

However, huge investments are needed for railway development. We must make sure that such resources are used in a cost-effective manner. The timings given in the RDS-2000 are indicative only and we have to keep reviewing and reprioritizing the projects in the light of changes in transport, population and land use planning. For the Sha Tin to Central Link and the Kowloon Southern Link, the RDS-2000 has indicated likely completion windows of 2008 to 2011 and 2008 to 2013 respectively. We are targeting to complete these two projects around 2008-09. We are keeping the need of other railway projects under review, and will report on their implementation windows when their need and programme can be more firmly established.

Construction Progress of North Lantau Hospital

17. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, the Administration informed the Panel on Health Services of this Council in January 2000 that the construction of the North Lantau Hospital was anticipated to be completed by 2007. In this connection, will the Government inform this Council of the latest progress of the construction and whether it will be completed on schedule; if not, of the reasons for that?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese):

Madam President, the development of North Lantau New Town is divided into four phases. Phase I and Phase II developments which commenced in 1992 and 1994 respectively are scheduled for completion in 2004-05. The Government is reviewing the timing and scope of the remaining phases of the North Lantau development, including the proposed land uses, in the light of the latest forecasts of population growth and housing demand as well as the Governments' initiative to build a Logistics Park in North Lantau as announced in the 2003 policy address. A site for hospital development will be reserved in North Lantau under this exercise. Once the hospital site is available, we will initiate

procedures to secure the funding required for the construction of the hospital as well as proceed with the planning of the hospital. In the meantime, the Hospital Authority will continue to provide medical services to residents in North Lantau through its Kowloon West hospital cluster, which comprises the Princess Margaret Hospital, Caritas Medical Centre, Yan Chai Hospital, Kwong Wah Hospital, Our Lady of Maryknoll Hospital, Wong Tai Sin Hospital and Kwai Chung Hospital.

Driving Instructors' Licences

18. **MR LEUNG FU-WAH** (in Chinese): *Madam President, some driving instructors working in authorized driving schools have complained to me about the authorities' rule that their driving instructors' licences will become invalid once they cease to work for their schools, although they were issued licences by the Transport Department (TD) after stringent training and tests. In this connection, will the Government inform this Council:*

- (a) of the tests that the applicants have to pass before they are issued licences to work as driving instructors in driving schools;*
- (b) of the number of driving instructors who were newly issued licences, as well as the number of licences rendered invalid by the departure of the holders, in respect of each school in each of the past three years; and*
- (c) whether it will review the rule?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, under section 22(1A) of the Road Traffic (Driving Licences) Regulations, the Commissioner for Transport may issue a driving instructor's licence to an applicant who is employed by a driving school as a driving instructor subject to the condition that the applicant shall only give driving instructions on behalf of that driving school. The applicant is required to go through a written test and a road test conducted by the TD. Subject to his passing the tests, the applicant will be issued with a driving instructor's licence which confines his service to the driving school offering him the employment. As this restriction is one of the conditions of issuance of the driving instructor's

licence under the law, the licence will be rendered invalid and will be cancelled upon termination of the licence holder's service at the driving school concerned. The school driving instructors are made fully aware of this condition when they are issued with the licences and enter into employment contracts with the driving schools.

The number of restricted driving instructor licences issued or cancelled in the past three years are as follows:

<i>Year</i>	<i>The Hong Kong School of Motoring Limited</i>		<i>Tsuen Wan Driving School</i>	
	<i>Newly Issued</i>	<i>Cancelled</i>	<i>Newly Issued</i>	<i>Cancelled</i>
2000	0	20	5	0
2001	14	28	0	0
2002	19	35	9	3
Total	33	83	14	3

The above arrangements are in compliance with the statutory requirements. We have looked into the issue during the overall review on driver training policy in 1999-2000 and concluded that the arrangement be maintained after thorough consultation with the Legislative Council and the trade.

Installation of Flashing Green Countdown Displays for Vehicles and Pedestrians

19. **MR FREDERICK FUNG** (in Chinese): *Madam President, regarding the installation of flashing green countdown displays for vehicles and pedestrians with a view to lowering the number of traffic accidents, will the Government inform this Council:*

- (a) *of the number of traffic accidents involving pedestrians that took place at signalized pedestrian crossings in the past three years, with a breakdown of the number of pedestrian casualties by the causes of accidents;*
- (b) *of the details of and the costs incurred for the six-month Pedestrian Flashing Green Countdown Display Trial Scheme implemented by the Transport Department last December; and*

- (c) *whether it will, after drawing reference from the experience gained in places such as the Mainland and Taiwan, consider installing flashing green countdown displays for vehicles, in order to facilitate drivers; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the number of traffic accidents involving pedestrians which took place at signalized pedestrian crossings and the number of pedestrian casualties involved in those accidents in 2000 to 2002 and the causes are set out at Annex I.

The Administration launched a trial on the installation of pedestrian flashing green countdown timers at 10 selected sites in December 2002 (a list of the locations is at Annex II). The trial will last for six months until mid-2003. We have commissioned the City University to undertake a study to evaluate the effectiveness of the device and pedestrians' response to the countdown device. The study comprises field observations, pedestrian opinion surveys and statistical analysis. The study is scheduled to be completed in mid-2003 to tie in with the trial. The total cost of the trial scheme and the evaluation study is about \$535,000.

Overseas findings on the effectiveness of similar countdown devices for motorists are inconclusive. Some studies indicate that countdown devices for motorists may increase the risk of accidents at road junctions as motorists may react differently in the last few seconds of the green signal of traffic lights. Motorists who decide to speed through the junction will subject the pedestrians there to greater danger, while motorists suddenly braking their vehicles will cause the vehicles behind to collide into them.

Moreover, our traffic control system has adopted an advanced traffic adaptive control technology with which the duration of the green signal of traffic lights would automatically adjust and may vary from one cycle to another depending on the traffic condition in the vicinity. The countdown devices available in the market however operate on a fixed, pre-set basis which is unable to accommodate such variation. The two systems, if used together, will cause confusion to the motorists.

We will continue to closely monitor developments on this front to further assess the effectiveness of such devices and their possible introduction into Hong Kong.

Annex I

Number of traffic accidents involving pedestrians
which took place at signalized pedestrian crossing

<i>2000</i>	<i>2001</i>	<i>2002⁽¹⁾</i>
958	1 016	994

Number of pedestrian casualties involved in the above accidents

<i>Cause of accidents</i>	<i>2000</i>	<i>2001</i>	<i>2002⁽¹⁾</i>
Pedestrian contributory factors ⁽²⁾	529	569	577
Other contributory factors ⁽³⁾	463	499	461
Total	992	1 068	1 038

Notes:

(1) Provisional figures for 2002 as at 8 January 2003.

(2) Pedestrian contributory factors include "inattentive when crossing road", "crossing road heedless of traffic", and so on.

(3) Other contributory factors include driver contributory factors such as "disobeying traffic signal", "driving too close to kerb" and accident environment contributory factors such as "vision obstructed by parked vehicles".

Annex II

Sites selected for the trial scheme on pedestrian flashing green countdown timers

1. Nathan Road / Mongkok Road
2. Cheung Sha Wan Road / Nam Cheong Street
3. Hong Ning Road / Kwun Tong Road
4. Tai Shing Street / Tung Tau Tsuen Road
5. King's Road / Tin Chong Street
6. Queen's Road Central / Pedder Street
7. Sha Tsui Road / Tsuen Lung Street
8. Kwai Yan Road outside Kwai Fong MTR Station
9. Po Fung Road / Mau Yip Road
10. Kwong Fung Road / Po Heung Street

Standards of Cosmetology Courses

20. **MR FRED LI** (in Chinese): *Madam President, it is learnt that the number of institutions providing cosmetology courses has increased substantially in recent years. Regarding the number of and the standards of the courses offered by these institutions, will the Government inform this Council:*

- (a) *whether it has compiled statistics on the number of such institutions; if so, of their current number, and the number of them which were set up in the past two years; if not, whether such statistics will be compiled;*
- (b) *of the number of complaints about cosmetology courses received by the authorities concerned in the past two years, together with a breakdown by the subject of complaint;*

- (c) *whether it plans to monitor the standards of cosmetology courses; and*
- (d) *whether it knows if the Vocational Training Council has plans to introduce skill tests on beauty and skin care techniques for instructors of cosmetology courses; if so, of the progress of the plan and, in order to protect consumers' rights and interests, whether the Government will consider enacting legislation to stipulate that only those who have passed the tests are allowed to teach cosmetology courses?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, having consulted the Secretary for Education and Manpower, my reply to the four parts of the question is as follows:

- (a) Cosmetology courses, which are not covered by the provisions of the Education Ordinance (Cap. 279), are offered by commercial entities or non-profit-making organizations. In the current database of the Census and Statistics Department (C&SD), establishments providing cosmetology courses are classified as "barber and beauty shops". The C&SD does not keep separate statistics on the number of institutions providing cosmetology courses and has no plan to compile such statistics.
- (b) In the past two years, the Consumer Council has not received any complaint about cosmetology courses.
- (c) The Government has no plan to regulate the standards of cosmetology courses. Nevertheless, we are proposing the setting up of a qualifications framework and a quality assurance mechanism which will be conducive to enhancing the quality of training provided by various training providers, including the providers of cosmetology courses.
- (d) The Beauty Care and Hairdressing Training Board of the Vocational Training Council is developing suitable trade tests for beauticians with the objective of enhancing the overall service quality of the industry. The Board aims to introduce the tests in early 2004. The Government has no plan to legislate to require people teaching cosmetology courses to pass the trade tests for beauticians.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under the Interpretation and General Clauses Ordinance in relation to extension of the period for amending subsidiary legislation.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

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

The House Committee agreed at its meeting on 3 January 2003 that, I should move a motion in my capacity as Chairman of the House Committee to extend the deliberation period of 23 items of subsidiary legislation laid on the table of the Legislative Council on 18 December 2002 under the Securities and Futures Ordinance to 12 February 2003 to give Members more time to consider the Rules concerned.

With these remarks, I urge Members to support this motion.

Mrs Selina CHOW moved the following motion:

"That in relation to the —

- (a) Securities and Futures (Financial Resources) Rules, published in the Gazette as Legal Notice No. 209 of 2002;
- (b) Securities and Futures (Keeping of Records) Rules, published in the Gazette as Legal Notice No. 210 of 2002;
- (c) Securities and Futures (Accounts and Audit) Rules, published in the Gazette as Legal Notice No. 211 of 2002;
- (d) Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules, published in the Gazette as Legal Notice No. 212 of 2002;

- (e) Securities and Futures (Short Selling and Securities Borrowing and Lending (Miscellaneous)) Rules, published in the Gazette as Legal Notice No. 213 of 2002;
- (f) Securities and Futures (Licensing and Registration) (Information) Rules, published in the Gazette as Legal Notice No. 214 of 2002;
- (g) Securities and Futures (Investor Compensation - Claims) Rules, published in the Gazette as Legal Notice No. 215 of 2002;
- (h) Securities and Futures (Miscellaneous) Rules, published in the Gazette as Legal Notice No. 216 of 2002;
- (i) Securities and Futures (Stock Market Listing) Rules, published in the Gazette as Legal Notice No. 217 of 2002;
- (j) Securities and Futures (Price Stabilizing) Rules, published in the Gazette as Legal Notice No. 218 of 2002;
- (k) Securities and Futures (Disclosure of Interests - Securities Borrowing and Lending) Rules, published in the Gazette as Legal Notice No. 219 of 2002;
- (l) Securities and Futures (Contracts Limits and Reportable Positions) Rules, published in the Gazette as Legal Notice No. 220 of 2002;
- (m) Securities and Futures (Levy) Order, published in the Gazette as Legal Notice No. 221 of 2002;
- (n) Securities and Futures (Levy) Rules, published in the Gazette as Legal Notice No. 222 of 2002;
- (o) Securities and Futures (Investor Compensation - Levy) Rules, published in the Gazette as Legal Notice No. 223 of 2002;
- (p) Securities and Futures (Investor Compensation - Compensation Limits) Rules, published in the Gazette as Legal Notice No. 224 of 2002;

- (q) Securities and Futures (Transfer of Functions - Investor Compensation Company) Order, published in the Gazette as Legal Notice No. 225 of 2002;
- (r) Securities and Futures Ordinance (Amendment of Schedule 10) Order 2002, published in the Gazette as Legal Notice No. 226 of 2002;
- (s) Securities and Futures (Transfer of Functions - Stock Exchange Company) Order, published in the Gazette as Legal Notice No. 227 of 2002;
- (t) Securities and Futures (Fees) Rules, published in the Gazette as Legal Notice No. 228 of 2002;
- (u) Securities and Futures (Disclosure of Interests - Exclusions) Regulation, published in the Gazette as Legal Notice No. 229 of 2002;
- (v) Securities and Futures (Offences and Penalties) Regulation, published in the Gazette as Legal Notice No. 230 of 2002; and
- (w) Securities and Futures Ordinance (Amendment of Schedule 8) Order 2002, published in the Gazette as Legal Notice No. 231 of 2002,

and laid on the table of the Legislative Council on 18 December 2002, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 12 February 2003."

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 Member wish to speak?

(No Member responded)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Proposed resolution under the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region.

PROPOSED RESOLUTION UNDER THE RULES OF PROCEDURE OF THE LEGISLATIVE COUNCIL OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

MR JASPER TSANG (in Cantonese): Madam President, I move the resolution standing in my name, as printed on the Agenda, to suspend part of the provisions of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region.

The House Committee has accepted the recommendation of the Committee on Rules of Procedure to implement an amended mode of debate adopted since the last Session on the Motion of Thanks of this Session one week after the Chief Executive has presented the 2003 policy address, that is, today. The Committee on Rules of Procedure believes that all Members of this Council and delegated officials will conduct the debate in accordance with the new arrangements (including the speaking time limits) agreed by all parties.

Since Rule 13(1) of the Rules of Procedure provides therein for a Motion of Thanks to be moved at a meeting not less than 14 days after the Chief Executive has presented the policy address to the Council, the House Committee recommends that this part of the provisions be suspended to enable the Chairman of the Committee to move the Motion of Thanks later in this meeting.

I urge Members to support the motion.

Thank you, Madam President.

Mr Jasper TSANG moved the following motion:

"That Rule 13(1) of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, to the extent that it provides for a Motion of Thanks to be moved at a meeting not less than 14 days after the Chief Executive has presented a policy address to the Council, be suspended to enable a Motion of Thanks to be moved at the Legislative Council meeting of 15 January 2003."

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

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

(No Member responded)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Motion of Thanks. Mrs Selina CHOW will move this motion. I have accepted the recommendations of the House Committee. Mrs Selina CHOW will have up to 15 minutes for moving the motion and giving her reply and another five minutes to speak on the amendment. Subject to the overall 20-minute speaking time limit for each Member, a Member may speak in one or more of the five debate sessions. With the exception of Mrs Selina CHOW who may speak on the amendment and in reply, all other Members may speak only once in a session.

In each session, I will call upon those Members who wish to speak to speak first. Council will then be suspended for 10 minutes for the Administration to co-ordinate its response. Only public officers may speak when Council resumes. The total speaking time limit for public officers in each session will depend on the number of speakers, but the minimum is 45 minutes.

MOTION OF THANKS

MRS SELINA CHOW (in Cantonese): Madam President, in my capacity as Chairman of the House Committee, I move that "this Council thanks the Chief Executive for his address".

Madam President, before the debate on the contents of the policy address, Members have had a vigorous discussion in an earlier House Committee meeting on the timing of delivering the address and certain arrangements.

The Chief Secretary for Administration explained to Members that there were two reasons for delaying the release of the policy address. Firstly, the Government hoped to shorten the time gap between the releases of the policy address and the Budget, so that new policies could be implemented as soon as

possible to benefit the people early. Secondly, the newly appointed Secretaries of the various Policy Bureaux needed time to study carefully their respective policy portfolios and to set their respective work priorities in support of the Chief Executive's policy address. The Chief Secretary for Administration thought that it was neither pragmatic nor realistic to maintain the practice of releasing the policy address in October.

On the decision of the Government to delay the release of the policy address to January, Members hold divergent views. Some Members think that, under the present economic climate, the public has expectations on the newly appointed officials. It is hoped that they can assist the Chief Executive in putting forward effective policies and measures to improve the economy and relieve the people of the difficulties. If there is a need to implement new policies as soon as possible, the Administration may consult the Legislative Council on advancing the date for publication of the Budget. These Members think that the Principal Officials should not take so long as six months to prepare the policy address because they are all assisted by the experienced Permanent Secretaries.

Some Members have no objection to the adoption of a new timetable by the Government in releasing the policy address of 2002-03. These Members agree that the newly appointed Principal Officials need time to familiarize themselves with their respective policy portfolios, to grasp their work and to provide input for the policy address.

As for the failure on the part of the Government to consult the Legislative Council on the new timetable for releasing the policy address, Members' views are unanimous. Members have all expressed strong dissatisfaction with the Government in making such an important decision unilaterally. They also have reservations about keeping the new timetable as a permanent practice as this involves a change in the constitutional convention and will have an impact on the operation of the Legislative Council. Members request the Government to conduct a review, basing on the experience gained this year, and to conduct discussions with the Legislative Council on the timetable for releasing the next policy address as well as the arrangements for subsequent years.

On the conduct of a review, the House Committee has referred the issue to the Committee on Rules of Procedure for discussion with the Government. In

this connection, I wish to mention two principles. Firstly, the Government should adopt an open mind to listen to the opinions of the Legislative Council, and conduct consultations before making any decision. Secondly, the Government should reserve sufficient time for consultation because the Committee on Rules of Procedure has to consult Members on the proposals of the Government, and the overall arrangements would ultimately be subject to discussion by the House Committee and its decision.

Apart from the issue of the timetable for releasing the policy address, the Administration also has not consulted the Legislative Council on some other arrangements, or even informed the Legislative Council of such arrangements. Madam President, the House Committee spent a long time last Friday discussing the proposal made by Dr YEUNG Sum to delay the Motion of Thanks debate. Dr YEUNG hoped that the panels could hold policy address briefings in their respective meetings, so as to enable the Accountability Officials to provide more information to Members on new measures listed in the policy agenda.

Although the proposal of Dr YEUNG Sum was not passed in the House Committee, Members are concerned that the Government has only printed a policy agenda. Compared to a booklet of detailed Policy Objective on each policy portfolio in the past, the policy agenda is much too simple and has not given detailed explanation on new measures proposed by the Government. The Administration has not consulted the Legislative Council on the arrangement of not providing booklets of Policy Objective, nor has it informed the Council of this arrangement. Furthermore, after the release of the policy address, the Financial Secretary and various Bureau Directors have met with the press to provide supplementary details on major directions of the policy address during the past few days. However, the Financial Secretary and the Bureau Directors have not taken the initiative to conduct briefings with the Legislative Council. Instead of providing information to the Legislative Council, the Government has chosen to provide such information to the press. It is baffling as to why the Government has adopted such a careless attitude towards the Legislative Council. What is more, this is not the first occurrence of such incidents. In the past, Members had already expressed their dissatisfaction on such issues to the Government.

Madam President, Members eventually decided that all panels should hold policy briefings from Monday (the day before yesterday) to this morning, so as

to enable Members to obtain more information to prepare for this debate. That the series of briefings could have been arranged at such short notices, credit must go to the Administration for its full co-operation, apart from the hard efforts made by our highly efficient Secretariat. However, the Administration has failed to provide information papers in time for Members' reference in some briefings. The Policy Bureaux concerned explained that they were notified to attend the briefings at very short notices, so information papers had to be provided later. Madam President, the Policy Bureaux should have grasped the information related to the policy agenda at a very early stage for such information had been released to the press. Therefore, such information, with some minor adaptations, could be presented to the Legislative Council. I believe, and Members would surely agree, that the Committee on Rules of Procedure, apart from studying the timing of releasing the policy address, needs to examine in greater depth the arrangements of holding policy address briefings as well as the provision of information by the Administration to the Legislative Council after this debate.

The position of Members is that the Administration should fully consult the Legislative Council on any major proposals or changes that may affect the Council, so that Members' views can be fully heard. Members also request the Administration to brief the Legislative Council before briefing the press on major issues or announcements. Members think that, after the Accountability System for Principal Officials is implemented, the Administration, especially the various Bureau Directors, should maintain more communication and a closer working relationship with the Legislative Council.

Madam President, the Chief Secretary for Administration has assured me and the Vice-Chairman of the House Committee that the Administration will demonstrate its determination to co-operate with the Legislative Council by actual actions. The Chief Secretary for Administration has stressed that co-operation among all parties concerned is important especially under the prevailing economic circumstances. To this, I could not agree more. I also commend the Chief Secretary for Administration for his effort in conveying repeatedly the explicit message that the Administration would co-operate with the Legislative Council and would discuss with Bureau Directors the requests of the Legislative Council. Unfortunately, however, the reality shows that the executive authorities always ignore the Legislative Council. The Administration must understand that words alone are not enough, its respect for and its determination to co-operate with the Legislative Council have to be demonstrated by actions.

As Chairman of the House Committee, I would like to point out once again that the executive authorities are accountable to the legislature. The Legislative Council has to monitor the operation of the Government and make suggestions on public policies on the one hand, it has to maintain a partnership with the Administration on the other. Therefore, there should be mutual respect between the Administration and the Legislative Council; and by way of dialogue and communication, a healthy relationship between the executive authorities and the legislature could be established. With particular reference to major policies and issues, the Administration should consult the Legislative Council beforehand to achieve better co-ordination, so as to strive for the well-being of the community as a whole.

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

Mrs Selina CHOW moved the following motion: (Translation)

"That this Council thanks the Chief Executive for his address."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That this Council thanks the Chief Executive for his address.

PRESIDENT (in Cantonese): Dr YEUNG Sum has given notice that he will move an amendment to this motion, as printed on the Agenda. At the conclusion of the five debate sessions, I will call upon him to move his amendment.

The motion and the amendment will now be debated together in a joint debate.

PRESIDENT (in Cantonese): We will now move on to the first debate session. The policy areas of this session are "commerce and industry, economic services, financial affairs, information technology and broadcasting and labour".

DR YEUNG SUM (in Cantonese): Madam President, I would like to thank Mrs Selina CHOW for the speech she has just delivered because, as Chairman of the House Committee, she has acted in a fair and impartial manner and has fully reflected the viewpoints of different parties and groups on the Government's approach in presenting the policy address. I believe the Administration could see that the various parties and groups, though with different viewpoints, would all endeavour to maintain and strengthen the independent roles and functions of the Legislative Council.

Today, we are holding a debate on the policy address. However, I feel that this policy address resembles more a budget, only that the Chief Executive has divided it into two, with the first part delivered by himself last week describing the future directions and problems of the economy and reiterating that the Government must act resolutely to tackle the problem of deficits. As for the part on proposals of tax increases and cutting expenditure, it will be left to the Financial Secretary who will continue delivering it in March.

If the Chief Executive still insists that this is a policy address, I am sorry, I really cannot consider this piece of "homework" acceptable because it is irrelevant and incomplete. The policy address does not contain a comprehensive social policy concept, and fails to respond to the unemployment problem that is very much the major concern of the people. There are no measures to help the poor and relieve their difficulties, or to improve education. It is silent on such urgent tasks as making preparations for review of the political system, or on how to unite different sectors of the community and to restore the confidence of the people, and so on. In the mind of the Chief Executive, there are only two urgent tasks. First, is to resolve the fiscal deficits, and second, is the enactment of laws on Article 23 of the Basic Law (Article 23).

This policy address is really more concise than past addresses. In the past, we had to use three adjectives to describe the blueprint of governance of the Chief Executive: high, grand and empty. This year, one adjective will suffice: empty. It is not even "high" or "grand".

When the Chief Executive mentioned the economic integration with the Pearl River Delta (PRD), he was so very confident in saying that, "After feeling our way over the past few years, I now believe we have embarked on the right

track", as if he had made a great achievement very much like the discovery of the new continents by Christopher COLUMBUS. It seems that Mr TUNG has forgotten that when he was feeling his way over the past few years, Hong Kong businessmen had already gone northwards to invest in manufacturing plants in the Mainland — they have already taken concrete steps to promote integration with the PRD.

In the past, the development of the PRD really made great contribution to the economy of Hong Kong. However, the development has also brought many negative effects, and problems are surfacing one after the other. So far, we can see that the so-called integration is a one-way process — the number of "rice bowls" going northwards exceeds that flowing into Hong Kong. We can see that all the local factories have been relocated to the Mainland. Posts in the service industries are draining away as well. The people are going northwards to the Mainland to spend their money or even buying properties there. In comparison, only very few mainland enterprises have come to Hong Kong to make investments. We are unable to see any concrete effects from proposals put forward several years ago, such as the proposals of "transferring the northern capital southwards to Hong Kong", investment immigrants, and so on. As a result, Hong Kong has given impetus to the economic development of the Mainland, but we are facing such social problems as high unemployment, weak spending, the great disparity between the rich and the poor, extended deflation, and so on. If this development continues, and if all the companies move their operations to the north, what business will be left for our pillar industries such as financial services, logistics and producer services? By then, there will only be one business left in Hong Kong, namely the Disneyland. So, of the four pillar industries, only tourism is left. Then we can compete with Macao only. But I am afraid there is still a long way to go for Hong Kong even if it chooses to compete with Macao in the gambling industry.

Madam President, on the integration with the PRD as mentioned by the Chief Executive, the Democratic Party thinks that three policy principles must be addressed and implemented by the Government. First, we should strive for a true integration, a two-way integration; second, no party should claim to be dependent on any other parties, and the relationship should be a relationship of mutual benefit; and third, the integration should not bring benefits to only the major consortia, but also to the general public. This is what the Government should do.

In order to achieve a two-way integration, the Chief Executive should ask the mainland authorities to speed up the pace of opening up their markets and to impose less restrictions on mainland enterprises, capital and talents coming south to Hong Kong, so as to build up a free market system. In this way, Hong Kong may, on the basis of a fair market, attract more mainland enterprises to come and invest in Hong Kong to strengthen the economic foundation of Hong Kong and create more posts and job opportunities. Only an integration like this can really be a mutually beneficial and two-way integration that can bring about benefits for the people. The Chief Executive should fully realize that an economic integration of two places is not a matter of any one party being dependent on the other, and that it is never a purely co-operative relationship — that it should involve some competition, maybe positive competition. Each city in the PRD would like to attract the largest amount of capital and create the greatest number of job opportunities in the integration process and eventually become the regional leader. The Governor of Guangdong Province, LU Ruihua, has made it quite clear that they would like to become a national and international financial centre. So if the Chief Executive does not have a comprehensive strategy, all he will do is to making repeated concessions in the integration process. In the end, the so-called integration will in effect see Hong Kong being absorbed by other cities in the region. The Chief Executive also has to ensure that in the process of promoting the logistics and transportation industries in the integration with the PRD, the monopolization by the major consortia will not be further facilitated. Instead, we must ensure that there is fair competition, so that the general public could be benefitted.

If the Chief Executive really has vision, he should be able to see where the major economic trend develops, so that he can make some revolutionary proposals. For example, as both the Mainland and Taiwan have joined the World Trade Organization, it is the right time for us to consider seriously the feasibility of establishing a Greater China Free Trade Zone. This will help to make Hong Kong become another market of financial services for Taiwanese capital, or even attracting Taiwanese investors to use Hong Kong as a stepping-stone for development of the mainland market.

Madam President, TUNG Chee-hwa is quite innocent, sometimes naive. He thinks that by telling the people a beautiful fairy tale, in which the integration with the PRD is described as very wonderful, then he can restore the confidence of the people. However, after listening to his tale, the people have become more worried. They worry that Hong Kong will be "swallowed" by the PRD,

they worry that it will make more capital, more employers and more "rice bowls" relocate to the Mainland, and then they worry how they could survive if the unemployment situation should worsen.

This is not the fault of TUNG Chee-hwa. He has been working hard and sincerely believes in this logic. We cannot help. The problem is he has failed to appreciate the worries of the people. He is afraid of the people. He even dares not attend public occasions and even the question-and-answer radio shows. How can he understand their worries? How can a Chief Executive who is afraid of facing the people bring confidence to the people? How can he govern Hong Kong properly?

Madam President, not only has the policy address failed to address the urgent needs of the people, failed to rebuild the confidence of the people, as the Government has to solve the problem of fiscal deficits, it has resorted to cutting expenditure substantially and even imposing tax increases on the middle class. I would like to stress once again, the Democratic Party opposes substantial reduction of public expenditure and the imposition of tax increases on the middle class. The substantial reduction of public expenditure will not only affect the education, welfare and medical services enjoyed by the middle and lower classes, but it may even lead to increases in education and medical fees which eventually will aggravate the financial burden of these people. For people of the middle class, they have to face unemployment and dwindling incomes. And if they are further subject to a heavier tax liability, it will only seriously deter them from spending, thus aggravating deflation and the unemployment situation. All this will bring about tremendous negative impact on the economy and even affect the stability of society. By then, the grassroots will surely suffer miserably, not to mention the middle class.

In the face of the fiscal deficits, the Democratic Party thinks that issuing government bonds could be an alternative proposal. We do not mean borrowing money from the market with nothing. Instead, we are suggesting to put government assets with good potentials behind the bonds, and when the market conditions improve, the Government could then seek a listing of these assets on the stock exchange in order to generate capital. Such assets can in fact provide a stable source of income, which is sufficient for servicing the bonds. So this is not "spending money with credit cards" as suggested by the Government, and definitely will not bring additional burden to the Government.

By issuing bonds, the Government may increase its non-recurrent revenue. This could avoid substantially cutting public expenditure and imposing significant tax increases on the middle class. To the people, government bonds are even an ideal investment tool. It is better in terms of return than putting one's own savings in the banks which do not yield any interests at all. After issuing the bonds, together with the foreign exchange and financial reserves of over \$900 billion, we shall have a total value of reserve which is the equivalent to four times of the monetary base — I repeat — it is four times of our monetary base. This should provide very strong backing for our currency board — a point repeatedly stressed by Mr Joseph YAM. It is completely different from the situation in Argentina, the foreign exchange reserve of which cannot even meet the 100% mark of its monetary base. If the Government continues to threaten the people by drawing reference to the Argentinian experience, telling such lies that fiscal deficits will lead to degraded credit ratings, rising interest rates, inviting raids on the Hong Kong dollar, triggering outward flow of capitals, and unstable financial markets, it will be impossible to restore the confidence of the people in Hong Kong and to improve the economy.

Madam President, I would like to further speak on the amendment proposed by myself.

Yesterday, the Secretary for Security said in a press conference that it was perfectly fine for people supporting the enactment of laws on Article 23 to simply describe the enactment "as natural as the laws of heaven and earth". But she said people opposing the enactment of laws on Article 23 were utterly exaggerating in bad-mouthing the Government when they used the expression of "to be condemned by heaven and earth". The Secretary's remark is similar to a Chinese saying, "The Governor may set fire on something, but the people are not allowed to light their lanterns.", which is an autocratic statement. The Democratic Party thinks that the Government should serve the people, and should take care of the rights and freedoms of the people. But the SAR Government has not done this properly. Instead, it seeks by all means to undermine the human rights and freedoms of the people of Hong Kong, to violate "one country, two systems" and "a high degree of autonomy" — this should really be condemned by heaven and earth. The Democratic Party has to express our deepest regret about this.

In reviewing the consultation which took place during the past three months, we find that people from different sectors of the community, including

the legal, academic, media, cultural, commercial, financial and social services sectors (not just political parties and the legal sector), have all expressed concerns and worries and urged the Government to conduct another round of public consultation by publicating the legal provisions in the form of a White Bill. In a survey conducted by the Democratic Party, it is shown that, among 500 or so respondents, about 70% of them support the issue of a White Bill. In summing up roughly the opinions expressed openly during the consultation period (though not a complete summary), we find that such opinions are sufficiently reflecting that many international organizations, such as the Bar Associations of England and the Wales, Hong Kong, the China Business Council under the International Chamber of Commerce, and Amnesty International, have also requested the Government to issue a White Bill. The list I am holding contains many more local and international organizations, but I am not going to name them one by one.

The Secretary for Security said that there would not be a second round of public consultation for the enactment of laws on Article 23. This is really disappointing and in comprehension. Obviously, the Chief Executive has not accepted this cross-sector consensus. Yet, he said the Government would take on board the views of the people. I am afraid that he was telling a naked lie. The Democratic Party has to express our deep regrets about this.

Article 23 stipulates that the SAR shall enact laws on its own. This is in fact a good test for the SAR to see how well it can realize "one country, two systems" and "a high degree of autonomy". Judging from the proposals of the Government, the enactment of laws on offences against national security will not just limit the basic rights and freedoms of the people, but also have far-reaching implications on "one country, two systems", "a high degree of autonomy" and the rule of law in Hong Kong. When the bill on Article 23 is passed in this Council, I think the Democratic Party and the people will feel as if having a cold blanket being thrown on us. But I shall continue to insist on my view, continue our fight on this issue. The Democratic Party sincerely urges the Government to rein in its charge before it is too late, and issue a White Bill for public consultation as soon as possible. The Government would be able to restore, I repeat, to restore the confidence of the people only if it could comply with the opinions of the people, and unite the divided society. Please do something really fruitful to rescue the confidence of the international community in the SAR.

With these remarks, I seek to propose my amendment. Thank you, Madam President.

DR DAVID LI: Madam President, the new style policy address has been welcomed by members of the Finance Functional Constituency for its clear and concise focus on the policy goals of the Administration.

Furthermore, there is widespread support for the policy agenda, in particular the focus on the four pillars of the economy: financial services, logistics, tourism and producer services. The inclusion of creative industries as a fifth pillar is also appreciated.

The Finance Functional Constituency looks forward to new policy initiatives to support the further development of these industries in the years ahead. In particular, more vigorous efforts to promote Hong Kong's interests with the relevant authorities in the Mainland would be desirable.

There is broad support for the Chief Executive's commitment to streamline the Government and reduce red tape. Furthermore, enhanced economic integration with the Pearl River Delta is felt essential to our future prosperity.

However, when addressing the fiscal deficit, the views expressed, to me, diverged from those contained in the policy address. While there was universal support for reduced public spending, I found no support whatsoever for increased taxes. The message that I received is that our economic recovery is extremely fragile. Time and again, I was told: "Now is not the time to raise taxes." Furthermore, given the fragile nature of our economic recovery, the impact that government policies may have on our economy must be considered. There is concern within the Finance Functional Constituency that this is not the case at present.

For example, the Administration has proposed to introduce legislation covering a Deposit Protection Scheme during the current Legislative Council Session. Members of the Finance Functional Constituency urge caution. The costs of setting up a scheme and building a deposit protection fund will be greatest in the initial years of the scheme. These costs will have to be borne by the consumers. We must be certain that a scheme is launched only when our community can afford to pay. I would welcome the Administration's assurance in this regard.

On the other hand, members of the Finance Functional Constituency urge the Administration to move with all possible haste to implement a scheme for greater sharing of consumer credit data.

In response to the rising default rate on credit cards, banks have severely tightened their credit policies over the past year. This has no doubt dampened consumer spending and contributed to the dismal performance of the retail sector.

Delay and inaction will only prolong the slump in retail spending. To support the overall health of the economy, members of the Finance Functional Constituency urge the Administration to move with all possible speed to implement a programme for greater sharing of consumer credit data.

Our Chief Executive said that solving the deficit problem is the Government's top priority. If we do not take resolute action, he warned, our international credit rating will be downgraded. He proposed a three-pronged strategy to attack the fiscal deficit: economic growth, reduced public spending and higher taxes.

Here, in a nutshell, is our Government's dilemma. In general, governments stimulate a weak economy through higher spending and reduced taxes. But our deficit has reached a point where, according to our Chief Executive, it threatens the stability of our financial system. How then can we foster growth, while reducing the fiscal deficit?

In the six years of this Administration, spending has grown year by year, while revenues have declined.

In the address presented to this Council last Wednesday, our Chief Executive hailed "big market, small government" as the guiding principle of his Administration. I firmly believe that this principle is the way forward, and wholeheartedly endorse our Chief Executive's commitment to small government. The policy address, however, fell short in defining small government.

A pay cut, even a cut of the Chief Executive's salary, does not transform a big government into a small government.

Where do we cut? The Administration must set priorities. The policy address should have set firm policy guidance, based on the principle of "big market, small government". Without such guidance, we risk bringing in a Frankenstein of spending cuts, frustrating our economic recovery.

Small government means hard policy choices. After an era of expanding government responsibility, it means reducing the Government's influence on the economy and on our lives.

If we are to have confidence that the Administration is able to address the fiscal deficit, we must know that it is aware of its own limitations. We must be confident that the Administration will set firm limits upon what the Government should and should not do.

In this context, I welcome the Administration's decision to review divestment options for the Hong Kong Housing Authority's retail and car-parking facilities. But, is it not instructive that, of the many new initiatives contained in the policy agenda document, this measure is the only one by which the Government seeks to reduce its role in our lives?

Our credit rating is at risk, not due to the size of our fiscal deficit, but due to the growing disquiet about this Administration's ability to manage our public finances. Managing public finances is not merely a question of balancing income and expenditure. It means setting firm principles, and abiding by them. It means making tough choices, and standing by them.

First and foremost, this Administration must show that it has fully embraced the principle of "big market, small government". At this point in time, raising taxes is not the answer. In fact, to raise taxes would threaten our fledgling recovery. Rather, this Government must demonstrate that it is willing to play a smaller role in our lives. That is the way to put our public finances in order.

Thank you.

MR JASPER TSANG (in Cantonese): Madam President, on top of the criticisms about the technical arrangements for publication of the policy address, made by the House Committee Chairman in moving this motion, I wish to add a few more points.

Apart from the fact that this policy address was announced three months later than the usual date in the past, there are also other marked changes in its contents and structure. That is why Dr David LI described this policy address as a "new style policy address" in his speech. There is in fact no hard and fast rule governing what should be covered in a policy address. In the past, whether before or after the reunification, the policy addresses delivered by the head of the Administration, despite subjective attempts to cover all policy areas, would invariably be criticized by Members or the public for being inadequate. That is why, in my view, the allegation that this policy address is incomplete may not necessarily be justified. But it must be pointed out that neither the Government nor the Chief Executive himself had given any prior notice or explanation on such a major change before the delivery of the policy address.

Nor did Members of this Council know before the announcement of the policy address that it would be a focused discussion on just one or two problems. Apart from the "inside news" reported by the press several days before announcement, the credibility of which was hard to determine, there was nothing to enable us to know beforehand that the policy address would carry such contents. That being the case, it is only natural for Members of this Council and the public to think, following the announcement of the policy address, that its contents are rather different from their expectations. The Government used to announce new measures of government departments or news that the public like to hear in a policy address, but this is not the case this time around. That is why some members of the public have criticized the policy address for being inadequate and incomplete in contents, and they have even criticized it for "containing no substance" at all. This is a point which the Government must note; and for the policy debate, the Government has in fact advised this Council to divide it into five parts, each on a separate policy area.

The policy address focuses mainly on the revitalization of our economy. This actually shows that the arrangements of the Government are not designed solely for a debate in Council on the contents of the policy address. Although a policy agenda is issued at the same as the announcement of the policy address, Members do not think the contents of this policy agenda can provide them with adequate information for these five debate sessions on different areas. There is obviously room for improvement regarding the measures to tie in with the announcement of the policy address.

The Government says that it will review the arrangements for announcement of the policy address and the Budget this year. We hope that the Government will also review the timing of announcement, contents and format of this policy address. Will future policy addresses be announced in the same way as that of this year? If yes, what and where improvements are required? All this must be looked into. And, I hope that the Government can listen more to the views of the Legislative Council in the course of review, because, after all, the holding of a debate on the policy address is one of the functions which the Legislative Council must perform as prescribed by the Basic Law.

Madam President, having said all this, I also wish to point out that in the view of the Democratic Alliance for Betterment of Hong Kong (DAB), the Chief Executive's focus on revitalizing the economy in the policy address this year is supported by the community. As pointed out at the beginning of the policy address, the prime task of the Government of the Hong Kong Special Administrative Region (SAR) is to lead Hong Kong out of the present economic difficulties and restore people's confidence in the future. I do not think that the policy address is uninspiring or devoid of substance as criticized by some Members. As mentioned by Dr David LI, the principle of "big market, small government" highlighted so clearly in the policy address is in fact the very principle upheld by the SAR Government and the former Hong Kong Government. However, the fact that it is still highlighted so clearly in the policy address this time around should merit our serious attention.

Moreover, on the economic integration of Hong Kong and the Mainland, I think the criticisms made by Dr YEUNG Sum earlier on are somewhat contradictory. On the one hand, he dismissed this idea as uninspiring and said that since as long as 20 years ago, Hong Kong businessmen have already been doing so. On the other hand, however, he still put forward in his speech many proposals on economic integration. I cannot recall if Dr YEUNG Sum, or Members belonging to the Democratic Party, have ever made any such proposals in the policy debates of the past few years. Well, let me put it this way. If the Chief Executive's emphasis on economic integration has somehow induced the Democratic Party to put forward all these proposals (many of which sound quite constructive, incongruous with the usual image of the Democratic Party), then one thing should be very clear — economic integration has taken on a new meaning. And, I wish to point out especially that in the section of the policy address on economic integration, special mention is made of a "closer partnership in trade", which involves discussions on Hong Kong entering into a

Closer Economic Partnership Arrangement with the Mainland. It is also said that an arrangement on the main parts will be reached by June this year. Following this, the policy address says that this arrangement will benefit our services sectors in their expansion into the mainland market, and open new opportunities for businesses, and that it will also help to promote Hong Kong's traditional industries and emerging industries, facilitate our economic restructuring and create jobs.

I believe that the results achieved by the main parts mentioned under the "closer partnership in trade" should be able to meet most of the demands voiced by Dr YEUNG Sum earlier on, because the arrangements concerned are not unilateral in nature. They are meant to complement our strengths with that of the Mainland, rather than just to move the jobs and economic activities in Hong Kong northward to the Mainland. This is not the case in reality. We must note in particular that the emphasis here is "our services sector in their expansion into the mainland market". The DAB has been paying special attention to this point in all the studies it has conducted over the past year or so on Hong Kong-Guangdong economic integration. The DAB is of the view that the accession of China to the World Trade Organization will see the economic integration of Hong Kong and the Mainland, and this will bring forth the greatest development potentials to our services sectors. We are glad to note that this viewpoint is mentioned in the policy address.

In regard to other issues, the policy address carries an exposition on the relationship between the four main pillars on the one hand and traditional industries, the local community economy, creative industries and the logistics industry on the other. This explains quite clearly how the several new locomotives of economic development are related to the rest of our economy and what measures the Government will take to tie in with the development concerned. I do not think that we can describe all this as uninspiring. Besides, the Government's policies on the property market, the construction of a bridge linking Hong Kong and the western part of the PRD, the facilitating of the flow of people and goods between the two places, and so on, are also set out clearly. The DAB welcomes all this.

Madam President, I especially wish to talk about the fiscal deficit of Hong Kong, an issue given great emphasis in the policy address. According to the Chief Executive, the most important task of the SAR Government now is to solve of the problem of fiscal deficit. We cannot agree to Dr YEUNG Sum's remarks

because they seem to suggest that the fiscal deficit is just a means employed by the Government to scare the people. We are of the view that it is very realistic for the policy address to point out that if Hong Kong cannot solve the fiscal deficit problem, the finances and economy of Hong Kong will be greatly affected. We cannot simplistically equate solving the fiscal deficit with revitalizing our economy, a point which is also made in the policy address. Dr YEUNG Sum and the Democratic Party propose that the Government should issue bonds. But even if this can really boost the economy, serve as a good vehicle of investment for the people of Hong Kong and bring additional revenue to the SAR Government, it still cannot reduce government expenditure, still cannot bring public expenditure, which has been expanding excessively over the years, back to a reasonable level. This simply cannot be done.

Hong Kong must of course solve its fiscal deficit, but we need not worry that the expanded investments by the Government will lead to huge deficits in times of economic recession. We need not have such a fear at all. We also agree that in times of economic recession, expanded government investments may boost the economy. There is no problem with this. But as pointed out in the policy address, the current fiscal deficit is the result of years of accumulation, and government expenditure has exceeded a reasonable level. If Hong Kong cannot solve this problem, then no matter how much reserves Hong Kong has — many times our monetary base, perhaps, as mentioned by Dr YEUNG Sum — we can do nothing but to draw down the reserves to make up for the operating deficit year after year. This can aptly be summed by an ancient saying — sit idle without work and the whole fortune will be used up eventually. In that case, the Government will definitely fail to continue its operation. That is why we think that the problem must be tackled.

However, the DAB also thinks that since the problem we need to solve is the excessive expansion of government expenditure, we must administer the right remedy, that is, we must reduce government expenditure. If the Government simply turns to the people after it has over-spent, that is, if it resorts to tax increases as a means of reducing the deficit, then taxpayers will of course raise objection, and not only this, the principle of keeping expenditure within the limits of revenues laid down in the Basic Law will also be violated. Spending less should be the only solution to over-spending, and no attempt should be made to dig deeper into the pockets of the people. We agree entirely with the Chief Executive that civil servants are not the cause of our fiscal deficit. But while we talk about reducing government expenditure, we must not ignore the fact that

civil service salaries actually account for the largest proportion in the operating expenditure of the Government. We must not refrain from doing something about this, or else it will be meaningless to talk about the reduction of public expenditure. In this connection, the DAB considers that the Government must enhance its liaison with the various civil service organizations and conduct serious negotiations with them, with a view to working out a reasonable means to adjust the spending on the Civil Service. Only this can reduce our fiscal deficit.

Madam President, the amendment proposed by Dr YEUNG Sum is completely against the DAB's position on enacting laws to implement Article 23 of the Basic Law. Thus we cannot support the amendment. But since we think that the enactment of laws to implement Article 23 is not a subject to be dealt with in this session of the debate, the DAB will withhold its opinions for the time being. We shall express our views at an appropriate time later.

DR DAVID CHU (in Cantonese): Madam President, the Chief Executive, Mr TUNG Chee-hwa, has said over and over again that the Government should sense the urgency of the people and think in the way they think. So, my speech today is about what the people of Hong Kong consider to be of the utmost urgency and what they want most. I hope that every Accountable Official will listen carefully to every word that I am going to say, because my Cantonese is not very correctly pronounced; it is so incorrect that even Mr TUNG Chee-hwa is qualified to comment on my pronunciation.

Madam President, I hope that the Government will immediately implement effective measures to alleviate the plights of Hong Kong people and lead Hong Kong people to fly up high into the sky from the scorching fire.

The difficulties faced by Hong Kong today are unprecedented in the history of Hong Kong. The current scenario can be attributed to many reasons, including the bubble economy and the financial turmoil. Over the last five years, the wealth of Hong Kong people has evaporated by over \$5,000 billion, which is more than four times of the Gross Domestic Product (GDP) of Hong Kong and equals to the total expenditure to be made by the Government of the United States in the next 10 years on reviving the United States economy. Certainly, the Government, the Executive Council, the Legislative Council and

every Hong Kong citizen could have done better and more in the past five years. That said, it is most important to look ahead. I think today's debate is the most important debate of the Legislative Council ever in the history of Hong Kong, because this debate today will have a bearing on the prosperity of Hong Kong in the following decades. Just take a look at the situation in Japan and we will understand. I support Mr TUNG's policy address, for its general direction is correct and desirable. The effective implementation of this policy address will require time, resources and the support of all Hong Kong people. I hope that in the process of implementation, the Government will take resolute measures to relieve the people of their pain.

First of all, the biggest enemy confronting us now is not the fiscal deficit, but deflation. The Government, the academia and members of the community have reached a consensus that revitalizing the Hong Kong economy is the way to seriously resolve the fiscal deficit. Therefore, our work objective is to revitalize the Hong Kong economy. To this end, the first and foremost task is to wipe out deflation. Now that Hong Kong has been battered by deflation for more than 40 months in a row. Protracted deflation has dealt a blow to public confidence and the business environment. As a result, domestic sales have shrunk, investment dwindled, unemployment worsened and the problem of negative equity assets has deteriorated. Hong Kong people are now suffering acute pains from two problems, namely, unemployment and negative equity assets. In Hong Kong, there are 250 000 jobless people and 300 000 owners of negative equity assets. Together with their family members, they make up about half of the population in Hong Kong. Over the past five years, they have been living in fear and pain, condemned to a state of helplessness. I hope every Accountable Official will appreciate that a responsible government will not ask its people to bear these hardships for a few more years. So, the Government is duty-bound to introduce as quickly as possible the most effective policies and measures to revitalize the Hong Kong economy. Here are my proposals:

- (1) The Government should not impose any tax increase. Nor should it increase fees and charges relating to the people's livelihood or business costs, such as school fees and sewage charges, so that the middle class will not be put under a heavier burden and the public and enterprises will have the means to spend and invest. With more money in circulation in society, a "snowball effect" would be created, hence giving a spur to economic recovery. An increase in

tax and fees would deal a further blow to the economy and consumption, which means that such increases might eventually bring losses. The middle class is the pillar of society and the driving force of development. The Government should not attempt to grind its axe at the middle class any more in any way.

- (2) The Government should not resort to retrenchment too hastily or drastically reduce the pay of civil servants and employees of subvented organizations at the present stage. There are 170 000 civil servants and 170 000 employees of subvented organizations in Hong Kong. If their family members are also factored in, the total number of people affected will exceed 1 million. These people form the backbone of the middle class. Their salaries are comparatively high, but this is not their fault. Rather, this is a mistake made by the Government in its past policies. In rectifying this mistake, the Government should work in accordance with the mechanism progressively, for the morale and confidence of civil servants and public servants bear a very important relation to the stability of the economy and society.
- (3) To the 250 000 people who are unemployed, the Government must provide them with substantive assistance. The BUSH Administration in the United States has recently introduced a programme to boost the economy, which also includes assistance for the unemployed. For example, "re-employment accounts" are opened for the jobless, and an extra subsidy of US\$3,000 is provided so that they can have the cash to pay for the expenses in finding jobs, such as expenses on taking up job training, transportation costs, fees for child care service, and so on. Unemployed people who successfully land a job will be given the balance of the subsidy as a reward. The United States also faces the problem of fiscal deficit, but it has still taken such measures to assist the unemployed. Therefore, I propose that people who have been unemployed for six months and who have not applied for Comprehensive Social Security Assistance (CSSA) on grounds of unemployment should be given a monthly subsidy of \$3,000 each over a period of one year by the SAR Government. This proposal would entail an expenditure of about \$10 billion per annum. If the

Government agrees to implement this proposal, coupled with the creation of 50 000 temporary jobs for the unemployed as proposed by me two years ago (which will cost about \$3 billion a year), engaging unemployed workers as cleaners and in jobs relating to environmental protection and improvement to tourist facilities, the plights of the unemployed would be considerably alleviated under this two-pronged approach. The "multiplier effect" of such assistance will be a direct stimulus to consumption and a boost to economic recovery.

Therefore, the Government must not think that I am a "spendthrift". Although my proposal will mean an additional expenditure of over \$10 billion to the Government each year, this amount of money is insignificant compared to the current fiscal deficit of \$70 billion to \$80 billion, and the benefits to be generated for society would immensely outweigh this figure.

- (4) There are at present 300 000 owners of negative equity assets in Hong Kong. Despite the Government's "Nine Strokes" to stabilize the property market, the negative equity problem cannot be resolved in a short time. I propose that the Government should immediately study an option, such as considering providing a guarantee for these owners to help them have their mortgage repayment period extended. In the meantime, urgent loans can be provided to those who cannot make mortgage repayments for the time being due to unemployment or other special reasons, so that every victimized owner can keep the flats where they live in.
- (5) While facilitating economic restructuring and integration with the Mainland are key areas of work by the Government, it has not adopted adequate measures to assist the transformation of the middle class and professionals or to help them develop their careers northwards. Over the years, the Government has been dragging its feet even on such simple issues as "24-hour customs clearance" and "co-location of clearance facilities", and it is only after facilitation by the Central Authorities that such arrangements can be materialized. This is indeed disappointing. I think the top priority of the Government is to remove the various restrictions on professional practice in the Mainland and to strive for recognition of

their qualifications in the Mainland. Besides, the Government is not doing enough to revitalize and assist the small and medium enterprises (SMEs). All of the Government's endeavours or packages to facilitate economic recovery must fully take account of the needs of SMEs.

- (6) The expenditure on social welfare and health care has increased enormously over the past few years. This "unsustainable" trend started as early as in the times of the Hong Kong British Administration. I understand that insofar as the CSSA is concerned, the allowance for recipients has actually increased in value as a result of deflation. In respect of medical services, there are also hospitals where the facilities are overly luxurious, services are abused or fees being pitched at too low a level. However, slashing social welfare and medical expenditure substantially at this stage will indeed do more harm than good. Firstly, cutting expenditure will aggravate deflation, and this flies in the face of the prime task to revitalize the economy. Secondly, a cut in these expenditures will cause the grassroots to feel even more insecure and thus undermine their confidence both in themselves and in the future of Hong Kong, which is not conducive to maintaining the stability of society.

Madam President, I think the Government, in response to my proposals, would certainly say that my proposals would aggravate the fiscal deficit and hence affect the international ratings of Hong Kong and even invite attacks from international speculators on the Hong Kong dollar. I do not agree with these views for the following reasons:

- (1) The primary responsibility of the Hong Kong Government is to make the Hong Kong economy thrive, not to fawn on international rating agencies. The Government must implement policies in the best interest of the people according to the practical situation of Hong Kong.
- (2) In 1998, the Hong Kong dollar was also attacked by speculators even though we did not have a fiscal deficit back then. There is no reason for us to refuse to implement measures that are beneficial to Hong Kong out of the fear for speculators.

- (3) The United States and many other countries, big and small, have also faced fiscal deficits over the years. Fiscal deficit is by no means abnormal. The United States registered in 2002 a deficit of US\$160 billion after four successive years of a budget surplus, and are going to face a deficit of about US\$150 billion in the 2003 fiscal year. But the United States now has plans for a substantial tax reduction — I repeat, substantial tax reduction — which means that they will surely be facing an even bigger deficit in the future. But the Americans have not lost their confidence in the future. This is worthy reference for us.
- (4) The term of the Government bears no direct relation to economic cycles. The SAR Government needs not and is under no pressure to achieve a fiscal balance within its second term. We must understand one point and that is, what we are facing now is the biggest change in economic structure in the history of Hong Kong, and economy of Hong Kong is also at its lowest ebb in history. So, in the next five years, we must make the best of our efforts and suitably utilize massive resources to lay good a foundation for Hong Kong's economic restructuring and long-term prosperity and stability, with a view to scaling new heights. Certainly, I do understand that under Article 107 of the Basic Law, the SAR Government must "strive to" achieve a fiscal balance and avoid deficits. But the Basic Law only says that the Government must "strive to" do so. It does not say that the Government "must" achieve a fiscal balance, and this is where the wisdom lies. This also displays foresights on the part of the Basic Law drafters, for they understand that economic cycles are beyond the control of the Government. Therefore, the SAR Government is given latitude to implement, under special circumstances, contingency measures to tie in with the times.
- (5) The foreign exchange reserves of Hong Kong now exceed US\$110 billion, and this has put us in a position to fend off speculators. As the Chief Executive of the Hong Kong Monetary Authority (HKMA) has said, the foreign exchange reserves of Hong Kong, together with the assets of banks and private companies outside Hong Kong, are about more than double of the GDP, which rank the highest in the world.

- (6) The Hong Kong Government can follow the practice of other governments, such as the Singaporean Government which has, in times of emergency or where necessary, made legislation and administrative orders to fend off speculators. In case of emergency, the government of any place will take these measures to protect its own interest.
- (7) Many years ago, I already suggested through the Hong Kong and Macao Affairs Office that the Central Government and the SAR can make some special arrangements with regard to the foreign exchange reserves. In times of emergency, the reserves of the Central Government and those of the SAR can help each other out. The foreign exchange reserves of the Mainland amount to some US\$286 billion. This, together with the US\$110 billion of Hong Kong, make a total of nearly US\$400 billion, ranking the second in the world and only a little less than Japan which ranks the first. Such a strength can certainly fend off any attack.

Moreover, to ensure that the Government has adequate resources to wholeheartedly implement a comprehensive package of measures on economic recovery, I propose that the Government should issue 30-year bonds totalling \$350 billion in the next five years for the purpose of revitalizing the Hong Kong economy. This will enable the Government to have the necessary resources to implement aggressive economic policies in order to achieve the objectives of facilitating economic restructuring and recovery and alleviating the plights of the people. The deposits of Hong Kong people amount to \$3,500 billion, and given the very low interest rate offered by banks now, I believe the people of Hong Kong would be willing to use one tenth of their savings to buy the bonds. Hong Kong people love Hong Kong very much and they are very brave. They, together with international investors, will certainly buy these bonds.

Perhaps some people are worried that the issue of bonds would only add to the burden of the Government. My response is this: As long as there is a pick-up in the Hong Kong economy, the fiscal deficit and the liabilities of the Government could naturally be resolved. Hong Kong has its own advantages, and I very much agree with the policy address that Hong Kong is the most important international financial centre in the Asia-Pacific Region, and that we have the hardware and software required of a world-class city. More importantly, China's robust economy in the next two decades will provide

staunch support for Hong Kong. With these very solid foundations, Hong Kong does have the strength to issue bonds to immediately ease the pains suffered by Hong Kong people as a result of unemployment and ownership of negative equity assets, and facilitate the economic restructuring and recovery of Hong Kong.

If the Government is hell-bent on its way, that is, to stimulate and facilitate the economic recovery of Hong Kong by increasing tax, increasing government fees and charges, cutting education expenses, cutting social welfare expenses, cutting medical expenses, effecting massive layoffs and substantially cutting the pay of civil servants and employees of subvented organizations, I can assure you that this would immediately become the most popular illustrative example in economics in the world. But, sorry, it would only be a negative example.

Finally, I would like to say that I drafted today's speech purely from the viewpoint of an ordinary Hong Kong citizen, trying to put forth a feasible and effective proposal to revive the Hong Kong economy for the benefit of Hong Kong people. So, I hope that all parties and groups in the Legislative Council will support this proposal which is in the interest of all ordinary Hong Kong people. I hope that through putting this proposal into practice, we can work in concert to give full play to the Hong Kong spirit.

Thank you, Madam President.

MR BERNARD CHAN: Madam President, I would like to say that the Chief Executive's policy address last week was inspiring, and would have filled me with optimism about the Administration's plans. Unfortunately, this is not the case.

It covered two very important issues, budget deficit and economic integration with the Mainland. Both issues involve serious challenges. And in both cases, the Chief Executive's remarks gave the impression that the Government lacked the political will to tackle those challenges.

Let me start with budget deficit. Lots of governments have serious budget deficits — the United States, Japan and Germany, to name just three. However, we also have extremely large financial reserves. In fact, the Government can run a deficit for years without having to borrow a single cent.

It is obviously tempting for the Government to use this as an excuse to avoid difficult decisions. Principles of good housekeeping, not to mention the Basic Law, tell us that we really should be trying harder to balance the budget. But the Government is doing relatively little.

Thanks to the reserves, the Government is in no hurry to find serious new sources of revenue to replace land and property-related income. It seems that we will have some increases in direct taxes, but these will probably just reverse the reductions that we enjoyed in past years. We might have a departure tax at the border. There might be a tax on foreign domestic helpers. But all of these combined do not make up for the loss of land revenue.

The Government needs a broad-based, consistent and sizeable stream of revenue to replace its old land and property revenue. And we all know what that means. It means a consumption tax. But that takes political will.

Also thanks to the reserves, the Administration is happy to remain a big spender, with grand and expensive ideas for infrastructure and other projects. We will see some cuts in spending and some increases in charges, but — like the tax hikes — they will be marginal. The reserves will take the strain.

The biggest expenditure item is, of course, the Government itself. I do not agree with the idea that civil servants as individuals are to be blamed for the budget deficit. And I wish members of the business community and other commentators would stop trying to humiliate civil servants or try to intimidate them or push them into a corner. It is not fair and is certainly not helpful.

But the fact remains that government costs have gone off in a different direction to those in the private sector. Virtually all the deflation in our economy has taken place in the private sector. The Government has carried on getting more expensive.

As with the tax issue, there is an easy way out. Consume more and more of the reserves. Easy come, easy go. Some might argue that this is prudent at a time of economic weakness. But to me, it looks like an excuse to avoid taking tough decisions. In other words, it looks like a lack of political will.

If this is the case, it is rather worrying, because there are many difficult decisions to be made. Where the deficit is concerned, we have these huge reserves, which buy us time. But that is not the case in other policy areas.

The most important policy area mentioned by Mr TUNG last week was probably not the deficit, but the issue of economic integration with the Mainland.

Some commentators say — in fact, Dr the Honourable YEUNG Sum also said earlier — that it is a bit late for the Administration to call for integration with the mainland economy, when the private sector has been doing it for 20 years. Indeed, today, Hong Kong-based companies have far more employees over the border than they do here. It is interesting that this part of the Hong Kong economy — our offshore manufacturing — is easily the most vibrant part of our economy. And it is the part that the Government cannot interfere with.

Perhaps that is a coincidence. But let us hope that as Hong Kong officials take a closer interest in the cross-border economy, they would keep out of commercial activities and concentrate on public-sector issues.

There are plenty of such issues. We need better transport links, smoother customs and immigration procedures, and closer co-operation on planning, environmental and other issues. This will require serious co-operation and co-ordination with neighbouring authorities, and with officials in Beijing.

But that is not going to be easy. There have been times when the attitude of Hong Kong officials has been proud or perhaps condescending towards their mainland counterparts. Hong Kong as a whole often comes across as arrogant.

We all know a famous television commercial, in which the restaurant cleaner reminds us that Hong Kong does not have to pay tax to the Central People's Government. They see that commercial over the border, and to them, it is not funny. It is especially not funny when the Government that created the commercial goes up to Beijing asking for favours for Hong Kong — the richest city in the country.

"Closer ties" sounds like a nice thing. It is a nice slogan. But in reality, people on the other side of the border have their own priorities, their own agendas, and their own way of doing things. Our private sector has spent 20 years integrating our manufacturing sector and related activities into the Pearl River Delta. It happened gradually.

Our Government might have decided that this is the next big thing. But it cannot suddenly take charge and start making things happen. It would be

arrogant to assume that Hong Kong businesses or mainland officials are desperate for our Government's help and involvement. They are not.

Mr LU Ruihua, Governor of Guangdong, gave his own annual address to his province's legislature just a few days ago. Hong Kong was not mentioned much.

That is not because Hong Kong is not important. Our private sector is easily the biggest investor in the Pearl River Delta. But everyone has done fine over the last 20 years without Hong Kong officials coming along with grand visions.

If our Government is serious about helping this 20-year old process of economic integration, it needs to be business-like and not bureaucratic. It needs to concentrate on the things that it is best at doing, and the things that are most useful. One small but practical example is to play a bigger role in selling the Pearl River Delta package to the world. During the last 20 years, Hong Kong and the Pearl River Delta have been putting together an amazing package. With continued integration between Hong Kong and the Mainland, South China can offer a seamless range of services and resources to investors from around the world — especially new investors who have not yet thought of coming here.

Our top officials — including Mr TUNG himself, with his wide range of international contacts — are in a perfect position to sell this package. Normally, cities send their top people, like mayors, on road shows to attract foreign investment. I have actually had quite negative comments from some overseas businessmen pointing out that our Chief Executive does not usually take part in these activities. The target audience is chief executive officers, and they would appreciate seeing the number-one man in Hong Kong. It would be an excellent idea for Mr TUNG to devote a bit more time to this.

Mr TUNG and his colleagues must also sell the idea of continued economic integration to the people of Hong Kong — the middle class, and especially the grassroots. They must be honest with themselves, and with all of us, about what this integration means in practice.

They should be blunt and accept that Hong Kong cannot compete with the Mainland on price. They should resist calls from unviable businesses or industries for public resources to help them operate on this side of the border.

They must accept the fact that this will have repercussions in such areas as incomes and employment. They must accept the possibility that our migration patterns are unbalanced, and may need to change. All these will take political will.

They must prove to the sceptics, at home and overseas, that integration does not affect our political autonomy or our international character.

And they must prove to people on the Mainland side that Hong Kong treats them as equals, with respect. We need a realization on both sides of the border that we are all in this together. And that is what economic integration is all about. The Government must preach this, and it must practise it, too.

Madam President, in the past, our Chief Executive has been criticized for going into too much detail in his policy addresses. This year, he has been criticized for not including lengthy details. Obviously, he cannot win.

I personally have no complaint over the lack of detailed content of this policy address. But I am frustrated at the lack of detailed plans from many of the Policy Secretaries. The Government postponed detailed proposals once, to allow the new Secretaries time to get into their jobs. Now it seems it is postponing them a second time, to allow for the Financial Secretary to announce his Budget.

This brings me back to my basic, original points.

The lack of meaningful action to establish a broader revenue base. The lack of serious action to bring government expenditure under control. The reliance on the reserves to pay for the deficit. And the lack of meat from the Chief Executive or his "ministers" about specific policies. All these suggest a lack of political will. A fear of making difficult decisions. A preference to put things off until a later date.

If a relatively minor issue like the abolition of minimum commissions for stockbrokers becomes an epic challenge, how can we hope to broaden the tax base? How can we hope to get the Government down to size? How can we hope to implement social policies that reflect cross-border economic integration? It all comes down to political will.

Mr TUNG's second term needs to be about leadership. He can back away from making difficult decisions. Or he can be bold, and he can convince people to accept things that they do not want. Either way, he will not be popular. But if he exercises leadership, and does the things that are good for Hong Kong, people will look back in five years' time and realize that the first Chief Executive of the Hong Kong Special Administrative Region had a difficult job, and he did it well.

MR TOMMY CHEUNG (in Cantonese): Madam President, the catering industry is invariably the most sensitive issue whenever it comes to the sections on the economy in the Chief Executive's policy address, because it is the thermometer of Hong Kong economy. When the economy is in good shape, long queues are found outside food establishments. But in times of recession, a customer can choose whichever table he likes in a food establishment. When this happens, many food establishments will close down.

Many people in the commercial sector and many economists have recently pointed out that the disease of Hong Kong economy is caused by a lack of demand. Demand is dwindling, prices are falling, and deflation has persisted for 50 months. As the protracted deflation dragged on, the SAR Government launched the Mandatory Provident Fund (MPF) schemes in 2000. The catering industry agrees that wage earners should save for their own future and their next generation, but the introduction of the schemes was most untimely. Since the schemes were launched two years ago, more than \$20 billion of capital has been "locked up" every year, thus aggravating the deflation and leading to a whole series of chain effects. The sequelae of the schemes are many. Firstly, employers have to pay 5% of wages as contributions to the schemes, and this has led to a serious liquidity problem for enterprises. In order to reduce the impact of this, employers often have to reduce their total capital, and as a result, their staff are deprived not only of wage increases but also year-end double pay. Secondly, \$20 billion is siphoned off from the consumption market every year, and let us not forget the multiplier effect of this \$20 billion had it not been siphoned off. It would have worked like government capital injections to boost the economy. Consumers thus have 5% less in disposable income; consumption desire is reduced and so is people's sense of security.

The whole of last year saw spates and spates of food establishment closures. Whenever the operators or employers concerned were asked of the reason for their closures, they would invariably refer to the effects of MPF contributions. I hope that in this most unusually difficult period, the Government can make the most unusual decision of allowing both employers and employees to suspend their contributions. This can encourage investment and give employees more money to spend, thus pulling our consumption market up from the abyss of deflation.

I also wish to say a few words on a hot topic over the past few months. Whenever I meet with people from the catering industry, we will talk about the issue of labour insurance. Actually, a couple of days ago, when I officiated at a certain ceremony, I heard the Commissioner for Labour remark openly that there had been marked improvement in the catering industry in respect of occupational safety. The number of occupational injuries in the first three quarters of last year, when compared with the corresponding figure of the previous year, showed a drop of 16%, from 9 093 cases to 7 646 ones. The figure of 2001 also showed a drop against that of 2002, down by 6% to 7%. However, during my recent meetings with employers in the catering industry, they all told me that their labour insurance payments had gone up instead of going down. Very often, insurance agents or insurance companies would explain that this is due to the September 11 incident. They would also say that labour insurance is a loss-making business, which is why they have to increase premiums. Some employers told me that no industrial accident had ever occurred in their food establishments and they had never claimed any compensation from their insurance companies, but when they renewed the policies for their employees, the premiums were increased by as much as 100%. Some employers even said that some insurance companies even refused to accept their insurance applications. I do not know whether someone is actually trying to fish in troubled waters and increase insurance premiums. But under the Employment Ordinance, employers must take out insurance policies for their employees, lest they will commit an offence. If the Government turns a blind eye to soaring insurance premiums or refuses to review the existing legislation, many catering industry employers will be forced to close down their business due to excessive premiums or a lack of insurance coverage.

Thirdly, I also wish to talk about the issue of talents. The catering industry of Hong Kong is internationally famous; any kinds of cuisine people can

think of, or the cuisine of any country — Japan, France and Italy, to name just a few — are available in Hong Kong. And, the quality is always very good; while the special flavour of a national cuisine is retained, the tastes of tourists from different countries are also satisfied. Hong Kong owes its present success entirely to the government policy of imposing no restriction on foreign chefs wishing to work in local hotels and food establishments or to start their own business here. However, the Government has a certain kind of bias against mainland chefs wishing to work in Hong Kong. As a result of this bias, Hong Kong chefs cannot do quite so well in preparing non-Cantonese Chinese cuisine.

Some are worried that the importation of catering talents from the Mainland may break the "rice-bowls" of local workers. But there are some 20 provinces in China, each with its own unique dishes. Hence, local chefs cannot possibly be well-versed in all of them. There is now a "China Craze" the world over. Many foreign tourists who have been to China are very impressed by the various types of Chinese cuisine. Things are no longer like what I saw in the United States four or five decades ago, when foreigners thought that fried Foo Yung egg, Chop Soy and fried rice are what Chinese cuisine was all about. Many foreigners have now been to different provinces in China, and since they have tried many different types of dishes there, they will naturally have expectations about our food when they come to Hong Kong. For this reason, we need to upgrade ourselves in this respect and must allow mainland chefs to work here. This will not only bring new ideas to the industry, but also give local chefs an opportunity to prepare various other types of Chinese cuisine. This may also bring in new investments and create both wealth and more jobs for Hong Kong. If this is not done, it will be hard for Hong Kong to retain its reputation as a Gourmets' Paradise.

MR LAU CHIN-SHEK (in Cantonese): Madam President, having listened to the speeches of several Members, I must say I share Dr David CHU's opinions more than those of any others. Although his remarks sounded like a political platform in a direct election, I still agree to his viewpoint that economic development should take precedence before the fiscal deficit. I also agree to his other viewpoints, especially those advocating that we should assist unemployed workers, that people should not lay off workers and reduce their wages all too easily, and that social welfare and health care benefits should not be curtailed lightly.

Madam President, it is true that there is really a need for the Government to set down a general direction of economic development for the people of Hong Kong. Whether or not our economic integration with the PRD as put forward in the policy address is a proper direction, I believe that the following two aspects are more important. The first is the implementation of specific policies and measures to achieve the objective. The second is how people can be made to realize that economic integration with the PRD may improve their employment prospects and living.

Madam President, I wish to highlight one point here. Irrespective of the directions of economic development taken, as a trade unionist, I know fully well that the questions which wage earners from different industries and occupations most fervently want answered by the Government: How is any direction of economic development going to solve the problem of high unemployment? How can the livelihood of wage earners be improved?

The economic integration of Hong Kong and the PRD has been going on for quite some time already. However, the greatest fear of the people is that mainland China may become a "black hole" which may siphon off from Hong Kong jobs, capitals and talents in the course of economic integration, leaving behind nothing but unemployment, poverty and despair. The Government must not take this worry lightly and must remain alert.

In fact, the jobs offered by the traditional industries of Hong Kong and even the services industries have been rapidly shifted to the Mainland, and so have the investments of the industrial and commercial sectors. And, the Government is also making continuous efforts to encourage local professionals and even workers from various occupations to go northward for jobs and business development. Will all this make Hong Kong continue to become "hollow"? How can the integration in question create more jobs locally? How can the common masses here benefit in the course of integration?

I believe that whether we are going to integrate with the PRD economically, Hong Kong itself, in the final analysis, must identify and establish its unique competitive edge. Only this can ensure that we can maintain our economic vitality and a sustainable employment environment in the midst of globalization. In order to make people support the direction of economic development advocated by the Government, and to restore their confidence in Hong Kong's prospects, the Government should explain to them in detail how

the new direction can create more jobs in various trades and occupations locally. Particular reference must be made to the employment prospects of vulnerable workers with low qualifications and skills. People's confidence in their prospects, and their hope too, must be founded on a belief that future economic development can bring concrete improvements to their livelihood.

With these remarks, Madam President, I hope that the Financial Secretary and the Secretary can answer my questions when they speak later on. Thank you.

MR LEUNG FU-WAH (in Cantonese): Madam President, here is a poem composed by SU Shi, a poet of the Sung Dynasty:

From the side, a whole range; from the end, a single peak;
Far, near, high, low — no two parts alike.
Why can't I tell the true shape of Lu Shan?
Because I myself am in the mountain.

I would like to draw Members' attention to the last two lines of the poem in particular. Sometimes, we really have to view things from afar or high above in order to get a true picture. We should all the more do so in order to find our direction and where our interests lie. A frog sitting at the bottom of a well will never find its direction and way forward.

"Capitalising on Our Advantages, Revitalising Our Economy", is the title of the latest policy address delivered by the Chief Executive last Wednesday. First of all, we have to gain a clear understanding of our strengths and how we can maintain and bring these strengths into further play. While it is important for us to find out and understand our strengths, it is even more important for us to know how to enable the strengths we have today to sustain into tomorrow. Therefore, in addition to understanding better the position of Hong Kong and formulating a clear direction for its future development, we have to grasp the economic development and changes of our neighbours, and even of the whole of China. To put it in a more serious tone, we have to raise our alertness to these places. What I mean is we have to be sensitive to the emerging competition. Only by maintaining such alertness can the territory and mainland cities, particularly those in the PRD, can achieve a win-win situation in economic development, or a situation in which mutual co-operation, division of labour and

mutual assistance and benefit can be achieved through the economic integration of Hong Kong and mainland cities.

Just as Chief Executive stated in the policy address, "Despite the significant changes in our external environment, we have not lost our fundamental strengths We still have the hardware and software required of a world-class city, including our keen business acumen, a well-developed infrastructure, a versatile financial system, robust legal institutions,", our thriving air transport and port cargo industries can indeed best highlight the strengths of Hong Kong.

According to the figures released by the Airport Authority, the Hong Kong International Airport has seen an annual rising trend in its air traffic volume, whether in terms of passenger traffic, freight traffic or flight movement, during the past couple of years. Last year, a total of 34 million passenger trips, the highest-ever record, was recorded. This represents an increase of 25%, compared to 27.21 million recorded in 1998. Freight traffic also set a new record with a 52.3% rise, to 2.48 million tonnes, compared to 1.63 million tonnes in 1998. Flight movement has risen by 26.8%, from 163 000 flights in 1998 to 207 000 flights in 2002.

As for port transport, although the Hong Kong Port and Maritime Board has yet to publish last year's total throughput, it was estimated by the authorities last month that the freight volume of all ports in Hong Kong last year would have added up to 18.6 million TEUs, representing a growth of 27.6%, compared with 14.58 million TEUs in 1998. Thanks to our comprehensive and sound air and port transport facilities, and the global coverage of our services and networks, information can flow freely and swiftly, thereby enabling our air traffic and port cargo industries to achieve good results again and again, and subsequently consolidating Hong Kong's status in the international map of air and port cargo industries.

With the rapid economic development of the Mainland, however, some mainland cities have become key ingress/egress ports for passengers and goods. Examples are Shanghai, relatively remote from Hong Kong geographically, Guangzhou, just one hour or so from Hong Kong on a driving trip, and Shenzhen, our neighbour. According to a survey conducted by the Shanghai International Airport, flight movement at the airports in Pu Dong and Hong Qiao, Shanghai, rose 16% last year to 225 000 flights from the previous year. Passenger traffic

has also risen by nearly 20% to 26.8 million passenger trips from the preceding year, whereas freight traffic has substantially risen by more than 30% to 1.31 million tonnes from the previous year.

In recent years, Baiyun Airport in Guangzhou and Shenzhen Airport have continued to see substantial growth in both passenger traffic and freight traffic. As a key import/export port and a transport hub for the South China, Guangzhou is playing the role of a core city in such areas as technology, finance, information, trade and commerce, tourism, and so on. Three days ago, I paid a visit to the new Baiyun Airport, which is under construction at the moment. Upon completion, the airport is expected to be able to handle enormous passenger and cargo traffic. Upon the completion of the third phase of the project, the \$19.6 billion worth of investment may attract passenger throughput of up to 80 million passenger trips. I have also paid a visit to the newly completed convention and exhibition centre in Guangzhou. Any one of the exhibition halls built under the RMB 4 billion yuan project compares bigger than the entire Hong Kong Convention and Exhibition Centre.

With passenger trips reaching 9.35 million last year, passenger traffic at the Shenzhen Airport has almost reached saturation. \$15 billion will therefore be invested by the Shenzhen Municipality for the construction of a second runway. It is estimated that, upon the completion of construction works by 2020, 300 000 flight movements will be recorded annually. Passenger and cargo throughputs are expected to reach 30 million and 2.5 million tonnes respectively by then.

Why have I mentioned the aforesaid three cities on the Mainland? Actually, their strengths, including low charges, wages, costs and transportation fees, are different to those of Hong Kong. They will undoubtedly pose great challenges to the territory. Our strengths will eventually vanish if we are to indulge in sitting on the laurel of our past success, and completely ignore the changes taking place around us, thinking that the strengths we enjoyed in the past will, like a through train, automatically extend into the future. We can also hardly preserve our international status too. In order to consolidate its existing strengths, Hong Kong must keep track of the economic development and changes taking place in mainland cities and, given that both sides have their own strengths, enhance economic co-operation with mainland cities and, in particular, promote economic integration with the PRD and the economic development of Hong Kong and the Mainland.

I am very pleased to note from the contents of this year's policy address that the Chief Executive has fully appreciated the impact of the Mainland's economic development on Hong Kong. This explains why he has proposed a number of initiatives to revive the economy. He has also devoted considerable length to discussing the necessity for Hong Kong to strengthen economic co-operation with the Mainland and expedite economic integration with the PRD. It is evident that the SAR Government has, after five years' gropings, and coupled with its observation of the rapid development of numerous mainland cities, finally found its direction for future development and its position, that is, to further develop its own service industry through economic integration with the Mainland.

When it comes to economic integration between Hong Kong and the Mainland, I think our priority task is to gain a better understanding of the internal operation of Hong Kong and mainland governments, as well as economic development by government officials from both sides. To facilitate mutual understanding, certain obstacles must be removed. Several days ago, Mr WANG Liwen, Deputy Director of the Development and Research Centre of the Guangdong Provincial People's Government, pointed out that economic convergences between Guangdong and Hong Kong were encountering numerous obstacles at the moment. He then cited three examples, namely inadequate ideological liberation, inadequate communication and lack of work initiative. We must not allow these obstacles to impede our development. From now on, the SAR Government should take more initiative to invite mainland government officials to visit and tour Hong Kong, so as to enable them to gain a better understanding of the latest developments of Hong Kong economy and the territory.

Madam President, in the latest policy address, the Chief Executive has made little mention of the concrete measures to be taken to address the unemployment problem. Neither has he, as he did in the past, proposed the creation of tens of thousands of jobs. I believe Members will understand that the Government has finally realized, from its past experience of creating posts, so to speak, that unemployment can be tackled only through the revival of the economy and the provision of jobs in the market. I hope the SAR Government can implement as soon as possible its proposals of constructing a bridge linking Hong Kong, Zuhai and Macao, and building a Logistics Park in Northern Lantau, because these construction works can create job opportunities for the construction industry. More importantly, they can help pave the way for Hong

Kong to further share with the PRD the economic benefits to be reaped from a good network. Apart from this, I hope the Chief Secretary for Administration can conduct a review in the population policy report already submitted to the Chief Executive from the perspective of the workforce profile. In particular, I hope the Government can respond to the proposal raised by the Hong Kong Federation of Trade Unions of providing local home helpers with more job opportunities by freezing the employment of the large number of foreign domestic helpers.

Late last month, I submitted a proposal entitled "Developing the bicycle industry; Creating job opportunities" to the Chief Executive, the Chief Secretary for Administration, the Financial Secretary, certain heads of departments and Members seated here for reference. The objective of my proposal of developing the bicycle industry is to stimulate the economy, promote tourism, and create job opportunities in certain areas. Although certain technical difficulties might be encountered in promoting cycling activities and fully developing the industry in Hong Kong, the proposal has gained wide support from various sectors. The proposal, if implemented, can create thousands of job opportunities in the local labour market. The problems are not insurmountable, provided that relevant government officials are willing to come up with bold ideas, conduct careful studies, and enforce the proposals keenly. I hope the Government can seriously consider my proposal.

Thank you, Madam President.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I wish to respond to Mr Jasper TSANG's remark that the Democratic Party has never raised the ideas put forward by Dr YEUNG Sum earlier on. I now have a copy of the budget prepared and released by the Democratic Party in November 2001. Paragraph 7.11 of the budget is on the establishment of a working group to explore the economic co-operation between Hong Kong and the PRD. The Democratic Party has all along been concerned about this issue, and we have also raised a proposal on forming a Greater China free trade zone and submitted a report on this to the Chief Executive. However, I think the Chief Executive might just have glanced over it once, as usual. According to Mr Jasper TSANG, the expenditure of the Government is too large now, but over the past few years, I have never heard the DAB say anything like this to the Government. In 2000, the economy was still in very good shape; I remember that Mr LAU Kong-wah

of the DAB — he is here right now, and I am not putting words into his mouth — was the first Legislative Council Member to propose the Government raise (civil service) salaries. But at that time, the Democratic Party was still discussing the matter internally, saying that since there was an mechanism, salary increases should be discussed only after the pay trend survey. I do not know whether it is because of their long-standing advocacy on increasing government expenditure that the Government is now finding itself spending too much.

In the policy address, the Chief Executive attributes our economic ills to "bubble economy", "spiralling asset values, wages and prices", people's "quick money" mentality, and even the "emerging economies around us" which pose challenges to our traditional advantages.

At first hearing, it sounds that the present economic sluggishness of Hong Kong is indeed not the fault of the TUNG regime, because the so-called reasons cited by the Chief Executive are all beyond the control of the SAR Government.

However, according to some international rating bodies like the International Institute for Management Development (IMD) in Lausanne, Switzerland, the world ranking of Hong Kong's competitiveness has dropped from the third position in 1997 to the ninth position in 2002. This rating takes account of factors like government efficiency, business environment, infrastructure and economic performance. Moreover, the world ranking of Hong Kong in the international business environment rating conducted by the Economists Information Centre has also dropped from the first position in 1997 to the 11th position in 2002. May I ask the Chief Executive whether the Government should be held responsible for all this?

Has it ever occurred to the Chief Executive that the crux of Hong Kong's economic problems is in fact people's waning confidence in him and the SAR Government? In trying to sell his policies, has the Chief Executive ever considered people's worries about his policies? The Democratic Party is very supportive of the Chief Executive's advocacy on co-operation with the PRD, for example. This explains why we already advised the Government to carry out the relevant studies as early as November 2001, because we thought that the PRD could help the economic development of Hong Kong. Unfortunately, the Chief Executive does not realize that the common masses also have some worries about our integration with the PRD.

The announcement of the policy address has made people very worried. For instance, while all — capitals, employers, talents, consumption, and so on — may go northward, local workers cannot possibly do so, and most of them will be denied employment opportunities. What then will be left in Hong Kong? How is Hong Kong going to co-operate with the PRD before it can ensure benefits on both sides?

Actually, Hong Kong and the PRD have been developing hand in hand over the past 20 years or so. Hong Kong is a developed economy, and it has been investing directly in the PRD, fostering its industrialization and providing it with jobs and technologies. Hong Kong has been helping mainland enterprises to look for opportunities, capitals and sales opportunities, and the Mainland has been providing rich resources, especially manpower, in its co-operation with Hong Kong. Such a relationship has given Hong Kong people immense confidence, and they all hope that they can bring the Mainland still farther in its process of opening and reform. The Mainland is not depending on Hong Kong, nor is Hong Kong relying on the Mainland for back-up as described by the Chief Executive. The relationship between the two places is mutually beneficial.

Through market forces, the PRD has developed into a very powerful economic region. What the SAR Government must do now is to break the bottlenecks created by institutional constraints. For example, while the mainland governments seek positively to go electronic, to develop e-government, our information technology (IT) sector still finds it difficult to get contracts from the mainland governments due to various problems. Many business opportunities have thus been lost. In the tourism industry, for example, there will not be any difficulties for mainland travel agencies to set up their business in Hong Kong. Can their Hong Kong counterparts do so in the Mainland? If yes, then the situation will be very different. Hong Kong travel agencies may then go to the Mainland and develop one-stop tours to Hong Kong, Macao, Singapore and Malaysia. It is believed that this will bring fresh vitality to Hong Kong, as the local retail, catering and hotel businesses will all benefit. Besides, mainland enterprises wishing to come southward are also subject to many different constraints.

What we are discussing now should be our further integration with the PRD, not our further "engulfing" by it. However, ever since his assumption of office, the Chief Executive has been saying that Hong Kong has to rely on the Mainland as back-up. This positioning has embodied three errors.

First, the emphasis on the Mainland as our back-up impresses people as a case of self-humiliation, a case of belittling the people of Hong Kong. The result is that co-operation with the PRD will make the people of Hong Kong think that Hong Kong is not competitive enough, may be out-competed. It is thus only natural that they will become less confident. Such a wrong positioning has caused our competitiveness to decline and greatly reduced our bargaining power due to human factors.

Second, the SAR Government gives people an impression that it knows only one country but not two systems. People may thus fear that co-operation may degenerate into "engulfing". Will the emphasis on the Mainland as a back-up affect Hong Kong's international image, and will Hong Kong thus be overshadowed by the many virtues of the Mainland?

Third, the Chief Executive has only told the bright side of the story. He talks only about the merits of integration without positively dealing with people's worries and other negative factors. Will our continuous integration with the north drain all our local industries, capitals, talents and experience? How are low-skill locals going to face the competition from the Mainland?

Yesterday, I was invited to speak in a secondary school, and the topic was the opportunities brought about by China's accession to the World Trade Organization. A student asked me, "What prospects are there in the Mainland for us non-engaged youths?" I think this should be a question for the Chief Executive and his colleagues.

If we disregard the realities and fail to secure people's acceptance of our integration with the PRD, we simply cannot give full play to our strengths, and we will only add to the people's worries about integration. Let me quote Financial Secretary Antony LEUNG. To do the right things accounts for just 20% of the success or otherwise of a policy. To do things right accounts for the rest 80%. To do the right things means to integrate with the PRD. There is no doubt about it. As pointed out by the Democratic Party, this direction has been followed for some 20 years. The only question is: How are we going to do things right?

The Democratic Party is of the view that integration with the PRD is much more than just going north. A southward movement must also be stressed. The people of Hong Kong are very clever, in the sense that they will go wherever

there are opportunities. Therefore, the difficulty with further integration lies in the removal of restrictions on southward movement. The Chief Executive must clear their way of any institutional constraints. Besides enabling Hong Kong businessmen to go north for development, he must also seek to turn Hong Kong into the Mainland's window on the world, so that mainland enterprises may come to Hong Kong for business, for access to the international arena. In November 2001, the Democratic Party already raised the feasibility of negotiating with the Mainland on increasing the number of mainland enterprises investing and establishing headquarters in Hong Kong. This was a view expressed by us in the past.

To make our integration with the PRD more cost-efficient, the Government needs not repeatedly stress the importance of Hong Kong businessmen going north for development. Rather, it should lay more stress on the externally-oriented nature of the PRD economy and its competition with the Changjiang economic region. The international market must be explored to turn Hong Kong into a springboard for inward investments in the Mainland and its industrial exports. That way, we will be able to give full play to Hong Kong's unique advantage. Therefore, the Democratic Party advises the Government to set a new orientation for our integration with the PRD, changing the positioning of relying on the Mainland as back-up to a relationship based on co-operation, complementary strengths and mutual benefits.

On the three errors in positioning, the Democratic Party thinks that the Government must do the following when fostering our integration with the PRD:

First, to maintain "one country, two systems", lest people's confidence may be damaged;

Second, to fight for the maximum benefits of Hong Kong in the course of co-operation;

Third, to concentrate on removing the barriers of trade, services industries and investments in the region and let the market lead the way of development; and

Fourth, to increase its commitment to investment on education and seek to enhance young people's international outlook, so as to maintain our traditional advantages.

The Democratic Party thinks that the Government should adhere to the four points mentioned above, whether in fostering closer economic and trade ties with the Mainland, in establishing a Greater PRD, or in exploring the possibility of establishing a Greater China free trade zone.

Besides, the Government must also give due regard to the work of co-ordination, including the transport infrastructure, trade co-operation, economic and trade regulation and even the social problems caused by economic co-operation. Actually, the Democratic Party still has many other specific proposals, such as abolishing the mainland customs duty imposed on industries suitable for development in Hong Kong; persuading the Mainland to relax its restrictions on foreign shareholding, the number of branch offices and participation in procurement by mainland Government; recognition of professional qualifications; negotiating with the Mainland on relaxing the restrictions on the setting up of offices by mainland enterprises in Hong Kong. I hope that the Government can study our submission to it. All the details are found in our paper entitled "Promotion of Greater China Free Trade Zone — New Opportunities for Hong Kong Economy" (Translation), and our proposals in respect of the two previous Budgets. The Democratic Party very much hopes that the Government can study the submission in detail because we have advanced all these proposals with the aim of promoting the economic development of Hong Kong.

In addition to integration with the PRD, the policy address also lays stress on the development of creative industries. The Chief Executive and Secretary Henry TANG frequently stress a return to "small government", and according to them, the Government will not seek to tell the industries how they should take forward their development. The Democratic Party welcomes this. What is worth noting, however, is the reference, at the end of the policy address, to legislation on Article 23 of the Basic Law. Thus the role of the Government as a facilitator suddenly changes, and it draws the line for creative industries, a line they are not supposed to cross. This will deal a blow to their development. Many creative artists have expressed views on this. The Democratic Party hopes that the Government can listen to them.

Intellectual property rights are central to the development of knowledge-based economy. They can safeguard the survival of creative industries, thereby ensuring that the consumer can enjoy higher-quality creative products. However, why have we not seen the Government do anything to protect Hong Kong people's intellectual property rights in the Mainland? DVD films sold in

large-scale mainland department stores are usually priced at RMB 20 yuan each. The DVD version of a recent blockbuster in Hong Kong, "Infernal Affairs", is also sold RMB 20 yuan each. Do they really want to sell the DVD film at this price? They know that if they do not do so, pirated DVDs of the film will be sold everywhere. In view of this, how is the Government going to protect the rights and interests of local creative industries? This is something which the Government must do. The Government should promptly work with the Mainland to formulate specific measures on the protection of intellectual property rights, so as to combat piracy and help local intellectual property rights owners and consumers get back their legitimate rights.

Next, I wish to comment on the Chief Executive's policy address as the representative of the IT sector in the Legislative Council. The Chief Executive stresses the advantages of Hong Kong. I must say high efficiency is an advantage of Hong Kong, and IT is precisely the most effective means to enhance efficiency. But Mr TUNG seems to have forgotten this point, because the term IT is entirely absent from the policy address this year. The industry may think that the Government no longer attaches any importance to IT. The Government's attitude is seriously wrong. The four main pillars mentioned by the Chief Executive all depend heavily on IT. A workman must first sharpen his tools if he is to do his work well. IT is precisely a tool to be sharpened. Its development must be expedited.

The IT industry operates according to commercial principles, and it does not wish to see any vigorous government intervention. Instead, it wishes to see a clear development strategy. Whether the Government will take the lead in IT investment and application is of pivotal significance to the development of the industry. The Digital 21 Strategy launched in 1998 is a good example. The role of the IT industry in the Government's overall economic development strategy is also very important. How is the IT industry going to take part in our integration with the PRD? Has the Government formulated any detailed work plan?

I think the Government must seriously study the proposals made by the industry. First, it should promote Hong Kong IT companies in the Mainland. The relevant Bureau Director or a Secretary of Department may lead IT delegations to the Mainland, where they can have exchanges with provincial and municipal governments and enterprises, and they may also promote the strengths of the industry, such as the e-government project which has won the Stockholm

Challenge Award. Actually, it will be a good thing if the Government can introduce to the Mainland companies which are awarded its contracts.

Second, there must co-operation and co-ordination between Hong Kong and mainland enterprises. Programming, project management and quality control are our respective strengths. As long as there is co-operation between the two places, and if priority is accorded to the implementation of mutual certification to promote a secured e-business platform, we may hopefully gain a footing in the world market. To put it simply, we should at least work for the mutual recognition of certification authorities with Guangdong, for this may expedite the development of safe e-commerce. However, since economic integration needs time, the Government should at the same time increase its internal spending on IT. This can prevent the IT industry from shrinking too much and raise the standards of government services, which is conducive to the long-term development of Hong Kong.

The Government can now install IT systems and purchase IT services at prices lower than they were three years ago. In the long run, this can reduce government expenditure. As indicated by government documents, in the year 2000-01, IT services enabled the Government to make \$600 million realizable savings (such as savings from manpower cuts or operating expenditure) and also \$170 million notional benefits (brought about, for example, by saving extra costs and reducing compensation for overtime work). The results are obvious. In simple terms, even when faced with the fiscal deficit, the Government is not supposed to curtail its IT projects; rather they should be increased in number. The reason is that in the long run, IT projects will often save money for the Government. More importantly, the expenditure on most IT projects is met by the Capital Works Reserve Fund and is thus not recurrent expenditure. Therefore, IT projects will not aggravate the Operating Deficit.

Besides, the Government is duty-bound to protect the free flow of information, the foundation for the development of the IT industry. The Government must ensure that in the laws to be enacted to implement Article 23 of the Basic Law, the fine tradition of the IT industry as a mere information conduit free from any censorship can be maintained, lest this may deal a further blow to the industry. I already raised this point in the debate on Article 23 of the Basic Law, so I shall make no repetition here.

My other proposals on IT policies are contained in the representation submitted to Mr TUNG in November last year. I hope that the Secretary for

Commerce, Industry and Technology can study them carefully when formulating his policies.

Honestly, the Government has implemented all the measures under the Digital 21 Strategy over the past five years, and it has certainly promoted the overall IT development in Hong Kong. But the fact that the significance of IT on the government agenda has been diminishing in recent years has indeed caused the industry to feel rather disappointed.

I reiterate that IT is not just an industry; it is also an important factor contributing to the upgrading of all trades and industries in Hong Kong. I hope that as the Government tries to revitalize the economy, it will not forget to foster the application of IT in different trades and industries. That way, our competitiveness can be enhanced, and we can become better prepared for more severe challenges yet to come.

Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, the Government frequently stresses that back-up by the Mainland is the unique advantage of Hong Kong, but over the past few years, it has said much but done very little with respect to enhancing the co-operation between both places. The policy address this year highlights the importance of strengthening our economic co-operation with the Mainland and of expediting our economic integration with the PRD. The DAB strongly supports all these policies, which happen to be what we have been advocating over the years. In the past, the mainland Government was very keen on developing a "Greater Pearl River Delta Region" by linking up the cities around the PRD, but the SAR Government simply treated this matter in a lukewarm manner. The so-called high-level Hong Kong/Guangdong Co-Operation Joint Conference, following its first meeting in March 1998, originally decided to hold two meetings a year thereafter, but then the third meeting was eventually held some two years after the first meeting. We observe that the whole process and contents of discussions have been disappointing. I very much hope that in future, the SAR Government can conduct further communications with PRD cities and the local governments with a positive and active attitude. It is also hoped that the SAR Government can take concrete actions to foster the co-operation of the two places.

We are pleased to learn that an arrangement on the main parts of a Closer Economic Partnership Arrangement will be reached in June this year, especially because this arrangement will benefit our services sectors in their expansion into the mainland market. The DAB is of the view that with the market liberalization following China's accession to the World Trade Organization (WTO), the services sectors will become the focus, and inward investment in future will also be concentrated on these sectors. Therefore, it is imperative that Hong Kong works for the liberalization of trade in services between it and Guangdong as quickly as possible. Under the premise that the Governments of Hong Kong and Guangdong should comply with the principles and rules of the WTO, a task force on promoting co-operation in the services sectors should be set up to explore the policies and mechanisms on liberalization of the services sectors of the two places in the five years of transition following China's accession to the WTO. Besides, a consultative body comprising representatives of service sector bodies from the two places should be set up to give advice on the establishment of a co-operation mechanism between the places. That way, the relevant policies and mechanism eventually worked out will be more feasible.

Currently, those Hong Kong people investing in service industries in the Mainland are subject to restrictions of varying degrees. This actually poses very great hindrance to Hong Kong-Guangdong co-operation in the services sector. For example, in the whole of Guangdong Province except Shenzhen, foreigner investors, Hong Kong investors included, are forbidden to operate individual service industries such as retailing, catering, transportation, photography, printing and personal computer design. The removal of these policy restrictions requires positive negotiations between the SAR Government and the mainland Government. The SAR Government must urge the Guangdong Provincial Government to liberalize all these individual services industries completely and permit Hong Kong people to apply for the relevant operation licences in Guangdong. It is hoped that this can remove the market irregularity of "registering under the name of a mainland citizen, but with investments from a Hong Kong resident".

In addition, all along, Hong Kong businessmen can only adopt some flexible and indirect means to gain access to those restricted service industries of the Mainland, such as commercial wholesaling, real estate, construction, external trade and tourism. The DAB is of the view that the SAR Government should negotiate with the mainland Government on abolishing early all those geographical, quantitative, time and shareholding restrictions faced by Hong Kong businessmen in Guangdong, so as to create a fair business environment with a high degree of transparency.

The policy address emphasizes that our integration with the PRD must be enhanced, so that we may grasp the new opportunities offered by China's accession to the WTO. It also says that logistics, producer services, tourism and financial services are the main pillars of our economy, and that these four pillars must be strengthened.

In the field of logistics, the SAR Government set up the Logistics Development Council about a year ago, thus introducing the concept of logistics industry into Hong Kong. The policy agenda this year has finalized a number of measures, including a Logistics Park on Lantau Island, the development of a Digital Trade and Transportation Network System, the construction of Container Terminal No. 10 and the development of a cross-boundary bonded logistics express and an inland logistics village. All these are very encouraging. We hope that the Government can shorten some of the studies and launch these projects as soon as possible.

Actually, Hong Kong is not alone in this, for other places in the region are also making efforts to consolidate their status as a logistics centre. Singapore has been promoting the logistics industry since the early 1990s, and the value of the logistics industry already represented 8% of the country's GDP in 2001. It has been reported recently that Singapore now plans to invest US\$100 million to purchase a portion of the shares of the three airports in Hangzhou, Wuhan and Qingdao. It also intends to invest in the airports of Beijing, Shanghai and Guangzhou in a bid to develop third-party logistics. Taiwan and the Philippines are opening to couriers and offering concessions to induce them to set up goods distribution centres there. In Shenzhen of China, the 10th Five Year Programme drawn up has confirmed the role of the logistics industry as one of its three pillar industries. A plan is also finalized to increase, within the next 10 years, the combined berthing and handling capacity of the main ports by folds. The SAR Government has stated that the studies on all the projects contained in the policy address will be completed within this year, but since the pace of logistics development in other places is so fast, Hong Kong really needs to catch up by shortening the study periods and expediting their implementation.

Besides, since the documents signed by China on its accession to the WTO do not contain any undertaking on the liberalization of its logistics industry, the SAR Government must make good use of this opportunity and ask Guangdong to open its logistics market to Hong Kong before others and to permit Hong Kong

businesses to engage in logistics operations in Guangdong, including third-party logistics, investments in enterprise chains and the establishment of logistics distribution centres. One important thing is that we must speed up the co-operation of the Hong Kong airport with those in the PRD, so as to tie in with the future high value-added logistics park on Lantau Island. With all this, part of the semi-processed products in the PRD can be transported to Hong Kong for final assembly and direct forwarding to their destinations, capitalizing on Hong Kong's advantage of frequent out-bound flights. That way, the status of Hong Kong as the first-choice transportation and logistics hub in Asia can be consolidated.

On assistance to the small and medium enterprises (SMEs), improvement to the business environment has always been the concern of the DAB. We very much agree to a point made in the policy address, that the most pressing task now is to improve the business environment. Therefore, we hope that the high-level task force to be set up by the SAR Government can really pay heed to the commercial sector's needs and promptly formulate effective and feasible policies. It must not be indecisive and slow in implementing decisions.

The DAB has recently approached the various chambers of commerce in Hong Kong to get an idea of the difficulties encountered in business operation. We note that high operating costs are the main reason why enterprises are not attracted to set up more production lines or increase their investments in Hong Kong. Precisely because not all factory owners and enterprises can afford high rents, the DAB thinks that the Government should explore the possibility of using the frontier closed areas. Various infrastructure facilities should be provided there, so that an environment suitable for the development of enterprises with varying financial strength can be created. Some examples are the river bends in Sha Tau Kok or Lok Ma Chau.

High rents have also impeded the development of emerging industries. Therefore, the SAR Government should make good use of vacant factory buildings. The designated uses of these buildings should be altered to assist in the development of emerging industries. For instance, some of the vacant factory buildings may be converted to centres of environmental industries and training centres. They can also be used as places for young people to set up their businesses. That way, low rents can be used to encourage young people to apply their creativity in starting their businesses. Some of the frontier closed areas may also be used for establishing high-tech industrial areas for the purpose of fostering high value-added industries.

Some friends of mine in the commercial sector have told me that some enterprises are not so much facing a capital problem; rather, the problem is the lack of investment opportunities in Hong Kong. To achieve the multiplier effect of investment and to promote local economic development and employment, the Government should positively explore ways to assist local enterprises in getting government works contracts and other contracts. That way, there will be more business opportunities for local enterprises. For example, when the value of a contract is small, local enterprises may be selected on a priority basis under some pre-set guidelines or principles. Besides, when large-scale works contracts or consultancy contracts are awarded to foreign companies or experts, the SAR Government may consider imposing a clause of technology transfer in the relevant contracts, so as to assist local enterprises and professionals in upgrading their skills levels and enhance their competitiveness.

Madam President, it is pointed out in the policy address this year that the Government will seek to consolidate the status of Hong Kong as an international financial centre and China's leading capital-raising centre by upgrading the quality of Hong Kong's financial markets. Specifically, the measures include improvement to corporate governance, enhanced investor protection and promoting the introduction of new products to the markets. The authorities will seek to achieve the objective by reforming company law, introducing deposits insurance and simplifying the requirements on prospectuses to facilitate the issue of shares and bonds. The Government's financial services policies and directions are all correct. There is no doubt about them. The DAB will do its utmost to assist the SAR Government in scrutinizing the relevant legislation and drawing up the measures required.

In order to protect investors, the DAB agrees that the Government should widen the scope of legal liabilities relating to prospectuses as prescribed in company law, covering the conduct of sponsors and other intermediaries, so as to ensure the quality of the information disclosed by listed companies to investors. As for what specific measures should be put in place to monitor sponsors of listed companies, some propose that listed companies must be required to take out accounting insurance, the premiums of which will be determined by the auditors and risks assessors assigned by insurance companies on the basis of the risks of false accounting. The levels of premiums may also be disclosed to the public to enable the market to assess investment risks. Since the technical problems involved are extremely complex, and since the proposal will definitely

increase the capital-raising costs of listed companies and thus affect their listing desire, the DAB does not think that it is the best solution.

But if we are to eradicate false accounting by listed companies, the Government must step up its monitoring of the accounting practice, corporate disclosure and directors' liabilities. The DAB will continue to monitor the work of the SAR Government in this respect.

The DAB understands that to prevent losses on the part of securities investors, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited (HKEx) are now conducting a study on setting up securities accounts for investors. We welcome such a move. The account services in question are roughly the same as the "Investor Account service" currently provided by the HKEx. But since participation is mandatory, the HKEx should consider the abolition of the deposit currently required. It should also explore the possibility of adjusting the various service charges when the number of system clients and cost-effectiveness increase drastically, so as not to increase investment costs, thereby enhancing protection.

We have also heard that the Government is now negotiating with local banks operating ATM systems on the possibility of allowing people to use ATM systems for purchase of new stocks and retail bonds on public offer. This idea is roughly the same as our proposal on the active promotion of retail bonds issue. Therefore, we support the relevant policy and hope that the Government can offer a detailed account later on. The DAB also urges the Government to look after the needs of the disadvantaged groups of society and explore the feasibility of allowing post offices to provide simple deposit and withdrawal services. These simple services can make the daily life of grass-roots seniors more convenient.

Madam President, economic development is the biggest problem confronting the SAR, and economic integration with the Mainland is the emphasis of all emphases. Economic integration requires us to adopt policies and a new mindset to do away with the "Great Hong Kong" mentality we used to have. Do not think that the interests of Hong Kong must necessarily be the prime consideration of integration, and do not overlook the interdependent and mutually beneficial relationship between the development of a Greater Pearl River Delta Region and that of Hong Kong and South China.

Madam President, I so submit.

MR JAMES TIEN: Madam President, the problems that beset Hong Kong now are far from unique. Right across the world, in countries as diverse as Argentina or Japan, governments are grappling with economic woes for which it seems that at present, there is no end in sight.

Of course, it is disheartening for our citizens to hear the stark facts spelled out once again in this year's policy speech. We had become so accustomed to ever-growing prosperity in the '80s and early '90s with increased fiscal reserves that of all the people in the world, we are perhaps the least adapted to cope with economic downturn.

That may be why there has been a generally negative response to the Chief Executive's speech. Critics seem to expect the Government of the Hong Kong Special Administrative Region could come up with answers to external problems like a magician pulling rabbits out of a hat. Fiscal problems are not so simple. This is a changing world. It is in the process of becoming one vast global market with ever-fiercer competition and we must adapt to it or go under it. That means economic restructuring on a major scale, and that takes time. It means making our economy leaner and fitter, more keen-edged, more streamlined, and it also means greater sacrifices from many of us.

Naturally, that is not the kind of message that Hong Kong wants to hear. But it is undoubtedly the way forward. When we are facing a predicted deficit of over \$70 billion this year, we must welcome every move that the Government makes to reduce spending and increase revenue — no matter how painful or distasteful that may be.

The Liberal Party has been urging action to reduce expenditure on the Civil Service for a long time, and we are relieved to learn of plans for a 10% reduction in staff numbers. We are also very encouraged by the news that civil servants are willing to accept a pay cut if necessary. At time of crisis, we must all do whatever we can to help, and we would hope that, in consultation with the Civil Service, the precise details will be announced in the Budget speech in March, when we will be able to learn many more details of the plans announced in the policy speech.

In view of the huge budget deficit projected last year, next year's Budget is the time to impose tax increases, but also a cutback in civil service pay to bring it back to the 1997 level, which would be perfectly fair, given that we have

suffered a 13% deflation in the same period. There has been enough time to prepare for this, and we cannot afford to prevaricate any longer. If there are reasons for further delay, then they should be clearly explained. At the same time, it should be emphasized that whenever the cuts are decided, they will be backdated to 1 April 2003, the exact same date for tax increases.

I believe that this is fair and what the public wants, and what the majority of civil servants should accept as necessary and helpful to our economy in a time of need.

Madam President, the rest of us face the unpalatable prospect of small increases in taxes — another necessary evil in troubled times. Hong Kong is celebrated for its low and simple tax base, and we must strive to keep it that way, or lose one of the greatest selling points in attracting both local and foreign investments here. But however much we deplore increases in salaries or profits tax, or land and sea departure taxes, we can take comfort from the promise that the rises will be small, although the contribution that the extra revenue will make to reduce our deficit will be meaningful.

Just as crucial are moves to attract more investors, from abroad and inland. An inflow of new blood from the Mainland, allowing young professionals and entrepreneurs and their families to settle here and benefit from all the expertise and knowledge that a world city like ours can offer, will revitalize the dynamism and enthusiasm which has been lacking here lately. And if the new task force to improve Hong Kong's business environment is made up of people at the sharp end, who know from personal experience where the obstacles are, and what needs to be done to make things better, then it should come up with some positive and constructive ideas to attract investment and create new jobs.

So long as Hong Kong returns to the policy of "big market, small government" and continues to be celebrated for its free flow of information, it will always attract venture capital and be the best place in Southeast Asia to set up regional headquarters.

Madam President, these are testing times, but the difficulties are not insurmountable. We are still extremely strong in fundamentals. Our infrastructure, our people's know-how, our rule of law, our freedom of expression, efficient port facilities and our unrivalled strengths in finance, tourism and logistics equip us to ride out the present storm. Adding to that, we

have the backing of China, which continues to forge ahead even in the present very challenging global economic crisis.

If the policy speech did not produce an immediate panacea for all economic ills, that is because recovery will take time and will be a gradual process rather than an overnight cure, especially when our society is determined to keep the currency pegged to the US dollar. If people look beyond the present woes to the long-term prospects, they will see a far brighter picture. We have the Disney Theme Park in full steam, there are 20 new hotels in the pipeline to cope with Hong Kong's growing popularity as a tourist destination — a fact that comes not from the Government, but no less an authority than the World Tourism Organization — and we have no lack of visionary ideas and big thinking in proposals like the Hong Kong-Macao-Zhuhai bridge, which is undergoing a feasibility study by the State Development Planning Commission.

Madam President, if that can be concluded quickly, it will chime in perfectly with the positive moves that are underway to link us ever closer to Guangdong and the many cities of the Pearl River Delta. The plans are there, the prospects are extremely positive. But we must be a bit more patient and, above all, optimistic. Behind the sombre words of the policy speech, that is the real message: The economy will recover, the jobs will come, provided that everyone in Hong Kong is prepared to do his or her bit for Hong Kong.

(in Cantonese): Madam President, I have just spoken in English on the economic development from four aspects. Besides the tremendous support from me personally, the Liberal Party has some concrete suggestions to make as follow-up.

First, in the context of economic development or recovery, Hong Kong has now adopted a much better, new policy towards mainland talents and professionals. Subsequent to the abolition of quota restrictions on specific trades and industries, talents from the Mainland are now being treated on a par with those from Europe and the United States. It is really wonderful that the former may now bring their families with them. Many talents from overseas come to Hong Kong probably because their companies or friends know Hong Kong very well, or they think they can find their desired jobs very easily here. In the past couple of years, many mainlanders became less enthusiastic in taking up employment in Hong Kong because of the attitude of Hong Kong people towards them. The Hong Kong Government should indeed actively publicize

Hong Kong in various major cities on the Mainland, given that there are many choices for mainland talents and professionals and Hong Kong is not their only option.

Some members of the community have questioned whether mainland professionals taking up employment in Hong Kong will rob Hong Kong people of their "rice bowls". As far as I understand it, professionals with university qualification and 10 years' working experience can generally earn RMB 20,000 yuan to RMB 30,000 yuan monthly in Shanghai. Such a salary level in Shanghai is almost equivalent to a salary level of \$60,000 to \$70,000 in Hong Kong. They would not have come to Hong Kong, if not for our lobbying and incentives. Instead of questioning their motives of applying to work here for fear that the "rice bowls" of the people of Hong Kong will thus be robbed, we should indeed welcome them with open arms. I think the Government can launch publicity work in this area. Of course, some may question the necessity of publicity, given that Hong Kong is very good already. Recently, the principals from several prestigious institutions in the United States, including the Cornell University, visited Hong Kong to appeal to Hong Kong students to pursue studies in their institutions. I asked them this question: Why is it still necessary to launch publicity in Hong Kong, given that the ratio of admission of local students is already close to 100:1? Their response was: We still have to publicize our schools to the rest of the world however good we are. I think Hong Kong has to adopt this attitude too. We must not think that we can wait quietly for applications from mainland professionals, since the scheme for the admission of professionals has already been launched. Now that one year has passed. I wonder if Members have noticed that the response from mainland professionals has apparently not been enthusiastic. Actually, the number of mainlanders now wishing to come to Hong Kong is less than those during the period between 1995 and 1997, or even earlier. I hope the Government can pay attention to it.

The second point I wish to make concerns investment settlement. A new proposal has been made with respect to the investment settlement arrangements for people from abroad. Yet, the matter remains unresolved insofar as mainlanders are concerned. This is of course understandable. Given that free exchange of Renminbi is not yet permitted, the country may probably have fear of a capital drain. So what can be done? I can think of a short-term solution. As far as I understand it, if mainland businessmen who have applied for two-way permits to do business in Hong Kong are found to have behaved well, that is,

they return to the Mainland before the 14-day deadline, they may be granted a further three-year period of stay by the authorities. In that case, they will find it very convenient to do business in Hong Kong. However, I have been told by mainland businessmen that their investments in Hong Kong are subject to limitations — they are not allowed to set up companies in Hong Kong or to act as directors of local companies. I think the Hong Kong Government should examine this issue shortly. Two-way permits used to be issued to mainland employees working in branches set up by Hong Kong businessmen in the Mainland to work in the headquarters set up here. Now the situation under discussion is just the opposite. Why can mainland companies not set up branches in Hong Kong? This will impede our search for further investment opportunities. I also understand that businessmen or companies operating private enterprises in the Mainland usually hold two accounts in different currencies: a Renminbi account and a foreign exchange account. Actually, mainland businessmen already hold certain foreign currencies. There will be no problem of exchanging Renminbi for foreign currencies, even if mainland businessmen are allowed to make investments in Hong Kong. It is therefore not necessary for the country to waste too much effort dealing with this matter.

The third point I would like to raise concerns our integration with the PRD. Many of the Principal Officials serving in the Government today, like Secretary Antony LEUNG, Secretary Henry TANG and Secretary Frederick MA, used to be members of the business sector. Of course, Secretary Stephen IP is very capable too. I have the feeling that mainland officials, particularly many of those from the PRD, because of their long-time partnership with the Hong Kong business sector since the '80s and the '90s, compare better than Hong Kong officials in terms of communication with the local business sector or fulfillment of their investment commitments. Hong Kong officials are probably more pragmatic. Even if they have undertaken to implement certain projects, they will still have to first apply for funding from this Council and then conduct various studies. As a result, the progress of the projects is usually very slow. On the contrary, projects can come to fruition very quickly on the Mainland after officials have given their approval to certain projects. Insofar as the PRD initiatives are concerned, it will be most welcome if the business sector can join the responsible Secretaries to discuss with mainland officials. The project can probably be expedited if the local business sector, particularly senior-level personnel from major corporations, can take part in discussions with respect to the construction of bridges and roads, handling of logistics centres, and so on.

Now I would like to respond to the question on issue of bonds. The Liberal Party still has reservations about this proposal. Many countries resort to issuing bonds simply because they do not have any reserves, or they have to undertake certain massive infrastructure projects that can yield returns only in the long run. We have abundant reserves because we have purchased some bonds from overseas countries. Conversely, if we are to issue bonds, it is impossible for Hong Kong, owing to its status, to offer a higher rate of return than the United States. Will a person intending to make investments have more faith in the United States Government plus the greenback or the Hong Kong Government plus Hong Kong dollar? I believe they are somewhat different. Therefore, the Government has simply no justifications to issue bonds at low interest return and, at the same time, pay high interest to someone else, for losses will definitely be incurred. Actually, all bonds must be redeemed sooner or later. This is the same as credit card loans in the sense that repayment must be made sooner or later. So why do we not use our own money while we still have it? I therefore consider it inappropriate for Hong Kong to issue bonds.

Lastly, Madam President, on behalf of the Liberal Party, I would like to express its disapproval of the amendment proposed by Dr YEUNG Sum on behalf of the Democratic Party. We really doubt if it is really the case that Dr YEUNG expressed regret simply because the Government had failed to submit a White Bill on the enactment of laws to implement Article 23 of the Basic Law. After the publication of the policy address, Members from the Democratic Party have, over the last couple of days, expressed dissatisfaction with the Government over numerous issues, condemning the entire policy address for lacking substance and Principal Officials for refusing to exchange views with them, only that the wording "regret" has not been used so far. Is it true that the Democratic Party will give the policy address its full support once a White Bill is submitted? I do not think this is necessarily so. As such, the Liberal Party will later vote against Dr YEUNG Sum's amendment. Thank you, Madam President.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, in my opinion, it is a positive orientation that this year's policy address has acknowledged the many setbacks and crises posed to Hong Kong by the rising mainland cities and made revitalization of the economy a prime and urgent task. I also welcome the fact that the Chief Executive has accepted a number of proposals made by the Hong Kong Progressive Alliance (HKPA) and me, such as improving finance

schemes for SMEs, initiating a 10% pay cut for the Chief Executive and Accountability Officials, implementing 24-hour customs clearance, speeding up the study on Hong Kong entering into a Closer Economic Partnership Arrangement with the Mainland, stepping up the study on the construction of a bridge linking Hong Kong, Macao and Zhuhai with a view to promoting the development of the western PRD Region, promoting the integration of Guangdong Province, Hong Kong and Macao to form an economic co-operation region, and so on.

Some people are of the opinion that the ongoing economic development of Hong Kong throughout the years has actually been the result of the perceptive move by the commercial and industrial sector to integrate their business with the Mainland since as early as 20 years ago, therefore the policy address proposal for closer economic co-operation with the Mainland is a rather belated response. I consider such comments unfair. In fact, vigorous promotion of economic co-operation with the Mainland has been proposed in each of the Chief Executive's policy address in the past five years. In my opinion, the purpose of this year's policy address in reiterating this effort is to illustrate two points of significance in addition to demonstrating the determination of the Chief Executive. Firstly, the finalization of the main parts of a Closer Economic Partnership Arrangement with the Mainland by June 2003, the implementation of 24-hour passenger clearance at Lok Ma Chau/Huanggang, the permission for residents of Guangdong Province to visit Hong Kong in their personal capacity and the speeding up of the study on constructing a bridge connecting Hong Kong, Macao and Zhuhai, and so on, show that the Chief Executive is attempting to reverse the long-standing trend of one-way and unbalanced integration of northward investment and spending in the PRD to a more balanced and reciprocal two-way integration between the two places. Secondly, from the fact that the Chief Executive campaigns for developing the PRD into a major modernized economic region, a production and manufacturing base, a centre of logistics, professional services, tourism and entertainment by capitalizing on Hong Kong's advantages and enhancing co-operation with Guangdong Province and Macao, one can see that the Chief Executive is trying every means to persuade Hong Kong to relinquish its outdated model of "a shop in the front and a factory in the backyard" by capitalizing on the mainland markets from a higher starting point and turning them into one of our advantages. It can thus be seen that the policy address has once again highlighted the importance of economic co-operation with the Mainland. It is not shooting at random, as it has an objective to correct the unbalanced trend of economic integration between Hong Kong and the Mainland.

Nevertheless, inadequacies are still found in the policy address from the import and export perspective. For instance, it has not provided any immediate solutions to address urgent needs. Nor has it introduced any supplementary measure to tackle imminent difficulties confronting the implementation of policies. For that reason, I hope our Bureau Directors under the accountability system can propose policies and measures on the following issues:

Firstly, although the policy address stated that the Government would strive to reduce operating costs of the logistics industry and begin the feasibility study on Container Terminal No. 10 shortly, it has neither proposed any measures to speed up the timetable of the construction in order to prevent the loss of cargoes to other mainland ports, nor conducted a comprehensive review on the strategy of port development and policy on terminal franchise in order to address the underlying issue of excessively high terminal charges levied by terminal operators running very much like a monopolized business. In contrast, on the other side of the Shenzhen River, a total investment of RMB 65 billion yuan would be made around the year 2005 for the construction of six major logistics zones in Shenzhen, which would in due course develop Shenzhen into the largest logistics hub in South China. The policy address has evaded this issue and failed to propose any counter-measures.

Secondly, the Government only mentioned that its major task would to attract more globally renowned industrial design firms and multinational corporations to open business and set up regional headquarters and offices in Hong Kong. In spite of the fact that Hong Kong is under the pressure of competition by Singapore which has introduced tax reduction measures and the Mainland's all-out efforts to attract foreign investments, the policy address has not mentioned the strategies or incentives Hong Kong would employ to attract international firms. Nor has it set any targets in terms of the type, number and capital of these target companies. Without any substance, it is very difficult to evaluate whether the policy objectives will be met.

Thirdly, it has been mentioned that one of the major tasks of the Government is to study possible measures that can be taken to offset the impact of the removal of the quota system for textiles by January 2005. Even though the problem is just round the corner, neither a date for the completion of the study nor the formulation and implementation of these counter-measures have been mentioned. May I ask where have all the crisis awareness and determination to implement these policy objectives gone? What the commercial

and industrial sector fears most is the uncertain prospects. As long as the Government proposes no counter-measures, their doubts about the future and the Government would remain, and the investment sentiment would be adversely affected.

Fourthly, the policy address proposes Hong Kong should join force with Guangdong and Macao to develop the PRD into a major modernized economic region. However, it has not mentioned whether or not the region will function as a free trade zone. Just think about the fact that even Mainland and the Association of Southeast Asian Nations (ASEAN) have agreed to set up a trade zone within a decade's time. Being a part of China, Hong Kong should take the initiative to form a trade alliance with the PRD. In order to achieve sustainable development, Hong Kong should look for breakthroughs and pursue every channel to fight for favourable rules of the game besides taking the interests of others into account.

Fifthly, even though the general direction of promoting closer economic co-operation between Hong Kong and Guangdong is unambiguous, the promotion of a more balanced flow of investment and spendings involves consideration of the difference in interests, the difference in ways of decision-making and the difference in the culture of governance between the two places. For instance, why is our neighbouring city, Shenzhen, omitted in the proposal for the construction of the bridge linking Hong Kong, Macao and Zhuhai? Have the plan of building a nationwide coastal superhighway and the interests of Shenzhen been neglected? The co-operation between Guangdong and Hong Kong in all domains could be launched only if the SAR government makes a win-win proposal. However, the policy address has put no emphasis on that respect.

Moreover, some of the so-called measures presented in the policy agenda are just empty promises that appear to be just making up the numbers. For example, in the section about Vibrant Economy, one of the ongoing initiatives was stepping up enforcement against wage offences. It is really puzzling as one can hardly see the relationship between enforcement against wage offences and a vibrant economy. Conversely, the policy agenda has not mentioned issues of greater significance, such as how we should prevent the degeneration of attractions such as "Poor Man's Nightclub" into stereotyped hawker sites, how we should check the impact of local community programmes on the business of nearby small and medium shops, and how we should prevent further upsetting

the already low shop rental. Another disappointment is that the policy agenda has only mentioned the continuous implementation of the nine measures devised by Mr Michael SUEN to revive the property market, but it has not mentioned how the sequelae and aftermath of these measures will be taken care of. For example, as the production and sale of Home Ownership Scheme (HOS) flats will cease indefinitely, the Government should decide how to deal with those HOS flats under construction or those already completed. If they are left vacant for a long period of time, it will not only be a waste of resources, but also cause an adverse impact on the business of shops in the shopping centres of the same housing estate, causing a significant loss to government revenue.

Madam President, as it is a critical moment for the success or failure of revitalization of the Hong Kong economy, I expect all government departments to motivate their own resources and initiatives, draw on opinions of the Legislative Council and all walks of life and properly implement the policy objectives set by the Chief Executive, with a view to assisting Hong Kong to fight a neat war of revitalization of the economy. Madam President, I so submit.

DR LO WING-LOK (in Cantonese): Madam President, the theme of this year's policy address is "Capitalising on Our Advantages, Revitalising Our Economy". In paragraph 35 of the policy address, the Chief Executive stated, "A city is simply not strong enough to compete on its own. To advance its competitive edge, Hong Kong must pool its strengths with other cities in the region." This is in essence the concept of the so-called PRD economic region — to make Hong Kong, through integration with the PRD, an important component of the PRD economic region to bring our strengths and potentials into greater play, so as to enable the PRD, Hong Kong, and even China as a whole to enjoy better economic development. While I share and support this direction, I believe the people of Hong Kong will support it too.

Nevertheless, the policy address has apparently portrayed the PRD economic region as a new discovery, a new "gold mine". This tune is apparently inconsistent with the reality. The PRD is enjoying an economic take-off against the background of China's reform and opening. One of the key driving forces behind the take-off comes from the late state leader, Mr DENG Xiaoping. Entrepreneurs and pioneers from the Mainland and Hong Kong should really take credit for genuine realization of the PRD economic region and

the relevant success. Officials and non-governmental forces in the PRD should share the credit too.

Hong Kong people should indeed ask these questions: How much effort have the former British Hong Kong Government and the first SAR Government made in assisting, promoting and realizing the PRD economic region? Are the proactiveness and initiative of our Government adequate? Against the background a rapid take off of the PRD economy, if Hong Kong is to assume a lending position in the PRD, how much bargaining power should Hong Kong possess? In his reply to my question raised in the Question and Answer Session held after the publication of the policy address with respect to the integration between Hong Kong and the PRD, the Chief Executive indicated that a consensus had been reached between Hong Kong and Guangdong Province at the leadership level, that Hong Kong had received blessing from the Central Authorities. Hong Kong people should really be extremely thankful for having received support and serious care from the Central Authorities. Yet I consider the integration of Hong Kong with the PRD and, more importantly, regional integration, should be a process from the bottom up. Therefore, I see it necessary for the SAR Government to come down off its high horse, strengthen communication and establish a better work relationship with its opposite numbers in the PRD. The blessing of the Central Authorities is simply not enough.

Now, let me come back to medical services. Having read the policy address carefully, I find that little has been said about health care policies. However, I realize on reading into the lines that the economic development of the PRD may bring countless opportunities to medical service organizations in Hong Kong. The Government's population policy would also bring new sources of clientele.

Following the thriving economic development of the PRD and increases in per capita income, there are bound to be growing demands for quality-assured health care and medical services. People living in the PRD will naturally become a major source of clientele for our quality medical services.

To upgrade the quality of manpower resources, the SAR Government mentioned in the policy address that efforts would be made to "continue to attract talented people from around the world". These people will surely provide our medical services with a new source of clientele.

The policy address also seeks to "facilitate mainland talent and professionals to work and live in Hong Kong". These professionals will surely become a major source of clientele for our medical services.

It is also mentioned in the policy address that the Government intends to "attract entrepreneurs from the Mainland to come to invest in Hong Kong. We hope that this flow of people and capital will encourage Mainland/Hong Kong co-operation in the development of high value-added and high technology activities. It will also promote cross-boundary professional services". Eventually, these entrepreneurs will provide the medical sector with a new source of clientele.

It is further mentioned in the policy address that the Government has decided to "encourage more overseas investors to settle in Hong Kong". These investment migrants will surely require medical services.

The medical profession in Hong Kong actually possesses strengths that can lure clients from outside Hong Kong. These strengths include having a community of world-class medical personnel, medical and technological standards in constant keeping with the world's highest standards, a sound mechanism for protection of consumer interests, clean medical teams with extremely high standards of professional conduct, a sophisticated medical complaint mechanism, a healthy legal system, free flow of information, and publicly-monitored health care personnel. All of these represent the strengths of our medical services.

Medical services are a high value-added item. Patients are most concerned about the quality of service and the reputations of the providers in their selection of medical services. Therefore, we need not lower medical charges in order to attract patients from outside Hong Kong. However, we do have a major shortcoming in lacking a strong private sector market in health care.

Given our abundant reserves in the past, public medical services in Hong Kong have seen constant expansion. However, medical services are considered merely as public services; they are seldom seen as a strength conducive to economic development. If Hong Kong is to develop into a regional medical centre, it is most important for us to develop a thriving private sector market and change our thinking that medical services are but inexpensive social services for the public. This explains why the "big market, small government" principle is

repeatedly stressed by the SAR Government in the policy address. In my opinion, the Government is right in taking this path.

This year's policy address has finally made it clear that it is necessary to re-prioritize the provision of public services. It is believed, the private medical market will develop healthily again in the future in accordance with the law of market economy. Provided the private sector is willing to make improvements by constantly upgrading its quality of service, modernizing its management, increasing its charging transparency, introducing a clearly-marked price system and exercising quality control, it will surely help Hong Kong become a regional medical centre.

The major task of promoting the development of Hong Kong into the medical centre of the PRD should be undertaken by pioneers of private medical organizations. To make it a success, however, Hong Kong must fully complement the efforts made in this aspect by introducing corresponding policies and measures.

In formulating policies, the Government must thoroughly implement its thinking of "big market, small government" in the medical sector. This should include checking any attempts to provide private medical services in the public sector. To give public medical services a clearer positioning, the present arrangement whereby private medical services are provided in the public sector should not be allowed to expand further, or should even be scrapped. Allowing the public sector to provide private medical services is tantamount to financing the public sector to do business and to compete with the public for profits. This will seriously distort the free-market principle and, at the same time, giving the public an unfair deal. It is because public resources enjoyed by the public, including the undivided attention medical personnel should pay to non-private patients, will definitely lessen if private medical services are provided by public sector organizations.

Furthermore, the Government should encourage the development of private medical insurance because whether Hong Kong people can opt for private medical services mainly hinges on medical financing arrangements. Medical insurance is by far the most widely accepted and adopted channel for financing medical services in the world. Provided the Government is able to give public medical services a clear positioning to give the public a better understanding of the priority of public services, the people will have greater incentive to take out

insurance to provide themselves with full medical protection. Furthermore, the Government may require all employment visa holders to pay full charges for use of public medical services, and legislate to require them and their employers to take out medical insurance. To promote the development of private medical insurance, the SAR Government may also consider such other means as taking out insurance for the medical benefits enjoyed by civil servants, offering purchasers of medical insurance tax concessions, and so on.

To put the measures into implementation, officials in charge of medical and economic policies may, as pioneers for private medical organizations, liaise and communicate with their opposite numbers on the Mainland, so as to enable operators of medical services to meet the statutory requirements of the Mainland in a more efficient manner, to enable providers in Hong Kong to disseminate information on medical services on the Mainland, and even set up referral centres in Guangdong Province, such as Guangzhou, for private medical services offered in Hong Kong.

Furthermore, the Government should discuss with its mainland counterpart about visa arrangements to offer greater convenience to mainlanders trying to seek medical treatment in Hong Kong.

Finally, corresponding measures may be introduced to cater for the various needs of developing medical services in Hong Kong. Such measures may include giving support to the organization of regular promotional activities, such as expositions on private medical services, in Hong Kong.

Madam President, public services and social services in Hong Kong have always been striving for excellence. This is even more prominent against the background of bubble economy. However, the possession of such strengths can only help generate profits from within Hong Kong, rather than bringing extra wealth. This is simply like "a railway track with a dead end", which is not connected with the boundary in the north and with the town centre in the south. What is more, there are all sorts of complaint mechanisms and pursuits of excellence in all matters. At the same time, public medical services are constantly upgraded, in both quality and quantity. Although the people can now enjoy better transport facilities and improved medical services, and the aggrieved are now treated in a more civilized manner, the fixed cost of operating the territory has increased greatly.

In order to pay such an exorbitant cost to maintain the living quality of the people, Hong Kong must, by virtue of its strength accumulated in the ongoing pursuit of excellence, explore new opportunities for economic development in order to create foreign exchange earnings and wealth. This is precisely where our future lies.

I have met with medical practitioners and various medical organizations one after another in the past month for the purpose of gathering views. Upon the completion of this task, I will submit a proposal to the SAR Government on how Hong Kong can be developed into a regional medical centre. I hope the medical service market can develop beyond a confined local market for more room and greater potentials.

I will elaborate on medical services from the angle of patients later on in a subsequent session of the debate. But why must I discuss medical care at such great length here in this session on economic issues? This is because the standard of medical services enjoyed by the people of Hong Kong is closely related to the economic development of the territory. Madam President, to best serve the community, or to provide the best social service, we probably have to exert our utmost to reduce the number of people enjoying all sorts of free or inexpensive social services. By the same token, to reduce the number of charity recipients is probably the greatest charity we can do. This is the very reason we have to revive the economy, and to ensure people from various social strata can share the fruits of our economic achievements.

Madam President, I so submit.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, the people of Hong Kong harbour no more hope in TUNG Chee-hwa. Many of them no longer hold any expectation of TUNG Chee-hwa, let alone his policy address.

There is a saying from a martial arts fiction writer, GU Long, that the most dangerous place is the safest. Hong Kong people may say that an extremely ambitious government, in particular the TUNG Chee-hwa Government, is the most dangerous of all. I have no intention to add perplexities to the situation; I just like to conclude our painstaking experience in the past five years, to draw a lesson from it. TUNG Chee-hwa has told a lot of myths during the past five years, but the community has been frustrated as such

myths burst like bubbles. Today, the only hope of the people of Hong Kong is to have a secure job, a plain life that requires little of their attention to the Government.

In the eyes of the public, the policy address is nothing more than a sheet of blank paper, a failed examination paper. TUNG Chee-hwa said that Hong Kong had to integrate with the PRD. But what is the result of the integration? The PRD is enjoying all the fame and glory, while Hong Kong has lost all of its lustre. Industries in Hong Kong have moved northwards, unemployment is rising all the time, wages are dropping and deflation worsening. When Hong Kong is integrated with the PRD, all the features and competitiveness of its economy will have lost. Integration means into it; Hong Kong will cease to be Hong Kong.

What are the characteristics of Hong Kong? TUNG Chee-hwa said that Hong Kong is supported by four pillars: finance, logistics, tourism and producer services. However, the Governor of Guangdong Province, LU Ruihua, has stated clearly in his work report that Guangdong Province would be developed into a regional financial hub, a research and development centre, a purchasing centre, and the regional headquarters for multinational companies and international corporations. Madam President, the sleeping dragon is awake. Hong Kong will no longer enjoy its unique identity, its role as the bridge or window to the Mainland is no everlasting myth. Every Hong Kong people who is sober enough knows in his heart of hearts that anything Hong Kong can do, Guangdong and Shanghai can do sooner or later. What Hong Kong now faces is not integration, which in fact has already commenced long ago, but competition. We are facing competition in the four areas that TUNG Chee-hwa has regarded as pillars of Hong Kong, including competition from Guangdong Province and other cities like Shanghai.

The four pillars supporting Hong Kong, like grand architecture of the Roman Empire, could be glamorous or desolate, all depending on the leadership, the soundness of systems and the support of its people. The woes experienced by Hong Kong should be attributed to TUNG Chee-hwa's incapability and dictatorial leadership that go against the will of the people. These five years, since the reunification, are in history a period of confrontations between the Government and the people, a period of division in society and

incubation of antagonism. Once coming across the idea that TUNG Chee-hwa will be in office for another five years, many a man will become so depressed and scared by the past experience that they would rather have Edmond HO or even ZHU Rongji to rule Hong Kong. This is sheer black humor on the SAR. Why? Why has Hong Kong been put in such a situation? TUNG Chee-hwa is the answer. He has spent five years damaging the freedom and rule of law in Hong Kong, undermining the power of checks and balances in society, and breaking the hearts of the civil servants and the people. He has led Hong Kong down the deep and of grandiose projects, destroying its own foundation and undermining its own strength.

The four pillars supporting the prosperity of Hong Kong are in fact the freedom and rule of law, checks and balances exercised by the legislature and the media, our gung ho spirit, and a clean and stable civil service system. However, after the reunification, all these have been twisted, distorted and undermined into non-existence. This is definitely not the fault of a single individual, but TUNG Chee-hwa has at least be blamed for his poor leadership. However, in his policy address, it seems that TUNG Chee-hwa has forgotten that Hong Kong has been under his governance over the past five years. He just keeps on shirking his responsibilities, putting the blame on others and grumbling about the world. What he does is just complain, complain and complain; there is not a single word of apology to the public or admitting his fault. Has he ever sincerely reflected on himself for his fault?

If a government is not elected, not doing things right and not admitting its fault, why would its people be willing to ride out the difficulties with such a "three-not" government? We have taken to seeking self-reliance, leaving TUNG Chee-hwa to engage in his monologue. I believe the community has already been very tolerant and kind indeed. The people simply hope that life would be easier and the days are not more harder. Therefore, just the next day after TUNG Chee-hwa delivered his policy address, the public turned their focus to the Budget. They opposed Antony LEUNG's proposed tax increase targeted at the middle class and Arthur LI's proposed tuition fee increase. These are what the public care. The increases in tax and fees pose an immediate menace to them, but the development of the PRD is remote, and TUNG Chee-hwa's policy address is even more remote.

To win the support of the people, TUNG Chee-hwa must do three things: first, to allow the public to catch some breath by not increasing tax significantly; second, to dispel the fears of the people by not enacting laws to implement Article 23 of the Basic Law; and third, to apologize for his poor governance in the past and to rebuild the four pillars underpinning Hong Kong's prosperity. These three things are not all there is to governance, but a touchstone for a government to open up a new path. It will test if TUNG Chee-hwa has fully awoken to his fault, and made effort to "sense the urgency of the people and think in the way they think"; or if he is still obstinately sticking to a wrong course, indulging in "his own urgency and his own way of thinking".

History is like a mirror. TUNG Chee-hwa is the first Chief Executive of Hong Kong; people will pass judgement on his success or otherwise. The question of whether he will be crowned with eternal glory in history, or be a cause of regret to Hong Kong, depends on how TUNG Chee-hwa governs Hong Kong in the future, and on how Hong Kong rebuilds its prosperity. If the governance of the SAR fails to win the support of its people, prosperity will just be a fleeting breeze past our shoulders. We have lost too much in the past five years, we cannot afford losing another five years. One will be enlightened only when he heeds different views. Think twice, TUNG Chee-hwa.

With these remarks, Madam President, I support Dr YEUNG Sum's amendment.

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, I disagree with the criticism that the policy address is high, grand and empty. Conversely, I think many criticisms are nothing but criticisms made for the sake of making criticisms. They are really misfired empty shells. They are the real high, grand and empty shells.

In this year's policy address, the Chief Executive made it clear for the first time that expediting the economic integration of Hong Kong with the PRD should be a vital strategy and direction for revitalizing the economy of Hong Kong. It is a correct and prudent decision. However, some people have misgivings about the economic integration, that it will undermine our international position and unique role, that Hong Kong will be eaten up in the process. In my opinion, this is a fallacy.

First, the economic integration of Hong Kong with the PRD is determined by economic principles and it will not change according to the will of any person. Some people are worried that this economic integration with the PRD will further pull down our wages and assets value. While such a protectionist concern is understandable, we should recognize that the trend of globalization and the movements in elements of production in the region are beyond our control. We can no longer shore up, the high level of wages of old and so they have to be adjusted. If we do not integrate with the PRD and isolate ourselves instead, any attempts to arrest the downward adjustment of wages will only be futile for our wage levels are fundamentally determined by our abilities to create wealth. The fact is our competitiveness and our abilities to create wealth are not commensurate with our income. Therefore, the right approach is to raise our competitiveness and abilities to create wealth through an integration with the PRD economy.

Second, the kind of integration with the PRD is only economic, not political. There exists a fundamental difference between the political systems of the two places: the PRD practises the socialist systems while Hong Kong practises the capitalist system. We maintain very strict border control and resolutely implement the "one country, two systems" principle. The unique role and position of Hong Kong as an international city is not going to disappear. Conversely, its status as a metropolis in Asia will be enhanced. As in other places, the promotion of a free trade zone will have no effect on the political system of the countries in the region. So any worry about the economic integration with the PRD will undermine "one country, two systems" is largely unfounded.

Third, the present question is not whether or not Hong Kong should integrate with the PRD, but a question of how and how it can be expedited. After more than 20 years of opening and reform, the PRD is now a processing and manufacturing base which develops the fastest in the world. It is also the most efficient, most successful and the richest. Take Dongguan as an example, it is an important base for the manufacture of computer and information products, taking up a significant market share in the global market. It is known that more than 95% of the parts used in assembling a computer can be found in Dongguan. At present, the fee charged for hauling a container from Dongguan to Kwai Chung, Hong Kong, is \$1,000 more than hauling it to Yantian in Shenzhen.

The difference is almost one fold. The handling charges at the container terminals in Hong Kong are 30% to 100% more expensive than those in Shenzhen. Hence, Yantian and other ports on the Mainland are eating into the cheese of exports from Hong Kong. Figures show that the throughput of the Shenzhen port last year grew 50%, while that for Hong Kong declined. The new international airport in Guangzhou is posing competition to Hong Kong and the new international convention and exhibition centre built in Guangzhou is the second largest in the world and the largest in Asia. In the past, Hong Kong relied on inward investment and re-export trade as the major means of creating wealth. With China's accession to the WTO and full liberalization to the world, the role and function played by Hong Kong in this respect would certainly be challenged, evident in the continual drop in our volume of re-exports. If Hong Kong does not engage in economic integration with the fast-growing PRD, Hong Kong will become an economic island and marginalized. With an integration with the PRD, Hong Kong will gain a huge hinterland and hence an impetus to growth. By integration it means greater co-operation between the two places and complementing each other's advantages. Ours lie in our being a world-class financial, logistics and business centre. Besides, many businessmen and investors have said that when Hong Kong becomes a partner of the PRD, the sky is the limit.

Our relationship with the PRD used to be that of a shop in the front and a factory in the back. Now the PRD is upgrading its industries and restructuring its economy. We should make use of our advantages to help the PRD upgrade its industries so that the region can be brought to the world and the world brought to the region. In so doing, our competitiveness can also be enhanced to facilitate our own economic restructuring. For if not, this little dragon of Asia will not take off.

Over the past three years, there has only been four occasions when the high-level Hong Kong/Guangdong Co-operation Joint Conference was held. There is therefore a lack of effective co-ordination and co-operation with regard to the large infrastructure projects being carried out in the two places. Another example is that when the mayor of Shenzhen pressed for 24-hour border clearance, the Hong Kong officials said that it was not necessary. So when Hong Kong wants to go ahead with this idea, it is now the turn for Shenzhen authorities to say they will have to look into the matter again. In the past, the idea of the Lingtingyang Bridge was warmly received in Guangdong but it got

the cold shoulder from Hong Kong. Now the Hong Kong-Zhuhai-Macao Bridge is enthusiastically proposed by Hong Kong, but the reaction from Guangdong has at best been lukewarm. This is a good illustration of the lack of communication between officials of the two places. WANG Liwen, the Deputy Director of the Centre for Development Studies at the Guangdong People's Government made an overt criticism recently that there was a lack of open-mindedness, communication and active co-ordination in Hong Kong officials on the issue of economic integration with the PRD. It was really an apt remark to make, a hit on the head of the nail.

On the part of Hong Kong, it should discard its old mentality, the old sense of superiority. We should take a positive and proactive stand in this matter, for if not, when our advantages no longer exist, an integration with the PRD would just mean being absorbed by the latter.

There should have been enhanced economic integration with the PRD after 1997, but some senior officials in Hong Kong failed to reach a consensus on this and thus some opportunities just slipped through our fingers. The present proposal of economic integration with the PRD has come somewhat belatedly, but if the Government is serious about it and acts decisively, that can still be a worthwhile thing to do.

Thank you, Madam President.

MRS SOPHIE LEUNG (in Cantonese): Madam President, using "revitalising our economy" as its theme, the policy address delivered by the Chief Executive this year has outlined the promotion of economic transformation and integration with the PRD as our direction. The industry is of the view that this will be in the long run conducive to the overall economic development of Hong Kong. Nevertheless, as stated by the Chief Executive, it takes time for the economy to transform. In particular, matters involving discussions with the Mainland cannot be resolved instantly. We appreciate this point, but we cannot tell the people of Hong Kong to quench their thirst by thinking of plums.

To spur economic growth in the short term, it will be more practical for Hong Kong, being an outward-looking economy, to boost exports to earn foreign exchange. For instance, the 3.3% economic growth recorded in the third quarter of 2002 was driven mainly by exports.

Accounting for more than half of the total value of goods exported from Hong Kong, textiles and apparel earned \$80 billion or so in foreign exchange in 2001. Even in times of a sluggish economy, the industry is still employing nearly 60 000 workers and hence supporting 60 000 families. In the global market, Hong Kong has for many years ranked after the Mainland as the world's second largest clothing exporter, renowned for high quality. This traditional industry is precisely one of the "advantages" on which we have to capitalize, as pointed out in the policy address.

Actually, we can give further play to this advantage of our industry, subsequent to China's accession to the WTO and the universal abolition of quota systems by 2005. Before 2013, export of mainland fashion will still be restrained by possible anti-dumping and protection measures and, as a result, production growth will still be impeded. On the contrary, Hong Kong has no such worries. Furthermore, after the abolition of quota systems by 2005, we can, provided 20% to 30% of the production processes are carried out in the territory in accordance with international standards, use Hong Kong as the origin of the goods to expand our export of textiles and apparel to certain importers without being subject to any restriction.

Our relative advantages will, however, diminish with the passage of time. The later we start, the more business opportunities we will lose, and the less we can do. For instance, the Government is still undecided over the proposal of setting up a boundary industrial zone I have been advocating for years (actually seven to eight years). Today, Macao and Zhuhai have reached a consensus to set up a cross-boundary industrial zone. This will, I believe snatch away from Hong Kong plenty of business opportunities. I therefore hope the Government can tighten its grip on this opening by actively promoting our textile and garment industries in the world market.

To further make our way into the world market and enhance our competitiveness, closer integration with the PRD is warranted. With the support from the PRD in terms of production strengths, we should give play to our strengths in terms of grasping information on the trend, building up a good knowledge of market demands and product designs, and so on. This will enable us to steer a high value-added course to, by incorporating design elements into apparel, offer higher added value to lure overseas buyers, and to boost the market share of Hong Kong clothing in the global market. In this way, we can promote economic prosperity and bring production activities back to the PRD.

This will help consolidate the position of the Mainland as the world factory, thus enabling economic integration of the two places to achieve a "win-win" situation.

We have actually been trying to combine with the economic strength of the PRD to develop industries in the high value-added direction for many years. The achievement enjoyed by the PRD today is actually attributable to our promotion efforts. At the same time, we need the Government to make complementary efforts in various aspects, particularly in terms of labour force, corresponding industrial facilities and a good business environment. Now I would like to quote a news report carried in *Ming Pao* just the day after the policy address was published. A fashion designer who has a personal brand remarked when looking back at the experience gained in the past seven years, "The greatest difficulty is I have no idea of what I can do to market my own designs and how I can find out the needs of the market Hong Kong is in desperate need of a matching organ to enable new designers, investors and manufacturers to find their own match." In my opinion, this gap can precisely be filled by setting up a "fashion and design centre" with a wide range of facilities.

This fashion and design centre is actually the aspiration of the industry. After the publication of the 1998 policy address in which the Government indicated its ambition to develop Hong Kong into a world-class fashion and design centre, and even before that, the industry had already demanded the Government to nurture local new designers with potentials, to establish our own brands with the help of manufacturers' promotion effort and fashion shows, to assist the industry to develop from OEM (original equipment manufacture) to high value-added ODM (original design manufacture), with a view to developing Hong Kong into a city of fashion. Much to our regret, however, the proposal has yet to find a receptive ear.

The industry and I have recently proposed to the Government to set up a fashion and design centre in several vacant industrial buildings in Cheung Sha Wan. The merit of the proposal lies in that many groups associated with the industry, like cloth merchants, apparel accessories traders, fashion wholesalers, and so on, are readily found in the district. Being a distribution centre frequented by fellow traders, tourists, and so on, the district can also work in concert with the fashion and design centre. These blocks of industrial building, where the earliest industries in Hong Kong originated, are filled with historical legacy. Providing an ideal environment for creation, they can provide fashion designers with creativity and inspiration.

The fashion and design centre may also attract other trendy industries, such as costume for arts performance or performing arts (great interests have been expressed), accessories, jewellery, watches, sunglasses, and so on, to the district. Coupled with the unique industrial characteristics already established in the district, the centre as a large, exhaustive, colourful fashion design and accessories hub will offer a wide range of retail, wholesale and even procurement services to local consumers, tourists and overseas buyers. This may turn Hong Kong into the largest "garment district" in the Asia-Pacific Region and upgrade the territory into the region's city of fashion. Like the Seventh Avenue in New York, United States, Hong Kong will soon become the region's trendy landmark.

Fashion vogue will actually drive the development of garment-oriented trades and industries. As Hong Kong develops into a city of fashion, our imitation jewellery industry, ranked number one in terms of export in the world; precious jewellery, the world's number two in terms of export; glass frames, second only to Italy's and complete watches, the world's number two in terms of both total export value and amount, are likely to be benefited directly. My purpose of citing all these examples is to illustrate the fact that the "vogue" driven by fashion can transform into an economic impetus to produce a knock-on effect and bring other trades and industries business opportunities. We can definitely develop Hong Kong into a city of trendsetting and boost its overall competitive edge, provided various trades and industries try their best to give full play to their creativity.

It can thus be seen that the textile and garment industry is more than a goose that will lay golden eggs. It will also give birth to other species of goose and lay more golden eggs. I hope the Government can do its utmost by capitalizing on the strengths of the industry we have accumulated over the years, grasp new opportunities brought about by China's accession to the WTO, and forge closer integration with the PRD. While going through the painful course of economic transformation, the Government should carefully nurture the goose — the textile and garment industry, and put the objective of positioning Hong Kong as "a fashion hub for the region", as outlined in the policy agenda, into concrete implementation, and give Hong Kong economy a new look.

Madam President, manpower quality is crucial in the new economy race. I have mentioned it to the Chief Executive before, and I am going to reiterate it again today, that I hope the Government can promote emphasis on manpower

quality. It should also lay down indicators and effective criteria for this to reflect the standards of local talents in an objective manner, and to provide a direction for future improvement. This year's policy address has mentioned the need to lure talents to Hong Kong in various areas. We greatly welcome this idea, for new blood is required to stimulate our thinking and to upgrade our quality. These proposals reflect precisely the fact that the quality of the people of Hong Kong has yet to fully meet the needs of the market.

After all, our education system is excessively institutionalized. Emphasis is often put on such superficial hardware as examinations, diplomas and certificates at the expense of whole-man nurturing. As a result, young people are poorly equipped in terms of their cognition of things happening in the world around them, their ability to analyse matters from a macroscopic perspective, and their resistance against adversity. Of course, both the Government and the community should be held responsible for this. We often tend to be tolerant for fear that they might fall, catch a cold or eat too little. Parents are duty-bound to inculcate a correct sense of value into their children at an early age. Besides encouraging their children to participate in community affairs more actively and to assume responsibilities bravely, parents should also help them explore their own potentials, build up self-confidence and equipped themselves for adaptation to society as they grow older, ready for the many challenges of life.

We are actually living in a community of great sympathy. However, our community has become too reliant because of excessive sympathy. I particularly hope young people can learn how to respect others and understand there is only a thin line between freedom and indulgence. Since all of us are living in the same community, we are obliged to protect the personal freedom enjoyed by others and prevent it from being infringed.

Apart from young people, women in Hong Kong should also upgrade their abilities and keep abreast of the times, break away from the frame of tradition, and open up their own horizons. I hope the community can encourage and help them overcome obstacles standing in their way. I am not demanding more subsidies for them. I only hope they can be given more opportunities to fully develop their potentials to enable them to go beyond seeking self-improvement to helping themselves and people beside them to face challenges, to go further to pooling collective wisdom to resolve problems, and finally influencing other people and women to remove obstacles in society. Besides resolving their own problems, they can make indefatigable efforts to contribute to society as well.

To upgrade our own potentials is precisely the way of thinking the community needs at the moment. I hope we can, through boosting our self-confidence, remove the culture of "blaming others" prevalent in society. Even when things do not turn out as we wish, we must not blame others or rely on others to resolve our own problems, as if an invisible wall is always standing between you and me.

Allowing this to continue will only divide society and jeopardize social harmony. How can we attract overseas talents, investors and multinational enterprises, and develop Hong Kong as Asia's world city? Up till today, why can people who keep on chanting "unscrupulous employers" or scolding others every day not realize the fact that all the people of Hong Kong, altogether 7 million, are sitting in the same boat? Why do they choose to chant those absolutely unrealistic, or even unnecessary, slogans? Do they see that it is useless whatever slogans they chant and that investors will be scared away by the slogans chanted as a mere expression of their own ideas?

Looking back at Hong Kong in the period between the '50s and the '60s, we will find that resources were lacking in all areas when compared with today. The clothes hanging out on the clothes lines were all patched. But still, we managed to make Hong Kong a miracle. If every one of us, including myself, can perform our role and enhance our own value with an enterprising spirit, resilience and pragmatism, we will definitely make a breakthrough and chart the way forward for Hong Kong as it emerges out of the new economy.

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

MS EMILY LAU (in Cantonese): Madam President, I rise to speak in opposition to the motion of Mrs Selina CHOW.

I cannot thank the Chief Executive for this policy address because it fails to respond to many aspirations of society. Besides, it talks only about "capitalizing on our advantages and revitalizing our economy", thus giving people an impression that it is meant only to help the business sector. This sounds perfectly fine, and no one will possibly object to doing so. However, if a policy address spends a lot of ink just on revitalizing the economy and further integration with the PRD, and if it thus makes people feel that they cannot benefit

from such or may even have to suffer, it will, I think, fail to answer the aspirations of society. Therefore, I cannot support this motion.

However, I do very much agree to what Mrs Selina CHOW said at the beginning of her speech, that is, many Legislative Council Members are extremely dissatisfied with the overall arrangements for the announcement of the policy address. For instance, the announcement date of the policy address was deferred without any consultation. Moreover, although Members reached an agreement that a three-day debate should be held following the announcement of the policy address, we were provided with extremely little information. It was only after our meeting on Friday and our request for government briefings to be held from Monday to Wednesday that more information was provided. I think all this is a by-product of the Accountability System for Principal Officials, something which is very undesirable. I hope that our Bureau Directors can also think about this.

However, Madam President, a most ridiculous point is that if ever anyone asks when the next policy address will be announced, no one, including the Chief Executive himself, will probably be able to give any answer at all. The Chief Executive has said that he is still considering the matter. I hope that while he is considering the matter, he will consult the Legislative Council, because Members are also involved. If the Chief Executive were to announce the policy address in just one of our streets, he would be free to do so any time he likes. But since his delivery of the policy address will affect our work, I hope that Members can take part in the process.

Madam President, why did I say I cannot support the motion of Mrs Selina CHOW? It is because I think that the policy address has given people an impression that it is biased towards the business sector. I do not want Members to think that the Frontier is antagonizing the business sector. This is absolutely not the case. We know fully well that there must be investments from rich people and the business sector (whether foreign or local) to bring the people of Hong Kong enough jobs. Actually, the Chief Executive already let slip something which makes people think that he is really biased towards the business sector. Last week, the day following the announcement of the policy address, the Hong Kong General Chamber of Commerce invited the Chief Executive to deliver a speech at a luncheon meeting. At the luncheon, the Chief Executive told the businessmen present that he was as happy as returning home (for he was

talking to businessmen at that time). But then he went on, saying that he had never really left them.

Madam President, this is the person who is the Chief Executive. Actually, I agree that we should have an elected Chief Executive, and that all people, whether from the business sector or the academic sector, should be permitted to stand in the election. However, once elected, the Chief Executive should see himself as the representative of the whole community, instead of saying again and again that he is still staying with the business sector. This will make people feel that the Chief Executive is always and just thinking about protecting and representing the business sector. This is very bad, I must say. I do not know whose idea it is for the Chief Executive to say something like this. Maybe, it is all his own idea. But no matter what, this is definitely an inappropriate remark. And, some may thus think, "How can it be denied that the Chief Executive is biased towards the business sector?" I always maintain that the Chief Executive is concerned about the pocket of the business sector, because his handling of many issues shows that he has protected the business sector. This is undesirable, because if we want to have social cohesion, we have to make all people in society feel that all government policies work for their well-being. Only this can make people do their utmost to support and implement the policies. Government policies must not work for the business sector only, for this will make people feel that they are encountering more and more difficulties which cannot be overcome.

Madam President, I now wish to say a few words on integration with the PRD. Although I have not been able to visit the Mainland for years, I still wish to raise this point when it comes to integration. We Members are the representatives of millions of Hong Kong people, but when a dozen or so of us are not permitted to organize any fact-finding visits to the Mainland (the number is always changing, because some who are allowed to go back now may be barred from doing so later and *vice versa*), can we really talk about full-scale integration? I hope Members can give some thoughts to this.

However, I do not oppose the saying that ways must be worked out to enable more Hong Kong people to invest in the Mainland and explore the unlimited business opportunities there. There is nothing wrong with investing in the Mainland, and many Hong Kong people in fact like to do so. As many have pointed out, the people of Hong Kong have started to make investment in the Mainland since a very long time ago. The Chief Executive is just being too

slow in response. But at the same time, we must realize that many jobs have been shifted to the Mainland during the process. Last week, at a seminar held by the Central Policy Unit, the Chief Executive said that the Hong Kong businessmen in the Mainland, including the PRD, now employed some 11 million to 12 million workers, and that the people of Hong Kong should be very delighted upon learning this. But I believe Secretary Stephen IP would probably think that we should instead retain more jobs for local workers, and that way, we would not have several hundred thousands of unemployed people in Hong Kong. So, will integration with the PRD create more jobs? That is in fact not that important. But how can we also create some jobs for local people? Or, should we get increasingly frightened as we look on? The Government frequently asks people to go north to look for opportunities. But some people are both unable and unwilling to do so. So, what are those remaining in Hong Kong going to do? Therefore, I shall ask Secretary Stephen IP this question, and I will ask each and every Secretary.

Secretary Henry TANG is not here now. When he attended the briefing held by us on Monday, he mentioned something that we were delighted to learn of. Secretary Henry TANG was the only Bureau Director who had given us all the documents we needed on Saturday, because he knew that there would be a series of briefings from Monday to Wednesday. He talked about his major tasks during the briefing, and he said that one of them was to work with the PRD and other cities to promote the concept of a Greater Pearl River Delta Region, so as to increase the appeal of our investment promotion. According to him, this involves two focuses. First, we must join hands with the various PRD cities to organize more publicity activities in overseas markets. The second focus, Madam President, I mean, the more important focus, involves efforts to induce more enterprises to set up regional headquarters and offices in Hong Kong. I think Hong Kong should play such a role, instead of going to the Mainland to beg others — some even say that we are begging like a beggar. We must capitalize on our advantages, our rule of law, our connections with foreign countries and our financial infrastructure to help Hong Kong, the PRD and even the whole of China. Secretary Henry TANG has made it very clear that he will do all this.

Madam President, some in the business sector have told us that a certain organization named the "Hong Kong Pearl River Delta Foundation" issued a statement on 10 January in response to the policy address. Their statement follows the direction of Secretary Henry TANG's idea. These people think that

we should promptly do something to induce hundreds and thousands of small and medium enterprises (SMEs) from foreign countries and the Mainland to station permanent staff in Hong Kong, to set up purchasing or sales offices here. That way, hundreds of thousands of jobs can be created in Hong Kong.

I do not know whether the Bureau Directors have studied the feasibility or otherwise of this proposal. On that day (Monday), I also asked Secretary Henry TANG whether Invest Hong Kong will do something like this, because I have the impression that Invest Hong Kong used to provide services to large corporations only. A large corporation can provide 300 to 400 jobs to us once it comes here. This is of course very good. But I think even large corporations no longer have to rely on Invest Hong Kong to look for staff, and well, the number of large corporations is not so large now anyway, so what should be done is already done. We now need to talk about SMEs. Perhaps, as pointed out by the Hong Kong Pearl River Delta Foundation, some SMEs may just provide three to four jobs. But "drip-drops make a river". If we can induce 5 000 to 10 000 SMEs to come to Hong Kong, the number of posts provided will still be sizeable.

The Foundation also says that many foreign SMEs actually do not know the PRD, still less the role that can be played by Hong Kong. In other words, these SMEs do not know that they can set up their headquarters in Hong Kong for the purpose of purchasing. There are many talents in Hong Kong who can provide such assistance. Can Mike ROWSE reach out to these SMEs? Do these SMEs know how to reach us? Secretary Henry TANG is not here, but I still hope that he can answer these question later on.

Madam President, why am I so concerned? The reason is that I find this point very important. In the course of integrating with the PRD, we must seek to avoid any rejection on the part of Hong Kong people because they may think that integration will not bring them any benefit. But we must make them realize that this can enable us to capitalize on our advantages. As pointed out in the policy address, we must do something to bring opportunities to Hong Kong instead of just offering some sweeteners to induce people to take on the unemployed (though we also have to do this). However, I am also very worried that some employers who want to get the benefits offered may just dismiss their existing workers in order to employ the jobless. In that case, who can we help really? I hope that the Bureau Directors can think about this seriously.

Madam President, finally, I wish to come back to matters relating to the PRD. Undoubtedly, there are unlimited business opportunities. But when Hong Kong residents are assigned by their employers to work in the Mainland, how can they enjoy protection under the Employment Ordinance and other laws? Are they still protected? Will the Bureau Directors and the Secretaries of Departments give us some information on this later on? The Government is so enthusiastically encouraging people to go northward for work, and people are sent there by Hong Kong companies. But are they entitled to any protection?

Besides, we still have a bigger concern. If a Hong Kong resident is arrested in the Mainland due to troubles connected with the company he works for, who can help them? Legislative Council Members in fact have many such cases on hand. Has the Government offered any assistance at all? I mean, let us not talk about the more complicated mutual legal assistance. Therefore, as the Government encourages people to look for business opportunities elsewhere, it must tell them that there may be many pitfalls which they must be aware of. And, it must also tell people that the Government will do its utmost to provide them with other protection. Only a government like this can be described as responsible.

I so submit.

MR KENNETH TING (in Cantonese): Madam President, the title of this year's policy address is "Capitalising on Our Advantages Revitalising Our Economy". To Hong Kong, the economy of which is now at a low ebb, this can be considered a reflection of the heartfelt wishes of the people and the common aspiration of employers and employees. This direction could not be more correct. I believe what the people need most at the moment is to find a light that leads in the direction of economic recovery and economic development of Hong Kong in the future. In this connection, what the Chief Executive has said in the policy address with regard to various aspects is on the right track and appropriate.

Firstly, the Chief Executive mentioned that a high-level task force on the business environment would be set up to review the work of the Government and embark on deregulation in respect of the business environment, hoping to enhance government efficiency and streamline procedures. I hope that the Government can truly observe the principle of "big market, small government" as stated by the Chief Executive in the policy address, by cutting all red tape and

cumbersome formalities in order to reduce business costs, so that the economy of Hong Kong can pick up early and regain vitality.

As Members may recall, the Liberal Party already moved a motion on "Improving the business environment" before the end of the last year, proposing the establishment of a business environment assessment committee by the Government. But it is only until now that the Government has responded more positively by agreeing to set up this high-level task force. We hope that the Government can set up this task force early, and it is best that the private sector, particularly members of the business community, are allowed to participate in and even chair this task force. It is because only in this way can the task force truly appreciate the difficulties and needs of the commercial and industrial sector.

Indeed, the public absolutely understands that the promotion of the business environment is inextricably linked with the recovery of the economy. According to the findings of an opinion poll conducted by the Liberal Party, over 80% of the interviewees support improving the business environment to facilitate employment.

Besides, the direction of economic development is also very important. The Federation of Hong Kong Industries (FHKI) very much agrees with the Chief Executive that economic integration with the PRD should be a direction of development. Today, as China has successfully joined the WTO and become the world factory, we must endeavour to complement the development of the Mainland. We should capitalize on our geographical and institutional advantages as well as our experiences in trading with foreign businessmen to assist China, particularly the PRD where productivity and standards of production have been improved significantly, to venture into the enormous business markets both locally and overseas.

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

Therefore, I also support that the matching hardware and software for the integration with the PRD be enhanced. In respect of hardware, we strongly support the SAR Government speeding up negotiations with the mainland Government over the construction of a bridge connecting Hong Kong, Zhuhai

and Macao, so that Hong Kong can further promote the development of the region to the west of the PRD by drawing on its past experience in development with the PRD.

Moreover, I also support the implementation of "24-hour customs clearance" by the SAR Government at Lok Ma Chau with effect from the 27th of this month to facilitate the flow of passengers and goods. This will be vitally important to developing Hong Kong as the logistics and freight transportation centre in the region.

Madam Deputy, I wish to point out that it is not enough to rely solely on measures that serve to facilitate the flow of passengers and goods. We should at the same time work hard to sharpen our competitive edge. For example, the terminal handling charges, over which the industry has all along expressed concern, are still on the high side. If we allow this situation to persist, our inherent advantages in the import and export of goods would be further undermined and we would be surrendering our markets to the neighbouring regions. This will run in the opposite direction of revitalizing the economy as proclaimed in the Chief Executive's policy address. Once again, I hope the SAR Government will seriously find ways to ameliorate this question of unreasonable charges.

In relation to the clearance arrangements for foreign businessmen, the SAR Government and the relevant authorities of the Shenzhen Municipal Government must ensure that their arrangements are co-ordinated in a way that they are as convenient as those for ordinary residents of the two places. Efforts should be made to do away with unnecessary formalities and minimize the waiting time, in order not to give foreign visitors a bad impression and hence tarnish the reputation of Hong Kong as a world-class city.

On the other hand, the support of human capital is very important. We agree with the Chief Executive that more mainland professionals and talents and even talented people from around the world should be attracted to Hong Kong. However, we hope that the Government can accord the same treatment to all, so that such arrangements will be identical to those currently adopted for admitting overseas talents, allowing them to come to Hong Kong with their families for settlement, business start-ups and directorship of Hong Kong companies.

I wish to point out in particular that over the past 20 years, Hong Kong businessmen have trained a large pool of talents in the PRD, especially technology personnel and talents at various levels with professional knowhow. If arrangements can be made as soon as possible for them to come to work in Hong Kong, this can certainly help retain manufacturing industries in Hong Kong and hence open a new chapter for local manufacturing industries. In this era of knowledge-based economy, all countries in the world are actively taking part in the global competition for talent. If we still rest on our own laurels and do not extensively admit talents, Hong Kong will be lagging behind the world, in which case the road to economic recovery will be longer and farther.

All in all, the FHKI agrees with the proposals listed in the policy address. However, we consider that the SAR Government should come up with more concrete measures to support local manufacturers and attract industries to relocate their operation to Hong Kong, and also in respect of planning.

The FHKI considers that production-based economic activities are an important sector of Hong Kong economy that should not and cannot be neglected. To effectively relieve the deficit and unemployment problems, a practicable way is to implement concrete policies to promote production-based economic activities and their development. Regrettably, the policy address has made no mention of such policies.

Madam Deputy, Dr LUI Sun-wing, Vice President of The Hong Kong Polytechnic University (The PolyU), has pointed out that "industrial production to the tune of \$100 million in Hong Kong can generate some \$1 billion worth of ancillary economic activities, but on the contrary, economic activities based in the Mainland to the tune of \$300 million can generate benefits for Hong Kong amounting to tens of millions of dollars only". Dr LUI and findings of studies conducted by The PolyU have clearly pointed out that production by local industries does play a pivotal role in revitalizing the Hong Kong economy.

The theme of this policy address is "Capitalising on Our Advantages". Indeed, the SAR Government should capitalize on the advantages of Hong Kong to promote local manufacturing industries. Honourable colleagues may think that given the high land premium and expensive wages in Hong Kong, there is no advantage to speak of with the development of industries. This is not true. Let me cite some concrete examples to explain the advantages of Hong Kong for industrial development.

The Xinyi Group, which has set up six plants in the Mainland, has earlier on injected \$120 million for the production of windscreens in the Yuen Long Industrial Estate, creating 160 job opportunities for Hong Kong. For what reasons has the Xinyi Group set up a factory in Hong Kong?

Mr TUNG Ching-sai, Chief Executive Officer of Xinyi, stated that production in Hong Kong can lead the company to become further internationalized, which is conducive to the future development of the company. Mr TUNG Ching-sai also pointed out that although glass products that are "Made in Hong Kong" do not enjoy many tax concessions, they can be spared from the anti-dumping legislation of foreign countries on products from China. Such legislation poses barriers for many goods that are manufactured in China.

Another company that plans to expand its factories in Hong Kong, Compass Technology Company Limited, a manufacturer of semi-conductor packaging products, has also pointed out that Hong Kong still has many advantages with which the Mainland cannot catch up. A highly efficient Customs and Excise Department and an abundant supply of talents in Hong Kong are the reasons why the company has continued to develop its business here in Hong Kong. Moreover, to such high technology companies as Compass Technology, machinery depreciation takes up the largest portion of its expenses, whereas wages and rental do not account for a high percentage. So, to high technology companies, there is not a big difference between setting up factories in Hong Kong and setting up factories in the Mainland.

Moreover, Jean-Marie Pharmacal Company Limited, which has been established in Hong Kong for 40 years, has pointed out that although there are also pharmaceutical factories that have attained GMP (Good Manufacturing Practice) standard in the Mainland, foreign businessmen are still concerned about possible omissions in monitoring in the Mainland. But Hong Kong gives the impression of quality management, and pharmacists in Hong Kong also command high esteem internationally and so this will be helpful to the company's development in the international market. More importantly, imported raw materials are not subject to tariff in Hong Kong and this has offset such factors as rental and wages in Hong Kong being higher than those in the Mainland.

Madam Deputy, these concrete examples about factories being set up in Hong Kong and manufacturers relocating their production to Hong Kong

precisely tell us that Hong Kong still offers the advantages for the development of manufacturing industries, particularly high value-added manufacturing industries. To wit, locally-manufactured goods can be spared from the anti-dumping legislation of foreign countries against goods from China; no tariff being imposed on imported raw materials in Hong Kong; a highly efficient Customs and Excise Department; and a more widely recognized quality management in the international community. Since so many successful manufacturers have clearly told us that Hong Kong still has the advantages for industrial development, the SAR Government should indeed attach more importance to this and introduce concrete measures to consolidate the advantages for the development of manufacturing industries in Hong Kong, with a view to improving the economy through industrial development. Apart from finding ways to attract more manufacturers to relocate their operation to Hong Kong, it is more important for the Government to reduce as much as possible the cost of production for local industries, thereby facilitating the continued development of local manufacturers.

Madam Deputy, I hope that while the Chief Executive is committed to implementing the various policies in the policy address, he will also pay more attention to the importance of local industries to the economy as a whole.

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

MR ANDREW CHENG (in Cantonese): Madam Deputy, instead of calling the policy address delivered by Mr TUNG Chee-hwa last Wednesday a policy address, I think it may be more appropriate to call it a "report on directions of economic policy". The entire policy address impresses the public as a failure to make specific policies or objectives in response to the labouring masses' aspiration for the creation of jobs, which is the utmost concern to them. Mr TUNG has always criticized us, telling us not to think that slogan chanting is a way to solve problems. But as the policy address has not mentioned a word on the problem of unemployment, his slogan of "sensing the urgency of the people and thinking in the way they think" is therefore a typical example of chanting empty slogans as a direction of administration.

Madam Deputy, when the Economic Development and Labour Bureau was formed in pursuance of the implementation of the Accountability System for Principal Officials, the Democratic Party was worried about possible conflicts of

interest in the future operation of the Bureau and contradictions in balancing the two major policy areas. In fact, this policy address in which the accountable officials have a part to play for the first time is obviously a policy address that attaches importance to the economy to the neglect of workers. It has failed to positively address the plights faced by over 250 000 unemployed people and close to 110 000 people who are underemployed.

Madam Deputy, in view of this incomplete and hollow policy address, I would like to express my concern and put forward proposals in four areas as follows. I hope that the Government can make reference to them and follow them up.

The first is that the cost of Hong Kong's integration with the PRD must be assessed. In the policy address, the Government has repeatedly emphasized that we should seize the opportunity of an integration with the PRD, for this can create numerous business opportunities and plenty of job opportunities for the two places. However, the Democratic Party is concerned that the integration between Hong Kong and the PRD, which is the selling point of the entire policy address and for which praises are so consistently sung, may not in reality materialize in the way as expected, that is, creating business and job opportunities for Hong Kong. In fact, if we make reference to the integration experience of the greater China economic region, we must not lose sight of a significant problem arising from economic integration: unemployment.

Many people originally thought that the greater China economic integration would bring opportunities for Taiwan. But the reality is that the magnetic power of the mainland market is so strong that Taiwanese and foreign capital has shifted westwards for investment in China, resulting in a massive outflow of domestic capital and increasing factory closures. Consequently, Taiwan has suffered badly from a continued downturn in the economy and an ever rising unemployment rate. Last year, the unemployment rate in Taiwan hit the record high of 5% on average all year round, affecting the livelihood of over 500 000 people in the labour force. This experience of Taiwan in economic integration has sounded a warning to us: Would the problem of unemployment in Hong Kong worsen as a result of its integration with the PRD, or could the creation of jobs be just a mirage? Could Hong Kong bear the price to be paid in the course of integration?

Madam Deputy, it is understandable for Policy Secretaries, in faithful adherence to the team spirit, to vigorously promote economic policies as a

direction of their initiatives to build the future of Hong Kong. But we think that after the implementation of the accountability system, the wider public will expect the officials to not act like the group of officials in the story of "The King's New Clothes", who know only to blindly chime in with the views of others. Rather, they expect them to be capable of independent thinking, with an analytical power stronger than the ordinary citizens. In this connection, the Democratic Party proposes that the Government should conduct detailed and in-depth studies and assessments on the concerns arising from the integration between Hong Kong and PRD and widely consult the views of the academia.

Secondly, the Government must make an all-out effort to tackle unemployment. In this year's policy address which has come belatedly, it is stated in paragraph 4 in the second page that "increasing employment" has become "a prime concern of the community". However, whether in the delivery of the policy address by Mr TUNG or in the Question and Answer Session or briefings by Bureau Directors, no specific measures or arrangements have been proposed to boost public morale. To put it simply, this is nothing more than a report on economic policies that attaches importance only to business opportunities.

During his briefing on Monday, Secretary Stephen IP mentioned time and again that some 10 000 jobs would be created in the tourism industry in the next couple of years, and that the Disneyland would bring along some 15 000 jobs. In short, many jobs would be created. But as a member of the governing team of the SAR Government, he has for many times evaded the request for the provision of basic statistics for the reference by the Legislative Council. This is disappointing indeed. Although the Government has introduced the Re-employment Training Programme for the Middle-aged and the District Employment Programme for the Middle-aged for unemployed workers of middle age, these programmes have benefitted 3 500 people only. As there are now over 110 000 unemployed people aged above 40, the number of beneficiaries accounts for a mere 3.2%, showing that these programmes have achieved very little results. These policies, which aim to provide relief for unemployment among the middle-age group, have absolutely failed to get to the core of the problem. In the final analysis, the reason why these unemployed people cannot land jobs is largely related to age discrimination. So, the Democratic Party suggests that the Government should expeditiously enact legislation to prohibit employers from including the age of an applicant as a recruitment criteria, so that every job applicant with the ability to work can be treated fairly. Moreover, I

call on the Financial Secretary, who is a member of the Task Force on Employment, and various Bureau Directors to expeditiously implement the 33 proposals on job creation proposed by me and other members at the last meeting.

Thirdly, infrastructure investment should be maintained apart from the development of the four pillar industries. The Secretary for Economic Development and Labour repeatedly stated during the briefing that while the policy address had not provided any measures and statistics on the number of jobs created in respective industries, it did not mean that the Government would drop the issue and take no follow-up action. However, the Democratic Party would like to further seek reasonable explanation from the Government on some of the current statistics on unemployment. In the policy address, the SAR Government has expressly stated that it would spare no effort to promote the development of the four pillar industries, including financial services, logistics, tourism and producer services. But how will these four pillar industries absorb those construction workers who account for over 20% of the unemployed population and manufacturing workers who take up about 10% of the unemployed population? Furthermore, as the Government has not clearly stated that its investment in infrastructure projects will continue, the Democratic Party considers that more construction workers would be rendered unemployed in the foreseeable future. These are the gravest concerns to the unemployed workers and their family members, who hope that the Government could give them a direction and a timetable in this policy address for the new year. Therefore, we propose that before the effectiveness of Hong Kong's integration with the PRD can be ascertained, the Government should maintain its investment in infrastructure projects, in order to create jobs and hence ameliorate the unemployment situation in the construction industry.

Fourthly, the Government should implement policies on employment and set indicators for full employment. Today, Members present in this Chamber are the more fortunate ones in society, because we all have a job and our living is secure. But for those people who are so unfortunate as to have become unemployed, they had hoped that the governing team of the second term of the Government would come up with a package of measures to tackle unemployment. But their hopes are now dashed and they are in great disappointment. In July last year when the new governing team assumed office, the Democratic Party demanded the Government to draw up a set of policies on employment and work

out indicators and a timetable for achievement of full employment. Unfortunately, the attitude of the Government then was far from proactive, and it even refused and evaded this demand of the Democratic Party. Over the past five years or so after the SAR's reunification with China, the unemployment rate has never ceased to climb. Compared to neighbouring countries or territories with a comparable level of development, such as Taiwan, Korea and Singapore, the rate of increase in the unemployment rate in Hong Kong is the highest, from 2.2% in 1997 to 7.8% in mid-2002.

Besides, among these four countries or territories, the attitude of the Korean Government has been most proactive in handling unemployment. It set out to maintain the unemployment rate at a desired level and managed to lower the unemployment rate from its peak at 6.8% in 1998 to 3% in 2002. During the same period, the European Union (EU), in order to promote economic integration and sustained development, convened the employment summit at the end of 1997 and mapped out policies to tackle unemployment. Later in 2002, the EU formulated policies on employment, comprising policies in the long, medium and short terms, with the objective of achieving full employment; and these policies have begun to bear fruits. For instance, Britain has successfully brought down its unemployment rate from 5.7% in 1997 to 3.2% in 2002; the unemployment rate in France has dropped from 12.5% in 1997 to 9% in 2002; and that in Germany has come down from 12.5% in 1997 to 9.8% in 2002. Therefore, the Democratic Party reiterates that the Government should formulate a policy direction for tackling unemployment. It should also draw up policies on employment for the next decade, setting objectives in the long, medium and short terms, and implement such policies in phases and at the same time set down a desired full employment rate.

Madam Deputy, I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Madam Deputy, the economic structure is as sophisticated as a human body, for both are full of numerous interconnected arteries and veins, with a multitude of subtle intricacies. At the incidence of a rare illness, even prominent doctors will be at a loss as to what medicine should be prescribed. The first policy address of the Chief Executive after his re-election has adopted the methods of "observation, auscultation and olfaction, interrogation and pulse feeling and palpation", prescribing medicines

for the seriously ailing economy of Hong Kong. Consolidating the advantages of Hong Kong is tantamount to preserving health fundamentals and connecting the "Ren" Channel and the "Du" Channel^{Note} to revitalize our strengths.

I very much agree with the direction proposed by the Chief Executive, which is clear and explicit, suggesting that we should press ahead in full steam to create a favourable investment environment in Hong Kong, so as to speed up economic restructuring and give impetus to the creation of jobs. This is a long term solution to tackle the problem at root. As long as we are backed by the Mainland and engaged globally to consolidate the international status of Hong Kong, it is not difficult for us to revitalize our economy indeed.

According to recent economic forecasts by the United Nations, China is set to become the economic locomotive in Asia, for it has registered a 7% economic growth which is second to none. The Chief Executive has proposed the promotion of closer co-operation with the Mainland. This, I very much agree, for Hong Kong will then stand the chance of becoming the hinterland of the PRD. Through co-operation with and the provision of professional services to the Mainland, more job opportunities will certainly be provided to many professionals in Hong Kong.

Speeding up and improving boundary crossings will provide greater convenience for Hong Kong people to travel to and from the Mainland and will significantly increase the flow of goods vehicles. Therefore, the Shenzhen Western Corridor and the Sheung Shui to Lok Ma Chu Spur Line projects have become all the more important, and they should not be delayed no more. Just as the Chief Executive has said, we must seize the opportunity of deepening economic integration between Guangdong and Hong Kong and help tens of thousands of small and medium companies from the United States, Europe and Japan to make investments in the PRD by setting up branch offices in Hong Kong. It is reported that the establishment of branch offices in Hong Kong by these foreign companies can provide thousands of jobs for Hong Kong each year.

The success of Hong Kong is attributed to its flexibility and adaptability to change. Apart from financial services, logistics, tourism and producer services

Note

In traditional Chinese medicine, Ren and Du are two major channels of human body. It is believed that once these two channels are connected, all the other channels will be linked up, thus improving the blood circulation of the body, which will do good to a person's health.

which are the pillars of Hong Kong, creative industries also have great potentials and are worthy of vigorous promotion. Creative industries are the synergy of arts, culture and product development, and are premised on intellectual property rights and individual originality. At present, creative industries in Hong Kong only account for less than 1 % of the GDP and so, there is indeed plenty of room for their development. That the SAR Government can notice that these industries offer great potentials for development obviously displays vision on the part of the Government.

In this regard, South Korea has come a long way in a short span of several years, and we should learn from them and follow their path. I remember that in September last year, a deputation comprising several members of the Panel on Information Technology and Broadcasting visited South Korea. We found that the Korean Government had taken a host of measures to promote creative industries. In 2001 alone, electronic game products exported by South Korea already totalled US\$130 million, and the figure is still multiplying. "Lineage", an online game invented in South Korea, is among the most popular subscription-based online games in the world. This shows that South Korea has become the largest electronic game producer in Asia and worldwide. In 2001, there were only 2 100 companies in this business in South Korea, employing a total of over 24 000 people. But in 2002, the number doubled and has since continued to grow and develop at an ever increasing rate. With a growth of 50%, this business is surging ahead of all industries, providing a large number of job vacancies in the country.

The success of South Korea's electronic game products can be attributed to the full support of their Government. The business start-up fund set up by the Korean Government has accumulated to 35 billion Korean won. Every electronic game company that applies for loans under the fund can at least be granted 500 million Korean won to 1.5 billion Korean won. The Secretary for Home Affairs, Mr Patrick HO, has said that it is most undesirable for the Government to pool funds to provide financial support. I have reservations about this remark. From the example of South Korea, we can see that the Government must not only provide assistance in law and in respect of the business environment. Suitable financial support is also necessary in order to achieve success. The foreign exchange reserves of South Korea are less than those of Hong Kong, but they are bold to make innovations, allowing no retreat. This kind of resolve is lacking in the SAR Government.

I remember that after the financial turmoil in 1997, unemployment in South Korea was much worse than that in Hong Kong. But after just a few years' time, they have staged a comeback and the whole country is of one mind in pursuit of a common goal. Seeing that creative industries have plenty of room for development, their Government promptly provides funding support, and this very initiative has eventually led to success. Hong Kong must learn from this. If the funding criteria of South Korea are considered too lax, we can suitably tighten ours up. We must not say that something will not work without actually giving it a go.

To develop the film industry, the Korean Government has done far more than just providing loan guarantees. It has set up a studio city in Seoul, which can be lent to film makers who lack funds or leased to them at low rental. The studio city comprises six different locations for film shooting, and film makers are allowed to use them freely. All these are proactive measures to breed and incubate a local industry. I hope that the SAR Government can make reference to this example. I hope that it will not pander to outworn beliefs and refuse to proactively provide assistance. I think whatever should be done should be done. If this economic activity is beneficial to society, it will be unnecessary to worry about intervention in market operation. The Government should simply take bold measures to spur its development, doing what it should as a good and responsible government.

Moreover, although the policy address has not mentioned much about labour policies, the Government has stated in the policy agenda the need to strengthen communication between employers and employees and build up harmonious labour relations. I wish to remind the Government that the outcome of the revitalization of the economy should be a win-win situation. It must not be biased in favour of the interest of the business sector to the neglect of employees' interest. While the Government has not proposed any new measures to assist the people in employment, I believe as long as the economy can be revitalized, full employment can be achieved and the business community will also reap reasonable returns, and by then, everyone can get what he wants. I hope the Government will bear in the mind the labour sector's expectations of the Government.

I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, I do not know why the Financial Secretary is not here. I wonder if he thinks that he does not have to respond to Members' speeches. But what I am going to say is mainly economic and so, I hope the Financial Secretary can listen.

Madam Deputy, the theme of this year's policy address is revitalizing the economy. The Chief Executive has bet his own name in history — either to be praised by a hundred generations or to be reviled for ten thousand years — on his endeavours to revitalize the economy this time around. I wish Mr TUNG every success, or else the well-being of the wider public would have to be sacrificed as well. However, to achieve success, we need more than empty talk. We must truly put words into actions.

The biggest shortcoming of the SAR Government lies absolutely not in the naming of directions, but in implementation. This is precisely the fundamental reason why public confidence is lacking. Mr TUNG has always told the people to trust the Government. But the Government has dashed their hopes and disappointed them every time. How can he tell the people to trust the Government any more? Those who still trust the Government are only blind supporters of Mr TUNG. Even for those bootlickers surrounding Mr TUNG, Mr TUNG must not think that they have faith in him. They may just be trying to get what they need.

I wish to remind Mr TUNG not to only tell people to trust him. Rather, he must seriously acquire a clear picture of the situation and review the experience of past failures. Do not make empty talk about those grand goals any more. Steps should be duly taken to put his words into actions.

Have Mr TUNG and his entire team ever reviewed why the Government has failed to make any achievement with regard to its many directions and proposals to develop Hong Kong into different centres? In this regard, the Government cannot pass the blame to the bubble economy before 1997 or the external environment. It is because the proposals back then were put forward after the bursting of the bubble and after getting a clear picture of the external environment. Regarding the past proposals, such as those on a super Manhattan, a centre for Chinese medicine, a floral port, biotechnology, innovative technology, information technology, and so on, why have they not opened up a road to prosperity for Hong Kong? Here, I must declare that I am not trying to negate the past proposals of developing Hong Kong into this port and that centre.

I am only asking why these proposals have not borne fruits. Will the integration with the PRD being proposed now meet the same fate? Mr TUNG hoisted numerous flags on revitalizing the economy, why are all the flags dropped in the end?

What we fear most is that the Government would turn "gold" into "stone" in the economic aspect, because the Government has displayed great ambition but puny ability. Even though it has identified the right direction, it simply has no idea as to what to do and thus failed to deliver eventually. What irritates me most is that the SAR Government has not properly reviewed its past blunders. What the people fear most is seeing yet another failure. To ensure that the Chief Executive can turn "stone" into "gold, not turning "gold" into "stone", the Government must make changes in, among other things, the following three areas:

First, it must get a clear picture of the situation and give the people an honest account, and must not make undertakings lightly. Take the integration with the PRD as an example. This absolutely cannot be achieved by wishful thinking on the part of the SAR Government alone. The biggest obstacle in the future may come from Guangdong Province. Is the position taken by LU Ruihua, Governor of Guangdong Province, unfavourably directing against Hong Kong or does it provide room for the two places to complement each other? This is a question we must make clear. Now that competitors are emerging around us, what impact will they have on our advantages? Besides, will the small and medium enterprises (SMEs) in foreign countries be interested in the PRD? How should we keep tabs on the business pulse of foreign countries? How should we analyse the advantages of Hong Kong to ensure that they would not be fully melted away in the course of integration? All these require clear analysis, and cannot be explained away simply by an empty slogan of "Trust me".

Another issue that needs to be dealt with is that, if the Government's economic policy really has to change from a *laissez-faire* approach to the role of a more active enabler, institutional changes will be required both in the Government and the market. The support of new institutions is a must.

This year, the Chief Executive has proposed the general direction of deepening integration with the PRD and attracting tens of thousands of SMEs from the United States, Europe and Japan to set up offices in Hong Kong. To

materialize this concept, how can the Government, apart from negotiating with Guangdong Province on a government level, facilitate business solicitation overseas? The two Secretaries of Departments visited Japan and Europe respectively in November last year and delivered keynote speeches to promote the selling point of investing in Hong Kong is tantamount to investing in the PRD. But how effective has this been? What follow-up actions have been taken by the Government? If the Government intends to solicit business more proactively and more aggressively, can the organization, establishment and personnel of our Economic and Trade Offices in foreign countries accomplish this task? Will the Government have to appoint business commissioners in order to cope with the new development?

Although integration is the general direction, I hope the Government will not forget the need to develop the other strengths of Hong Kong. The many proposals previously put forward by the Chief Executive are, in fact, worthy of further study. Honestly speaking, I still consider some of those proposals feasible. But in fact, many people who are keen to contribute their efforts have been working conscientiously in the areas of biotechnology, material technology, and so on. Dr LUI Ming-wah, who has proposed a motion debate on nanotechnology, is definitely one of them. However, we have also heard complaints from many of them, complaining that the Government has provided no leadership, no assistance, no concession and no facilitation and so, they have no hopes on the Government.

Innovative technology or venture business is in itself an economic activity entailing high risks. But as the structure and operation of our market in Hong Kong cannot perform a risk-sharing function, business starters have to bear almost all the risks of starting up a business. Local banks tend to be conservative in their operation and not many people in the banking sector are knowledgeable about innovative technology. So, they are unable to identify projects worthy of financial support. Moreover, the Growth Enterprise Market on which the Government has pinned expectations has even degenerated into a "fun land for rip-offs" for certain people.

To develop high value-added activities or high technology, it is necessary for the Government to temporarily make up for the market failure for these emerging industries. It is particularly important for the Government to do more in respect of funding and the incubation of new enterprises.

Finally, I wish to say that even though there is a correct direction, the Government must still be careful in the implementation process, or else all the efforts might ultimately be proved futile.

In the course of medical treatment, the patient may inevitably have to bear the pains. But the doctor is still duty-bound to alleviate the pains of the patient. By the same token, there is no gainsaying the fact that economic restructuring will bring pains. But the Government is still duty-bound to alleviate the pains of the people as far as possible. Particularly as confidence is lacking among Hong Kong people, unemployment is alarming, the wealth gap is extremely serious and society is severely divided, there is all the more reason for the Government to take steps to prevent the most vulnerable groups in society from being hit the hardest in the restructuring process. Otherwise, even though there is a proposal that brings pains before gains, the people would not be able to make it before they have the chance to taste the sweetness of the fruits. By then, society would be divided up, and all grand directions would vanish into obscurity amidst public discontent. Therefore, the Government must continuously make an effort to ease the plights of the people and ensure that economic development can genuinely benefit everyone in society.

Madam Deputy, throughout my speech I have not touched on labour issues. Why? It is because I really think that Secretary Stephen IP has not done anything at all and the labour sector has not gained anything. I wish that I could, on behalf of the labour sector, return this policy address to the Administration for reconsideration, so that the Secretary could hand in his homework once again to address the labour issues, particularly the problem of unemployment. Thank you, Madam Deputy.

MS MIRIAM LAU (in Cantonese): Madam Deputy, with regard to revitalizing the economy, I will focus my discussion on three topics. The first topic is the upgrading of the logistics industry; the second is the improvement of the business environment; and the third is upgrading the status of Hong Kong as an international shipping centre.

In this year's policy address, the Chief Executive, taking a pragmatic attitude and focusing on the current economic problems, proposes the development of four pillar industries to revitalize the Hong Kong economy. He proposes to select a site on North Lantau Island for the development of a modern

Logistics Park, develop a Digital Trade and Transportation Network, and pursue a series of initiatives to facilitate the movement of people and goods across the boundary. Indeed, the Government has taken the first important step in respect of the logistics industry. However, we think that the Government should make a bigger stride and move on at a quicker pace.

The Chief Executive may think that the Government has already done a lot in logistics and that the results will be gradually seen. But I must emphasize that the next few years are a critical moment as to whether Hong Kong can become a premier logistics hub in Asia. On the one hand, as the Chief Executive has said, four years from now, we expect the Mainland to have become more fully aligned with the rest of the world in trade and economic activities, and we must seize these opportunities to upgrade Hong Kong from its traditional role as an intermediary to a major hub connecting the Mainland with the international markets. On the other hand, when the neighbouring regions (in particular the Mainland) are vigorously promoting their respective logistics industry and gradually eating into the sources of goods of Hong Kong, we cannot possibly just take a stroll or move on slowly.

Many people think that we still have time to take a stroll, for they believe that Hong Kong has certain advantages and that the Mainland will need some time to catch up with us. However, these advantages must not be taken for granted. As we all know, the rule in shipping is that the ships will follow where the goods go, which means that where there are goods, there are ships. With the frequency of vessels exceeding 440 weekly, we have a busier schedule than the neighbouring ports, and this is one of our main advantages. In spite of this, if logistics is vigorously developed in the Mainland to such an extent that their ports are capable of handling cargoes in large volumes, then the shippers will handle their imports and exports direct at mainland ports, in which case shipowners will berth more of their ships in the Mainland. In fact, this siphoning off effect is emerging now. In 2002, the throughput of Hong Kong ports was estimated at 18.6 million TEUs, earning Hong Kong the reputation of being the busiest port in the world for 10 years in a row. But in recent years, the growth of container throughput has gradually slowed down, registering only a single-digit growth. As for ports in Shenzhen, their throughput, quite on the contrary, reached 7.61 million TEUs in 2002, representing a substantial increase of over 50% compared to 2001. The figure is expected to reach 10 million TEUs by 2005 and 15 million TEUs by 2010. Let us think about this. By 2010 when the throughput in Shenzhen reaches 15 million TEUs, can Hong

Kong maintain its present figure of 18.6 million TEUs? Under such circumstances, while it is certainly important to strengthen co-operation and integration with the Mainland, I think it is more important to sharpen the competitive edge of Hong Kong.

The question of how to attract sources of goods from the Mainland largely depends on whether the logistics industry in Hong Kong can provide value-added services. The Chief Executive has pointed out that the Logistics Park on North Lantau Island is specifically provided for air freight. I certainly support the construction of a logistics park specifically for air freight. But this Logistics Park will provide value-added services for air cargoes only and will not complement the operation of ports. However, value-added services can be and should be provided for marine cargoes. For example, the processes that are generally conducted at the destination of shipment, such as distribution, packaging and coding of goods, can be handled in Hong Kong ports. Take garment as an example. When goods (garment) arrive at the United States, a series of processes will have to be carried out after opening the container, including quality inspections, such as needle check, ironing, coding of goods, pricing, repackaging and distribution. According to calculations by the industry, these procedures conducted in the United States cost about US\$2 for each piece of garment. But if they are handled in Hong Kong, according to their calculations, they cost only US\$1. While these procedures can be conducted in the Mainland, they can be conducted only in bonded warehouses. As we all know, if they are handled in bonded warehouses, the costs will be expensive and there will be many regulations and rules for compliance. The logistics industry in Hong Kong absolutely can consider providing these services, just that space is lacking now. In fact, Singapore has logistics parks specifically for air freight and they have also built logistics parks at ports in Singapore.

Recently, I have learnt that the Government has plans to build a logistics park near Container Terminal No. 9 in Kwai Chung. I hope the Government can promptly conduct detailed studies so as to implement the proposal. However, whether it be a logistics park for air freight or marine cargoes, I very much hope that the Government will not treat it as an ordinary real estate project, thinking that all it has to do is to provide the land but neglect how the site is used. It is because what the industry needs is a logistics park, not factory premises or warehouses at low rental. The Government should provide incentives by, for instance, giving priority to industries that provide unique value-added services but require special factory premises to build their plants in the logistics park.

Apart from providing unique value-added services, the local logistics industry should also embody local characteristics in its development, and the Government should play the role of a facilitator to encourage SMEs to give play to their potentials in the logistics industry. However, the Government has not provided a clear direction. Nor has it stated how it will assist the SMEs in their development in logistics. In fact, the many SMEs in Hong Kong have done remarkably well in production planning, design, logistics management, quality control, order management and the collection of information. These services can be upgraded further as value-added services in the logistics industry.

In general, if the Government decided to encourage and assist the logistics industry to develop unique value-added services with local characteristics, it should provide sufficient support measures, such as providing land, training, logistics facilities and e-commerce platforms. With such assistance, the industry will be able to introduce innovative value-added services to attract more sources of goods for Hong Kong. Nevertheless, if the Government fails to get a good grip on the development of SMEs in the logistics industry, I worry that with the opening up of the service industries in the Mainland, part of the logistics industry may also relocate northwards, just as the manufacturing industry did in the past, because the Mainland seems to be more proactive than Hong Kong in promoting the development of logistics, and many people do think that there are numerous business opportunities in the Mainland and that it is easier to make money there than in Hong Kong. In that eventuality, not only would Hong Kong be unable to create more employment opportunities. Worse still, unemployment would become even more serious.

Madam Deputy, I now turn to another topic — improvement of the business environment. Under the premise of upgrading our international competitiveness, the Government, in finding ways to improve the business environment, must consider the difference in cost between Hong Kong and the PRD. The reason is very simple. Should there be a big gap in cost between the two places, even if Hong Kong has many advantages in respect of business operation, foreign and local investors would only retain a small part of their business in Hong Kong and transfer most of their business to the neighbouring PRD. This would not be helpful to broadening the base of local industries, employment and taxation.

It is reported that the Mayor of Shenzhen Municipality recently announced that a host of measures would be introduced this year to reduce the business costs of enterprises. Despite a substantial fall in government revenue, the Shenzhen Municipal Government is still willing to adopt these measures. The reason is also simple. As the Mayor of Shenzhen Municipality has stated, the original advantages of Shenzhen will diminish after China's accession to the WTO and so, they must be vigilant against possible threats and must develop a strong sense of urgency.

Let us take a look at Hong Kong. It seems that there is not a strong sense of urgency and it is even proposed that a high-level task force be set up to examine this issue. I certainly do not oppose the establishment of a high-level task force. But all I wish to say is that some issues simply do not require long drawn-out studies. The reduction or waiver of duty on diesel oil is an example. Concessions on diesel duty have benefited more than 100 000 diesel-driven vehicles, including medium and heavy goods vehicles, container trucks, minibuses, small and medium vans, public buses, grab-mounted lorries, dumper trucks, concrete mixers, engineering vehicles, and so on. In respect of the cargo transportation industry, take container trucks as an example, the container transportation charge has been reduced by more than 40% compared to 1997 given the increasingly fierce competition from neighbouring ports. The industry faces a problem of expenditure outgrowing revenue. But thanks to the continued extension of the duty concession by the Government, the operating costs are reduced and many transportation companies are thus spared the fate of collapse. In respect of passenger transport, take franchised buses as an example, if the Government levies diesel duty from franchised buses (although they are not required to pay this duty now, they are worried about a possible increase in diesel duty), bus fares would definitely be affected if the Government really levies this duty from them. Under the prevailing economic conditions, an increase in bus fares will definitely not be acceptable to the people. In view of the prevailing bad business environment, representatives of different types of diesel-driven vehicles met with the Secretary for Financial Services and the Treasury as early as in December last year, asking for a reduction or waiver of fuel duty. However, the Government has not given a reply so far. If the Government does not have a strong sense of urgency and sets eyes only on tax revenue and turns a blind eye to the operating costs of the industry by partially or fully abolishing the concession on diesel duty or even effecting an increase in the diesel duty, this would only bring disastrous consequences to the passenger transportation industry and the logistics industry. I hope the Government can

sense the urgency of the people and drags no more on the question of fuel duty. Instead, it must give a clear reply to the industry as soon as possible, so that with the support of the Government, the industry can concentrate on tackling the present hardships.

While it is unnecessary to conduct studies on the issue of concessionary fuel duty, there is still one issue that this high-level task force should expeditiously look into and that is, insurance premium. Under the existing legislation, the industry is mandatorily required to take out certain insurance. For instance, employers must take out labour insurance; vehicle owners must take out third party insurance and the same also applies to pleasure boats, launches and ferries. Last year, the insurance premium for vehicles increased by a wide margin, and it has been further increased by 30% to 40% this year. The insurance premium for some vehicles has even increased by one to three folds. The premium for labour insurance has also increased substantially this year, and the premium payable by some industries has increased by one or more folds. Moreover, the premium of vessel owner liability insurance, which includes labour insurance and third party insurance, has risen by 40% or more over the past three years. The increase this year is even more startling, because the vessel owner liability insurance will no longer cover labour insurance for crew, and vessel owners have to take out separate insurance for this purpose. The liability insurance plus labour insurance will mean that the premium payable by vessel owners will increase by more than two times in one go. Which trade or business can possibly bear such an increase?

According to insurance companies, a reason for the substantial increase in insurance premium is that the amount of compensation awarded by the Courts for cases involving third party injury has continued to increase in recent years, resulting in losses suffered by insurance companies. This situation is not unique to Hong Kong, for European countries and the United States also face this problem and they are already actively conducting studies to resolve this. The continued increase in the amount of compensation thus becomes a pretext for insurance companies to substantially increase their premium. However, no one knows the actual situation, because transparency is always seriously lacking in insurance companies. The Government cannot treat transactions of these mandatory insurance — I repeat, mandatory insurance — as pure commercial activities and then simply pay no attention to them. The Government must address squarely the problem of a drastic increase in premium and work out a suitable mechanism to monitor insurance companies. Otherwise, if insurance

premium increases substantially year after year, the operating costs would rise substantially and this absolutely will not be conducive to the local business environment.

Finally, I wish to say a few words on the shipping industry on which not a word has been mentioned in this year's policy address. In Hong Kong, being an international shipping centre, a total of 764 vessels are registered, with the total tonnage exceeding 16 million tonnes. The Government may be pleased with and feel complacent about the present situation. But in the eyes of the industry, Hong Kong is still a far cry from such international shipping centres as London and New York. Hong Kong is actually unworthy of its name as a shipping centre. Given the lack of government attention, the development of the shipping industry and related industries, such as marine insurance, arbitration, vessel leasing and vessel management, has been utterly sluggish. As a result, Hong Kong has not been able to shine as expected of an international shipping centre.

The most obvious example showing that the Government has attached little importance to the shipping industry is the training of talents. According to surveys conducted by the Marine Department, the shortage of senior seamen and junior seamen has already reached the caution level. If the problem is not addressed squarely, there would be a gap between the management and junior seamen in the shipping industry of Hong Kong, and this might eventually require the admission of talents from outside Hong Kong. The industry is gravely concerned about this and has proposed solutions to tackle the problem at root. But the Government has not given any reply. I am glad to see the Financial Secretary coming back to this Chamber perhaps because this involves financial resources. However, the Government has not given a reply, and this is indeed disappointing. Another example showing the lack of government attention to the shipping industry is the Government's attitude towards the establishment of a maritime museum. A maritime museum has great symbolic significance. Many ports in the world with a long history in shipping have set up maritime museums. From such faraway places as Europe and the United States to the nearby Special Administrative Region of Macao, large-scale maritime museums can be found. Evolving from a fishing port to an international shipping centre, Hong Kong has a thick book of history on shipping. But regrettably, the Government has not reacted positively. Even a maritime museum of average scale is still nowhere to be found after several years of consideration. This is shameful indeed.

In fact, Hong Kong has developed into a port with high frequency of vessels and a throughput which is second to none. With the further integration with the economy of the PRD, Hong Kong indeed has the conditions to further develop its shipping industry and the related industries, and become an international shipping centre worthy of its name.

Madam Deputy, I so submit.

MR FRED LI (in Cantonese): Madam Deputy, the Chief Executive stressed in the first policy address of the second term of his office that the guiding principle of "big market, small government" would be upheld. In other words, everything will be market-oriented, whereas the role of the Government is to maintain the leading edges of Hong Kong, including ensuring a level playing field.

The Democratic Party very much agrees that a level playing field is very important to economic development. Therefore, all along the Democratic Party has been urging the Government to introduce a comprehensive fair competition law to protect the business environment in Hong Kong. Unfortunately, however, the SAR Government keeps turning down our request, denying the significance of introducing a comprehensive fair competition law. Moreover, the Chief Executive even did not make any concrete commitment in this year's policy address as regards how best a level playing field can be maintained in Hong Kong.

The WTO released a report on the economy of Hong Kong only last month. Although the report praises Hong Kong as one of the most liberal and open economies in the world, it cautions Hong Kong, at the same time, against dampening the investment sentiment of foreign businesses in Hong Kong if more specific and comprehensive anti-trust laws as well as other laws regulating anti-competitive conduct continue to be lacking. The WTO even points out that, although there is still keen competition in Hong Kong as a whole, competition in individual industries, such as the property development and transport industries, has become weaker following the transformation of the local economy to a principally service-based economy.

As for the establishment of a inter-departmental, high-level Competition Policy Advisory Group (COMPAG) by the SAR Government in 1997 as a

response to the call for the introduction of a comprehensive fair competition law, the WTO thinks that it is still not sufficient.

In fact, we have been urging the Government to introduce a fair competition law, and once tried to introduce the law by way of a private bill. Yet, all these initiatives have been opposed by the Government. The Government only keeps stressing that the COMPAG headed by the Financial Secretary is already adequate for ensuring fair competitions.

However, what has the COMPAG done in the past five years? I believe Honourable colleagues will share my view that nothing impressive has been done because the COMPAG really has achieved nothing at all. As pointed out by the WTO in its report, the SAR Government has not provided any detailed and specific definitions on different types of anti-competitive acts, such as manipulating prices, mass boycott, and so on. As there is no uniform standard, how can we expect government departments to identify or define market practices violating the principle of fair competition, and then take remedial actions?

In addition, the COMPAG does not have any resources to conduct independent investigations. All it can do is to refer complaints to other organizations. Therefore, the actual functions of the COMPAG are limited.

Although fair competition provisions are presently in place in a small number of industries (such as the telecommunications industry), and the regulatory authorities of the relevant industries are responsible for monitoring the competition situation, this arrangement is still vastly different from the establishment of a full-scale fair competition authority because regulatory authorities of different industries may have different interpretations of anti-competitive acts, thus giving rise to discrepancies in enforcement of the fair competition policy. Secondly, the WTO report also points out that the regulatory authorities of the industries have to carry out the traditional work of supervising the industries, and ensure fair competition in the market. With such dual roles, these regulatory authorities may lose the sense of balance in discharging their duties, and this may affect their neutrality.

Recently, when the Telecommunications (Amendment) Bill 2002 was discussed in the Legislative Council, people of the telecommunications industry

stressed that they supported the formulation of a comprehensive fair competition law, but they also stressed that such law should not be targeted at the telecommunications industry only. They thought that if a comprehensive fair competition law were introduced, they would be fully convinced and would not raise any objection. Insofar as the introduction of a comprehensive fair competition law is concerned, I agree with their point.

The WTO report also points out that, the introduction of a fair competition law into some industries but not others will eventually make capitals flow to industries that enjoy protection by fair competition legislation. This is not a result that the SAR Government would like to see, I believe.

More than 80 countries and territories in the world have introduced fair competition laws, including countries like the United Kingdom and the United States. But why has Hong Kong still not introduced such a law? The Government stresses that introducing a fair competition law will only cause frivolous litigations to increase, and it will bring about adverse effects on Hong Kong. However, from the opinions of the WTO and experience of overseas countries, we can see that it is indeed a major international trend for governments to formulate fair competition laws as well as establish fair competition authorities, and that so doing will not undermine the leading edges of Hong Kong as an open and liberal economy. On the contrary, it would help to remove obstacles to promotion of market competition and attract more foreign capital, thereby bringing about positive effects on the economic development of Hong Kong.

Next, I would like to bring up the subject of electricity which I have frequently discussed with Mr Stephen IP, Secretary for Economic Development and Labour. This year, the Government will conduct interim reviews with the two power companies on the relevant schemes of control agreements, and new agreements will be executed after the expiry of the present agreements in 2008. According to the policy address, the Government has started to make suitable preparations, and I believe that it will actually do the suitable preparatory work next year, and in the year after the next, they will be working on the preparatory work for the preparations. I strongly hope that the Government will try its best to persuade the two power companies to lower their profit levels and introduce more effective control mechanisms for electricity tariffs, so as to keep them at reasonable levels. In the long run, the Democratic Party hopes the Government

will introduce an energy policy that prescribes effective competition in order to safeguard the interests of the people.

Last Wednesday, after Mr TUNG Chee-hwa had delivered his policy address, I went to nine public housing estates one after the other to conduct consultations with the residents. I believe none among Honourable colleagues have worked as hard as I have in helping Mr TUNG to publicize his policy address. In these nine residents' meetings, I heard a lot of opinions from the grass-roots people, most of whom were middle-aged or elderly people. Most of such meetings were held in the evening, while two were held in the afternoon. There were great grievances among the people, and they put forward many opinions on the policies of Mr TUNG. Some also expressed dissatisfaction with Mr TUNG's absence from radio programmes. They expressed their opinions in three aspects. But today I would reflect only one aspect of their opinions, whereas their other opinions will be conveyed when our discussion comes to other policy areas.

I would like to discuss the issue of employment. In the nine residents' meetings, many people, especially men, told me that they had become unemployed recently. Last year, Mr TUNG Chee-hwa told us in his policy address that the Government would create 30 000 posts. However, such posts are not mentioned in the policy address of this year. I believe some work must be going on, but surely "the homework has not been completed". I hope Mr Stephen IP could respond to this later on: What is the latest progress? Why did the latest policy address not mention such new posts? The Government announced some days ago that it would implement new measures to assist unemployed middle-aged people to find jobs. I watched Mr Stephen IP and Mr Henry TANG announce on the television that the Government would help 2 000 or 3 000 unemployed middle-aged people (I am not sure about the exact number). But even if the target is the sum of these two possible figures, which is 5 000, I still think that the number is too small. The Secretary said that the Government would even provide to the employers a monthly allowance of \$1,500 for each worker employed for a period of three months. This was what I heard, but it was not elaborated in any written documents by the Government. When I discussed these new government measures with the people, they all expressed strong dissatisfaction. They highlighted the fact that the number of unemployed middle-aged people in the district of Kwun Tong (my geographical constituency) alone already exceeded 2 000 or 3 000. Therefore, they questioned whether this government measure could really help those who were the most seriously

affected by the economic transformation, that is, men who were in their '40s or '50s. They do not wish to take up such jobs as caretakers and security guards. But McDonald restaurants would not employ them to work at an hourly rate of a little more than \$10. What can this group of people do? The people have a lot of grievances and they have much discontent with the Chief Executive. I hope the Government can help these unemployed middle-aged people by creating more job opportunities, so that they can regain their dignity as a person and feel happier. I have expressed here what I have heard from the residents' meetings — some opinions expressed by the people on the policy address.

I so submit.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, after five years of chilling, the local economy has really caught a bad cold! The symptoms include 50 consecutive months of deflation with an aggregate rate of 13%, and as a result, the wealth of the people has dwindled, and their salaries as well as consumer and investor sentiments have been seriously suppressed. Besides, with an operational deficit for five consecutive years, the fiscal reserves of Hong Kong have dropped drastically to about \$300 billion, which is a rather dangerous level. In short, the cough cannot be stopped, and the fever is not abating.

Yes, the policy address of the year was released belatedly. But at least the diagnosis is correct. At least it is a pragmatic and factual report. This is a correct direction — promoting the economic integration between Hong Kong and the Pearl River Delta (PRD), which shall be a turning point for the economic recovery of Hong Kong. On this aspect, many Honourable colleagues have already made some detailed analyses. So I would not make any more comments on this. However, I have some opinions on the arrangements of addressing the fiscal deficits.

Firstly, the policy agenda points out that the outline will form the major direction of administration in the next 18 months. However, as Hong Kong is a small open economy, together with the limitations imposed by the linked exchange rate, it can easily be affected by changes in the external political and economic climates. Presently, a war is imminent in the Middle East, and the nuclear crisis is reviving in North Korea. The world is full of drastic changes. Can a single prescription take care of all the changes which may take place in the

next 18 months? Can the Government make immediate and relevant responses to any new circumstances that may arise, so as to avoid becoming stagnant and slow in administration? This is something that the Government must take into consideration. What are the intentions behind the prescription of a validity period of 18 months for the policy agenda? What are the benefits of this practice in terms of continuity and predictability of administration? This is also a question that has to be answered by the Government.

Secondly, the Chief Executive has made his prescription, but what is the right dosage? What are the effects of the medicine? When should the medicine be taken? Are there any side effects? No information at all! Although the third paragraph of the policy address mentions that the Secretaries of Departments and Directors of Bureaux will present details of the policy agenda to us later, they, at the strong request of Members, have just briefly told us the major policy directions during the past two days. So the details are still missing. They are still a mystery. How can we have the confidence that the prescription on half a piece of paper with only the major directions can convince us that it can cure all our ills? I hope the Secretaries of Departments, Directors of Bureaux and departmental heads can give us details of the policies according to their respective policy portfolios. This should include specific information on the policies, the expected timetables for launching the new policies, anticipated positive and negative effects, and all the details should then be released to the public to facilitate public discussion, in order to collect more views from people from all walks of life. This approach can at least strengthen the confidence of the people in the policy address, thereby motivating them to weather the hardships with the rest of society. Let us take the tax increases and salary cuts as examples. As we all know, salary cuts and tax increases will surely affect consumer sentiments and aggravate the deflation. How can the Government introduce its tax increase proposals to raise its revenue without aggravating the deflation situation? I hope the Financial Secretary can give the public a detailed explanation as soon as possible.

The policy agenda and details of the policies are released separately this year. This arrangement has already made the policy address neither complete nor proper. If the officials continue with their indecisive approach — discussions are held without reaching decisions, and even when decisions are made, they are not implemented — briefings are held all the time to test public reactions before deciding whether certain policies should be implemented or

when they should be implemented, then it will cause unnecessary anxieties and worries among the people, posing extra obstacles to the implementation of policies. Farces like the one in which the Financial Secretary said that the Government might introduce a "savings tax" are really unpleasant incidents.

In fact, it is still too early for us to judge whether the policies mentioned in the policy address can revitalize the economy, just like the Chinese patent medicine we heard of in our childhood "Ho Chai Kung Painkiller" — that it can "relieve your pain and fever quickly and safely". However, as far as the major directions are concerned, I think the people have already suffered a lot during the past few years, and there is a serious lack of confidence in society. The continuous "internal damage" the people have suffered over the years has made them unable to bear any further "damage"! The Government has laid prime emphasis on economic development in its administration in the coming year. This is really worth supporting. However, it should not be too aggressive. We can anticipate that, in order to reduce the deficits, the Government will introduce a series of proposals to increase tax and fees and reduce welfare. On strengthening the four pillar industries, the Government will introduce a series of legislation and development projects. However, the Administration must note that, even if the community is prepared to endure the hardships together, the people do not necessarily have the capabilities to bear the responsibility together. Even if the policies are zeroed in on the targets, half-baked preparations can bring about disastrous results. For example, the "Penny Stock Incident" originated as a reform of the listing system, but ended in a stock market disaster. On the merger of the two universities, though it was initiated as a pursuit of excellence in education, it was aborted by a unanimous voice of objection. Therefore, if all the Secretaries of Departments and Directors of Bureaux aim high and expect quick successes in implementing their policy objectives next year, the people and the industry practitioners may react very strongly.

Madam Deputy, if you use "Ching Po Leung" to cure the symptoms of a bad cold underlined by physical weakness, you may not see immediate recovery. But if it is the right medicine for the disease, it will cure the symptoms eventually even though it may take a longer time. However, if you choose to use the strong medicine of "The Perfect Tonic" to cure the disease, it may bring about very obvious effects. However, as the community is very weak at the moment, I am not sure whether it can stand the strong side effects. Therefore, it remains

uncertain whether the community can stand the impact of tax increases and welfare reduction at a time of rapid economic restructuring, salary cuts and deflation! The people can only rely on themselves to find a way out. Therefore, I hope that the Government, before deciding on any major policies, can make more assessments on how much the community can take, and consider and gauge the impact of the policies and when such policies should be implemented. The Government must be prudent with its words and actions. Otherwise, "before the economy is revitalized, the community is already shaken" and "the fiscal deficits are not solved, but the reserves are already exhausted".

Madam Deputy, I so submit.

MR LAU WONG-FAT (in Cantonese): Madam Deputy, the Chief Executive, Mr TUNG Chee-hwa, has delivered the first policy address of his second term of office, setting clear and specific directions for the future development of Hong Kong. During the past few days, people from different sectors of the community have expressed approval and support for the relevant directions. The general public has high expectations on these major directions.

The integration of Hong Kong and the PRD is a major subject and a major project. Since the objective has been laid down, the SAR Government will surely do its best to fulfil it. However, as it involves a multitude of issues, we have to conduct a lot of discussions and studies and make substantial co-ordination efforts to resolve issues such as the scale of integration, the division of labour, and the distribution of benefits between Hong Kong, Guangdong Province and the various districts. Therefore, we, the Hong Kong party, cannot determine all the issues on our own.

(THE PRESIDENT resumed the Chair)

Therefore, the SAR Government must keep a clear head, and it must not underestimate the complexity of the problems. Senior officials in charge of the project should refrain from adopting an imposing stance. They should be pragmatic in order to achieve this significant integration which shall have a major bearing on the well-being of the people of Hong Kong.

Madam President, whether Hong Kong can excel again, and whether Hong Kong can see a better tomorrow, the integration plan shall have a part to play in it, and the importance of the plan is indisputable. However, the majority of Hong Kong people have suffered the hardships brought about by deflation, unemployment and negative equity assets. To them, the most pressing concern is how to solve such immediate problems which have beset them for years, so that they can be extricated from the plight as early as possible. In this aspect, the policy address has not brought them any good news. Instead, it has announced that it will be necessary for the Government to introduce tax increases so as to reduce the substantial deficits of Hong Kong. This shows that the Administration has accorded priority to alleviating the deficits, whereas the earlier policy of helping the people to ride out the storm has been abandoned. I have great reservations about the Government introducing tax increases when Hong Kong is facing great economic difficulties. When the Governments of the United States and Singapore are introducing tax cuts to stimulate their respective economies, it seems awkward for us to introduce such measures in Hong Kong. In fact, as pointed out by many economists, when deflation is ravaging the economy, tax increases will only further dampen consumer sentiment, especially for people of the middle class who are suffering the most badly. So tax increases will just further aggravate deflation, and the purpose of increasing tax cannot be achieved.

Under the present circumstances, to tackle the problem of budget deficits, we should first stress on reducing our expenditure and keep our expenditure within the limits of our revenues. Downsizing the civil service establishment and reducing their salaries and allowances are some of the possible measures, whereas strict saving measures should be adopted by government departments. In this regard, I think it is not enough for the Government to require all departments to achieve a certain percentage of saving in their expenditures. It is necessary for the Administration to strictly monitor the approvals for works projects, and should any problems arise, officials in charge of such projects would be held responsible. Granting this, we can avoid the recurrence of incidents like the construction of noise barriers along the Tolo Highway costing several hundreds million dollars, the replacement of toilets by the Immigration Department costing over \$20 million and the construction of a sight-seeing lift by a certain primary school costing \$5 million. These projects seem out of place in the context of the present harsh economic situation in Hong Kong — they are too luxurious and not really necessary.

Madam President, after the outbreak of the Asian financial turmoil, the economy of Hong Kong has sunken to a low level and not seen any significant improvement since. The people have a hard time in maintaining their livelihood, and business is poor in many industries. It seems that the people still have to endure even harder days ahead. All through these years, many people have already exhausted even the last bit of their savings and they will soon find no means to make ends meet. A general discontent is felt in society, which the Administration could not afford to ignore. The Administration should not attach too much emphasis on reducing the deficits to the point of ignoring the affordability of the people.

Flexibility should be employed in dealing with different problems. Some people, including myself, have called on the Government to suspend or reduce the employers/employees contributions to the Mandatory Provident Fund (MPF) schemes so as to provide a temporary relief to both employers and employees during this period of difficulties. This would help to reduce the numbers of business failures and unemployed workers in different businesses. The greatest merit of this approach is that it does not involve any public expenditure, and in the long run, it would not have any major impact on the MPF mechanism. However, the proposal has been met with complete silence on the part of the Government. I think the proposal, if implemented, could be a measure that alleviates the difficulties of the people without aggravating the fiscal deficits.

Madam President, it would be perfect if the Government could put forward some good proposals which can solve the problems. Otherwise, it should at least give an explanation on why no good solution is available, for this would be better than not responding to suggestions made by the people at all. Giving an explanation is more convincing to the people. I so submit.

MR ALBERT HO (in Cantonese): Madam President, this policy address delivered by Mr TUNG Chee-hwa, the Chief Executive, unfortunately shows fully that at this critical political moment he lacks the capabilities of a political leader. No wonder however hard he tries, he still fails to foster cohesion among the people and restore their confidence in the future. This year the Chief Executive only focuses on economic issues. But we should know that politics are inseparable from economic issues. As a political leader, he should not just talk about economics, he should show some understanding of political economics

as well. He should improve public finance, but he should also take various social needs into account and satisfy the aspirations of the people. He should show wisdom and vision, as well as care and concern. Revitalizing the economy and relieving the hardship of the people are two parallel needs that must be taken of concurrently.

The policy address is heavily skewed towards economic concepts. The discussions it makes are only those on details and technicalities. They are cold and lifeless, failing to respond to the pressing concerns of the people. They are useless in fostering social cohesion and boosting confidence. For the poor and unemployed, the old and helpless, the marginalized and alienated disadvantaged groups, the many people who are struggling on the brink of despair and hopelessness, the policy address is regrettably deficient in care and support. The Chief Executive thinks that the economy is like a quantitative model and if only he makes some simulations in a computer, he can work out some ways to revive the ailing economy. A mentality like this resembles a philosophy of planned economy. It is detached from social reality, and so it is almost doomed to fail.

In the face of these five years of an economic downturn, it is natural that government coffers are heavily in the red. But the people know very well that the deficit problem cannot be solved in the near future. The most important thing is, as I have stressed again earlier, the Chief Executive has not said any heart-lifting remarks so that Hong Kong can be instilled with renewed vitality and that the economy can turn for the better.

In the Question and Answer Session last week, the Chief Executive was repeatedly asked about how he was to restore confidence. None of the replies he gave struck any positive note. He was only repeating over and over again the same analysis on the long-term economic outlook which he had said during the past five years. Though this is not unimportant, it is far from being enough.

Madam President, we all know that society is made up of people. Economics is human activity and politics is human matter. To make the economy vibrant, society stable and the government run smoothly, the fundamentals lie in rekindling fire in the hearts of the people and restore their confidence. But unfortunately, our Chief Executive seems unable to see his political task. For at a time of economic hardships and social conflicts, what he should do is to use his leadership abilities to foster cohesion and enable the people to reach a consensus. It seems from the very beginning he is unable to

see such a need. No matter how hard he works, and if he continues to sit behind his desk in closed doors, working with the figures and thinking, what he gets is only his concept of an economic outlook, which is detached from the realistic needs of society. He will not hear the voice of the people. That is why I believe no matter how hard he tries, he will not be able to compile a policy address which is appropriate to the times.

As a matter of fact, one major theme of the policy address, as the Chief Executive has repeatedly said, is the top priority of the SAR Government, or the most pressing task at hand, that is, to solve the deficit problem. However, as to the arguments followed by the Chief Executive in solving the deficit problem, I must say I am quite confused. Some of the arguments are even self-contradictory. The policy address states on one hand that the fiscal deficit should be resolved in order that Hong Kong's economic recovery should not be hindered. Then it says later: "In the final analysis, the solution to the deficit problem lies in economic growth." Then which in fact is more important or should be accorded a higher priority, economic recovery or solving the deficit problem? So it can be seen from the policy address that there seems to be some inconsistencies and as I have said, there are some contradictions in policy.

The Government states that in order to solve the deficit problem, 60% of the efforts should be placed on increasing taxes while 40% should be on economic recovery and growth. However, with regard to the deficit problem, we fail to see how much information the Government has got hold of on such questions as to what extent it is a structural problem or a cyclical. How much does the Government know? At present, the Government is prescribing a very potent medicine to cure a perceived serious disease. This medicine includes cutting a lot of expenditures, slashing the pay of civil servants, and also widening the tax base, making more people pay taxes and revise the tax rates upwards and so on. As we all know, there will be a lot of sequelae to all this and the Government should never overlook the negative impact that would suppress the pace of economic recovery. If the situation is viewed from a worse perspective, it can be envisaged that a recession may even be caused to hamper economic growth, thus offsetting the 40% increase in tax revenue. In the end, a vicious cycle of economic downturn will take place again.

Madam President, in our opinion, the overall financial situation of Hong Kong is not that bad indeed, for apart from having \$300 billion in fiscal reserves,

our Exchange Fund has \$300 billion as monetary base, and on top of that, there is a surplus of \$300 billion from the Exchange Fund. In addition, according to our estimates, and pending a statement of assets from the Government, there are \$150 billion worth of government properties that can be turned into bonds. What do these include? Tunnels, bridges, car parks, the Airport Authority, part of the shares of the MTR Corporation Limited, the Kowloon-Canton Railway Corporation, the Hongkong Post, Water Works Department and other properties which have not been disclosed to the public. Is our financial situation so bad that it has knocked us out of focus and into a state of confusion? Upon the warnings issued by credit rating institutions, the Chief Executive seems to hear a thunder from the blue and he is at a loss as to what he should do. But he seems to be deaf to the voices of the poor and the socially disadvantaged to whom support is desperately due.

Madam President, institution-wise, our Chief Executive lacks in acceptability, for he is not returned in a democratic way. His performance over the past few years has served to cast doubts on his abilities of governance. In times of difficulties as these, the Financial Secretary, very much like the Chief Executive, relies on cutting expenses as the only means to solve the deficit problem. And they are all ignorant of the need to relieve the hardships of the people. The way they handle things will make the people lose their confidence in the future. As the outlook is grim, people will refrain from spending and so we are really worried that the problem of deflation will only go from bad to worse.

Madam President, many economists have said that our problem is a weak internal economic situation despite a thriving external environment. That is to say, even as the external economy recovers or shows signs of recovery, our domestic demand is still weak and continues to decline. In addition, there is an idea in economics, that is, our present economic conditions are the index of our confidence in the future. I think that idea is applicable to all places. However, what the Government is doing is precisely to lower our confidence index. The Chief Executive and our officials are always saying that they will strive to attract inward investments. But if even Hong Kong people do not dare to make any investment and just put as much as \$3,700 billion in the banks for minimal or zero interest, instead of making investments, how can we convince foreign companies that we have a good investment environment? Despite the fact that there are still many companies which come to Hong Kong and the officials are saying that the increase in the number of foreign companies is certain, but just

how much money have they invested in Hong Kong and how many jobs have they created here?

To conclude, the confidence problem is a crucial one that we have to tackle with top priority. Madam President, another focus of the policy address is integration with the Pearl River Delta (PRD). Many Honourable colleagues have said that integration has been taking place for quite a long time. It appears people have spontaneously seized the investment opportunity and made the initiative to promote such an integration. That has taken place for a long time, and it is not a result of what the Chief Executive has said. The Chief Executive has been saying things like Hong Kong is backed up by China and globally engaged, and that we should look northwards for business opportunities. It is precisely because of this that we do not find anything new in what he says in the policy address. One of the reasons is that he only points out that there should be integration with the PRD. But unfortunately, he has not offered any concrete details. What makes Honourable colleagues in the Council feel disappointed is, firstly, we have no idea as to what role Hong Kong should play in this integration; secondly, the benefits this will bring to Hong Kong, the amount of additional investment that can be expected and the number of jobs to be created; thirdly, how this is going to be put into practice and what the strategic objectives are in each stage; and fourthly, the accountable officials who will take care of this. I hope the Financial Secretary can give us a specific answer.

The Democratic Party has pointed out some important principles that should be observed in the course of integration. I shall repeat them briefly here. First, such an integration must be balanced and reciprocal. Even as the Government endeavours to promote such an integration, it must be balanced and reciprocal, so that benefits must be shared by both places. Business opportunities should not just appear in the PRD, but in Hong Kong as well. Second, it must be fair. Benefits should not be reaped by some consortia or some companies and the whole thing should be open and fair. Third, the role to be played by the Government cannot be that of subsidizing some people, for that would be unfair. The most important task of the Government is to promote the flow of information, eliminate the obstacles to trade, solve some technical problems and give assistance. The Government should not take the approach of giving subsidies, and that is something we oppose. A real integration is only possible when trade barriers are eliminated. When both places are integrated, the merits of a trade zone can come into full play. Fourth, the "two systems" under the principle of "one country, two systems" must not be allowed to be undermined during the process of integration. In other words, the system of the

Hong Kong SAR should be maintained with all its unique features. The last point is that the Democratic Party thinks that the Government may consider issuing bonds on some of its assets and later on can offer shares to cash them in. Such a move can promote the development of the financial market as well as expanding our financial resources and giving some short-term relief to the stress faced by the people. If only we have the confidence and solidarity, we can hope to see a speedy recovery of our economy.

I so submit.

MRS SELINA CHOW (in Cantonese): Madam President, undoubtedly, the Government is caught in a dilemma. On the one hand, the economic downturn and restructuring have made the public demand for a revitalization of our economy. If the Government is to take any action, then it should make more investment. When the demand surges, the areas to be covered would become more extensive; when the objectives are set higher, the amount of manpower and resources to be invested would only become greater. On the other hand, the situation of public revenue falling short of expenditure is growing increasingly serious. The fiscal deficits are worsening as public expenditure increases and tax revenue and land sales proceeds are falling. What is more worrying is that the Government seems to be helpless in its efforts to reduce expenditure. At the same time, if the Government insists on making an across-the-board cut on expenditure, this may impose restrictions on necessary investment projects, hence affecting the pace of economic recovery.

There is no gainsaying it that over the past few years, the retail trade has been one of the hardest hit sectors in the sluggish economy. As consumer sentiments sink, deflation persists and people making more shopping trips to the other side of the border, the retail and wholesale sector has been the most devastated sector among all the service industries. The policy address has not made any pledge that sales tax would not be introduced this year, I am glad to learn that the Chief Executive has stated on a public occasion attended by the business sector that the Government decided not to introduce sales tax. I hope the Financial Secretary would confirm this in his response, for this will doubtless serve to put the minds of those in the retail trade at ease.

Mr Michael SUEN, the Secretary for Housing, Planning and Lands, is unfortunately not in this Chamber, but I must praise the efforts made by Mr SUEN and Mr LEUNG Chin-man, the Permanent Secretary, in response to the

commercial tenants of public housing estates. Way back in the summer of this year, that is, when the accountability system began, members from the industry and I talked with the Housing, Planning and Lands Bureau. After a very short time, we were able to secure some reforms on leasing matters in the commercial premises of public housing estates. These reforms include reducing the deposit payable and the use of a bank guarantee instead of cash deposits. The most significant point is that the Bureau officials have abandoned their bureaucracy mentality and pledged to strengthen communication with the industry. Although not all the requests made by the industry have been accepted, a positive response has been made to the request for more flexible operation and cost reduction.

In the face of deflation and weak consumption, the retail trade will certainly want the Government to take more measures to improve the market sentiments. Some business organizations have urged the Government to put in more resources to hold some large-scale publicity events especially during some long holidays. That will foster a festive atmosphere, that is, a so-called "feel good factor" and hence boost the consumption desire and make more people stay in Hong Kong for spending. There is also a need to hold more of these activities to consolidate our position as the "Shoppers' Paradise". This will not only attract more tourists but also produce other benefits as well. I hope the Government will understand that this kind of community-wide activities be made a success with commercial sponsorship alone, but that public money should be spent on taking the lead and fostering cohesion.

There have been many voices lately urging for the development of the so-called local community economy, and I have also urged for the development of local tours in this Council. In this respect, there seems to be quite different views and expectations from the industry and the Government. Of course, any industry would welcome a move by the Government to relax restrictions and remove hurdles in order to improve the business environment. The removal of unnecessary and cumbersome procedures and charges will certainly help the overall economy recover. The service industry is worried that what the Government has been doing to promote local community economy has produced some unfair conditions. For example, the great increase in flea markets is threatening those who sell inexpensive goods in the shops, and the convenience enjoyed by those operators of "private kitchens" is likewise threatening the business of licensed food establishments. I hope that these issues can be thoroughly looked into after the revamp of the Business and Services Promotion Unit headed by the Financial Secretary with its Helping Business Programme. I

worry that while the Secretary engages in his studies, the other Directors of Bureaux are going in another direction and the whole thing may backfire.

Madam President, the attention paid by the policy address to tourism displays the commitment of the Government, but it has produced great pressure on the industry. I would like to stress once again that if tourism is to succeed in any place, all the people in that place should take it as their common cause. Visitors should not only be provided a fun-filled experience, but they should also feel the homely and joyful atmosphere. It is only with such an experience that they will consider coming back. Figures from the Tourism Board show that, for the year 2002, the level of satisfaction and desire indicated by tourists to revisit Hong Kong has dropped 3%. Luckily, there is a slight increase in their satisfaction with the retail services in Hong Kong, by 1%. The most important thing is that their opinion on value for money has increased by 9%.

Madam President, during the past year, the number of business visitors increased by 8% and both their consumption power and money spent are more than the average visitors. Great efforts are currently made by the Government and other organizations to promote Hong Kong as a commercial and financial hub. With the opportunities offered by China's accession to the WTO, our position as the hub of Asia is also strengthened and we can rightly be called Asia's World City. Therefore, the Tourism Board will enhance its publicity efforts among business visitors this year with a view to attracting more of them to come here or stop over. We will focus our attention on their leisure activities in Hong Kong so that they can have a pleasant time here. In this way they may have the idea of bringing their family to Hong Kong for vacation.

The Disney theme park is a wise investment by the Government and this will be a big attraction to family tourists. I am somewhat worried about the absence of facilities for up market tourists. These include a golf resort, a cruise terminal, the cultural tourism area in West Kowloon, and so on. It should be noted that in the Asia-Pacific Region, many countries are beefing up their tourist infrastructure. Take the example of golf courses, Thailand has no less than 76 golf courses and 35 of them are in the vicinity of Bangkok. Malaysia has 54 and Guangdong has 50. How about Hong Kong? Three golf clubs and just one public golf course. That is something which the Financial Secretary knows best, for he is an avid golfer. I have received many complaints about not being able to treat visitors to a game of golf in Hong Kong. And so golfers and their guests have to go to other places.

To be fair, the Financial Secretary, the Secretary for Economic Development and Labour as well as the Commissioner for Tourism have done a lot in speeding up the provision of tourist resources, but they are working under the constraints of law and regulations. If the cumbersome procedures are not removed, Hong Kong will be caught up by many other neighbouring cities and places. While the Disney theme park and the new government headquarters can have respective target completion dates, why can this arrangement not be applied to other important infrastructure projects? Given that the Government recognizes that the idea to introduce private sector participation by way of tender is workable, then it should then be vigorously used. Why can these projects not be expedited so as to let the ever aggressive business sector speed up tourist infrastructure projects of commercial value, thus relieving the Government of the burden?

Madam President, the various concepts mentioned in the policy address are agreeable to the Liberal Party and the business sector. But I am worried that with the fiscal deficits, not much can be done. On the issue of speeding up the integration with the Pearl River Delta (PRD), it is a correct goal. The various initiatives in the policy agenda all sound very attractive under the new business model as described by the Chief Executive. The recommendations made by a Pearl River Delta Foundation are very attractive as well. However, the goals described by the Chief Executive cannot be reached without a large marketing team to promote these goals which should also have some quantifiable targets. Is it because of the deficit problem that this team is not formed? Does the Secretary for Commerce, Industry and Technology have something which he is unable to disclose or does he have some tricks up his sleeves?

Madam President, after many years of hard work and lobbying by people both inside and outside the industry, including myself, the Government has finally discovered that the creative industries are very important. For more than a decade, I have devoted a great part of my time and efforts to explain to the Government on many occasions, including in this Chamber, the need for a better business environment for the creative industries. Favourable conditions should be created for these industries so that industry talents can give full play to their potentials in movies, television, performing arts and design. These people and their works are our assets and they deserve our support and nurturing. It must be admitted that the Government's attitude toward this has changed greatly during these few years. But a big problem we have is that not enough understanding has been shown for this, and not enough work has been done

either. Those countries with highly developed creative industries value their intellectual property rights very much. They respect and give due recognition to talents who are rewarded. These countries are giving the utmost protection to intellectual property rights. Since intellectual property rights are a very abstract thing and cannot be easily understood, if the Government is not determined to protect the value of such industries which have a regional significance, then it will not be able to maintain the economic position of the creative industries in the long run however vociferous the calls for their protection may be. In that cause, no people will want to work in these industries for a long period of time. When there is no reasonable return, how can creative people be willing to rack their brains and produce quality stuff?

Madam President, design is an undertaking which best realizes creation for the market. However, the development of the design industry in Hong Kong is tortuous. As a layman, I have admiration for the industry, so whenever the opportunity arises, I would do my best to promote the industry and give the designers my support. I remember during the days of the Hong Kong British Administration, in a report on commerce and industries in Hong Kong compiled by the then Secretary for Commerce and Industry, the word "design" could not even be found in it. At that time, I proposed an item on the agenda of a panel meeting, but no official was willing to admit that design was in his or her policy portfolio. So in comparison, the SAR Government is more open in this respect. Now as the industries are thriving in the PRD, designers from Hong Kong are not enjoying any due attention. But on the other hand, factories on the Mainland realize the importance of controlling design and copyright and so the factories are hiring designers from Hong Kong to undertake fashion design, product design and interior design for them. In my opinion, the Hong Kong Government should act as a middleman in forging a partnership between our factories and the designers. In this way, the creative industries in Hong Kong will really be given a strong boost.

Thank you, Madam President.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, insofar as this policy address is concerned, I think there are two major schools of opinion in society. Some people would think that this policy address is pragmatic while some others would think that it is hollow. Now I would like to look at this policy report from my own perspective.

I believe the Government very much hopes that the people would hold less expectations for this policy address, but in reality this is not possible. It is because the people know that this is the first policy address delivered by the Chief Executive after he has begun his second term of office and it is instrumental in pointing the direction of administration for the next four years or so. I think we all have some expectations for this policy address. Personally, I would hope that our economic and unemployment problems can be solved. I have a sense of urgency for I hope that the SAR Government will really address our economic problems and the unemployment issue and to solve them as a race against time. We should spare no efforts to compete with other cities. However, I am gravely concerned that we may make a wrong analysis of the policy address and have to pay the cost of the mistake over the next four years or so.

Let us look at the problem mentioned in paragraph 6 of the policy address. There are some points which I do not agree. Paragraph 6 states, "The growth of our economy in the past two decades has been due mainly to our seizing the opportunities provided by the opening up of the Mainland. The relocation of Hong Kong's manufacturing sector across the boundary enabled our successful transformation into a service-oriented economy." In such a process, Hong Kong has reaped the benefits brought about by the reform and opening of our country. However, we have also given up the diversified economy that we used to have. When problems crop up in the real estate and financial sectors and the domestic services associated with them, Hong Kong is relegated to the situation that it finds today.

I hope that officials of the SAR Government, such as the Financial Secretary, the Secretary for Commerce, Industry and Technology, the Secretary for Economic Development and Labour, as well as other Directors of Bureaux who are in attendance, will appreciate the views of the people of Hong Kong on these problems. About paragraph 6, for example, we pointed out that the Government had not accepted the findings of a research undertaken together with the University of Hong Kong. The Government did not think that our industries had come to the crossroads. Should the labour-intensive form of production be used, or should industries be upgraded? Such was a great controversy in the 1970s and the 1980s.

Since at that time China began its reform and opening and often when there are opportunities, the capital in Hong Kong would be transferred to the

Mainland in a speculative manner. Some people ask whether it was right to do so, and I would think it was right. However, the process of transformation has prevented Hong Kong from climbing out of the doldrums more than five years after the financial turmoil. I hope the Directors of Bureaux would understand that the problems before us are not only the result of impact of globalization, we have also to admit that our economic activities have changed from a diversified make-up to a very thinly-based structure. I hope we can come to a compromise over this issue even if we cannot arrive at a consensus. I do not wish to see that we will come to a situation which we say something that the Directors of Bureaux are not interested in hearing, or which the Directors of Bureaux are saying something that we are not interested in hearing. I believe many members of the public will also hope that Hong Kong can walk out of its present predicament.

I would like now to spend some time talking about a problem which has been my pet concern, and that is my experience of working in this trade for decades and communicating with the Government during the period. When I was young I did not understand why some people could work for years on a daily wage in some manufacturing industries. They could support a family and work for years. At that time, these workers would switch from such industries like artificial flowers, electronics, garment manufacturing to other industries whenever the industry in which they were working in declined. More than one million people worked in the manufacturing industries at that time in Hong Kong.

Recently, in a seminar, some factory owners from different industries mentioned the situation at that time and said that if only we had upgraded then, we would not have to come into the quagmire as we are now in. Well, we are in such a rough situation, we should develop the four pillars of our economy and speed up our integration with the Pearl River Delta (PRD), and we should also develop our creative industries, local community economy and traditional industries, and so on. I agree with all these notions and so in the view of the Hong Kong Federation of Trade Unions (FTU), the direction of the policy address is correct. But then we would ask, "What are the details?" Does it mean that after the Government has formulated the contents, then the plan can go ahead?

Mr TUNG spent about one hour to deliver his policy address and after listening to it, I had the impression that much of what he said was only a shell.

I hope this is only my impression or that I have not made a good description and that it is not true. I hoped that in the two days up to this morning, the Directors of Bureaux could tell us the actual situation. But unfortunately, all that I was told in the course were old and repetitive remarks. As for new issues, many Directors of Bureaux said that they did not fall in their policy portfolios and they would have to look into them further, and so on.

I am somewhat frightened because the things which the Directors of Bureaux have said, such as integration with the PRD, promotion of creative industries, the traditional industries, local community economy, or the economy with the four pillars and so on, though well-intended, lack concrete details of implementation. I have the impression that the Directors of Bureaux have not made us feel satisfied. They could not answer the questions raised by us during these two-and-a-half days. My worry is that after the reunification, there has been much talk about various plans and setting up many centres (But has anything gone wrong with our system?), for more often than not, these plans would subsequently vanish into obscurity. As members of the FTU, we hope that our economy can be revitalized and that all wage earners can have a job. So despite our arguments over the proposals made by the Government, such as the Cyberport project, we gave the plan our support. Another example is the Disney theme park, for we supported that as well. In general, we are supportive of all the plans proposed by the Government, provided that they are conducive to the economy. However, many of these plans except the Disney theme park, are not mentioned any more. Admittedly and to be fair, the Government has done some work in some areas. But we do not know what has happened. Now we have said a lot today and if the Directors of Bureaux cannot respond to items a, b and c, and so on, raised by us, we would be very worried that these items would be likewise not pursued in the end.

Madam President, I would like to talk about some other personal views. I talked about these yesterday with Secretary Henry TANG. In 1997, Britain realized a need to restructure its economy and put some efforts on its creative industries, that is, it tried to develop its existing creative industries when it was about to restructure its economy. It capitalized on its own culture and traditions, including its own movie industry, to go about this. At present, the creative industries in Britain take up almost 8% of its Gross National Product (GNP). The fact that its creative industries can take up an increasing portion of the GNP of Britain shows that something has really been done in the course. Yesterday, I told Secretary Henry TANG that I had read about this on the Internet. I learnt

that at that time an interdepartmental group was formed in Britain, like the one headed by Secretary Henry TANG and Secretary Frederick MA. The group in Britain did not stop working after its formation, and it was not a steering group like the one we have, that is, it was not just headed by people appointed by the two Directors of Bureaux. What matters is not the name, and perhaps Secretary Henry TANG would care to explain more on that later.

At that time, Britain clearly defined 13 industries as creative industries and identified a site for people to start their businesses. It was a derelict industrial area and it was used as a platform for people to carry out design work. The rent charged was very cheap and there was a so-called "mapping" scheme in place. As I have just said, the Internet also mentions a national fund for technology and the arts, a fund for science and technology and product made from creative ideas, and so on. I do not think I should speak too much on these as these can be found on the Internet.

I have seen people submitting all sorts of plans, and when the Government talks about creative industries now, it should be time we responded to it. We also find that the young people are making their voices heard as well. For example, in the Dragon Market, there is a stall selling a special kind of painting and that is very creative. As the stall is very creative, so the owner of the stall does not have to draw lots before he is allowed to operate there. As the bazaar is organized by some private organizations, we cannot group all these creative activities together and it is not possible to pool all these people with creative minds together in a short time. However, we see that the owner is very happy for being permitted to operate a stall there. Why? It is because the rent is not expensive. He can make many creative products and offer them for sale. He can then have a chance to get away from his financial hardship. We all know that when creative efforts are given a high-tech touch, they may encounter some problems. That is why they should be given some favourable conditions and a platform. However, there are still something which I do not understand after listening to the Bureau Directors' speeches today. Madam President, I am pretty hardworking and I had asked the departments concerned what the things mentioned in the policy address really referred to. I asked them to tell me about them, for on the one hand I felt that the direction was correct and practicable, but on the other, I found the contents were quite hollow. The public would like to join hands with the Government on this and I do not wish to see the public and the Government being opposed to each other. So I would like officials to tell us what the plans really are.

Madam President, when the Government talks about the creative industries, there are some responses from the public. What I see is not just the response from some people selling creative products in the Dragon Market, but there are also some reports in the media. Many people hope that the Government can provide a platform to them to start businesses. It is like what the British Government did when it set aside a derelict industrial area for those with creative ideas to set up businesses. As the rents there are cheap, those with creative minds can give full play to their ideas there. They can even sleep there and eat there. Can we provide a similar place to our people? No. Is the Government prepared to do this? I have no idea. Is it prepared to do this in the old Kai Tak airport? If this is the case, then I would very much welcome it. I hope that the Government can give some concrete response to it, instead of glossing the matter over by setting up some boards. It is because in the past few years or so, there have been too many of these boards and in the end they all come to nothing. I can recall a pile of names of schemes but I do not want to say anything about them. There was talk of a Chinese medicine centre, a world-class design and fashion centre, a multimedia information and entertainment centre of Asia, and so on. But nothing has happened after the talk. So we cannot see any results. I hope the Directors of Bureaux can comment on these points.

In addition, we are talking about integration with the PRD and this is something which I welcome very much. But what are the details of this idea? I think it has induced enthusiastic discussions in society now. As many Honourable colleagues have said, there is actually no need to wait for the Government to explain the details on this, for objectively, this has already come into being. The question is how we can redefine this clearly again and expand the idea. This especially applies to our past misconception that the Mainland is no match for Hong Kong. I do not know whether I am wrong in my interpretation of the views of the people. Recently, I have come to note a certain complex on the Mainland. In the past, when the Mainland asked Hong Kong to co-operate on something, Hong Kong simply ignored it. And now when Hong Kong wants to extend a hand of friendship to the Mainland, it is met with the same kind of reaction that Hong Kong used to give to the Mainland. I think that belong to the portfolio of Mr Henry TANG and I hope very much that he can be more pragmatic about this and really talk with the mainland authorities on how to arrive at a win-win situation. I really hope that he can do it.

Madam President, the issues which I have just raised do not really belong to what I have been doing for so many years. What I have been doing are things like labour rights, labour movements, women's movements, the rights of the grassroots, and so on. But the events over the recent years have made us look into these issues and we have to make a lot of visits to people everywhere. What I would like to say is, this does not apply to us members of the FTU alone, for many people in Hong Kong are actually doing this. When we are facing such times of difficulty and as we are lost in this predicament, we very much hope that something can be done to revitalize Hong Kong. I hope the Government will take this into consideration when it comes across some views expressed by the public.

In addition, I would like to talk about the policy portfolio of Secretary Stephen IP. In fact, I would think that Secretary Stephen IP really needs to do something. From our perspective, the more economic activities there are, the more job opportunities there are for our wage earners in various trades and industries. However, as I have said, even if there are these economic activities, they cannot make my mind rest at ease. It is because I am not sure whether the million or so people in Hong Kong with low qualifications would benefit from the integration with the PRD. So far, I cannot see how they can benefit from the creative industries. But creative industries are very important to our young people. I would think that they can benefit from the tourist industry. But as I said yesterday, the tourist facilities are far from adequate. I said quite a lot yesterday and I talked with Secretary Michael SUEN on many issues related to urban planning.

On the logistics industry, for those people with a low level of educational attainment, there may be difficulties for them to find a job other than in the transportation industry. Granting our economic activities are successful, has the Government ever calculated whether the 1.3 million people with an educational attainment of Secondary Three or below would benefit? Secretary Stephen IP has mentioned an employment plan for the middle-aged, but that is not a new plan for it was there last year. Only that a community component is added to it and some non-government organizations (NGOs) are asked to promote the plan. Although only about 3 500 people would benefit from it, we said that we welcomed the plan when the media asked us about our opinion. However, I would think that the plan would not solve the problem of unemployment of some middle-aged people with low educational attainment and low skills. It would also not work for the structural unemployment problem. So what should we do then?

The other night, I saw on the television Dr CHAN Kwan-yiu asking Mr TUNG how much the GDP would increase and how many jobs would be increased if economic activities such as logistics industry were given a boost. It is said that expediting the integration with the PRD would involve 50 000 companies. But how many jobs would be created by these 50 000 companies? Has the Government worked out the number? At that time, Mr TUNG gave a reply from a very broad perspective and said that as Hong Kong was a small city, we were prone to be influenced by many factors and any one of these factors might affect figures in this respect. I agree with this, but I do not agree with the mentality shown in Mr TUNG's reply. For I think any company would have some sort of indicator. For example, when Mr Stephen IP assumed the office of Bureau Director, he should be required to solve this figure of 1.3 million people in five years and he has to meet this expectation no matter what. Just how would these activities of economic integration and all sorts of economic developments solve the problem of structural unemployment among the grassroots? There are more than one million of these people and they cannot be expected to return to the Mainland to work. Although the Mainland welcomes these workers, there are in fact too many people on the Mainland to compete with our workers. There are more than one billion people on the Mainland and many of them are people with low educational attainment and low skills. So it would be very difficult for the workers from Hong Kong to compete with millions of workers in China. Given this, I hope that the new SAR Government can tell us some long-term measures on this and how these problems can be solved.

Madam President, two years ago I visited Shanghai and before I left Shanghai, people there knew that we are veteran unionists of the FTU, so they invited us to stay on and conduct some exchanges with them. When we discussed the problem of youth employment, they told me that Shanghai had a scheme called "engineering for the 40-year-olds" with the aim of helping those aged 40 or above to find a job. They had a whole set of ideas to help these people. I am not saying that the SAR Government has done nothing on this, but apparently, what it has been doing is not enough if we are to solve the employment problem for over one million grass-roots workers.

Madam President, I love the debate today, for I can speak for as long as 20 minutes. There is still some time left now, so I would like to talk about a just and caring society. But nevertheless, I have expressed quite sufficiently what the workers represented by FTU would think of the policy address. Despite our

support for the proposed initiatives, we would think that if none or more Bureau Directors are given the task to devise details of the plans, it would be very difficult to answer the aspirations of the community. In particular, over these five years or so, many plans initiated by the Chief Executive have come to nothing. Then how can the confidence of Hong Kong people be restored? I would think that we will have to rely on not just the effort of Mr TUNG alone, but that of all the Bureau Directors.

Madam President, I would like to quote some remarks made by Mr TUNG. He said, "The common goal of our community is to achieve long-term prosperity and stability. The most important task of the Administration is to lead Hong Kong out of the economic difficulties and restore people's confidence in their future. This is our greatest challenge." I do hope that the Government can take a few steps more in rising to the challenge and overcome these difficulties with the people together. I so submit. Thank you, Madam President.

DR RAYMOND HO (in Cantonese): Madam President, in a deviation from past practice, the policy address this year is shorter and the focus of its contents is only on some key issues in concepts and direction. The policy agenda booklet contains policy initiatives in five areas. Such a change is a good attempt which will rectify the previous shortcoming of being too lengthy. The absence of a detailed description of the policy initiatives in the policy address has effected a clearer presentation of the guiding principles of administration by the Government.

Another commendable point about the policy address is the Government's recognition of the hardships faced by the people and its task to "lead Hong Kong out of the present economic difficulties and restore people's confidence in their future." The goals are also very clear, and they are "Capitalising on Our Advantages Revitalising Our Economy".

The policy address is correct in laying emphasis on expediting the economic integration with the PRD. Hong Kong has maintained very close ties with the PRD. Apart from geographical proximity, residents of both places also have close contact owing to family ties. Over the past two decades, the PRD has become the first choice for Hong Kong manufacturers investing in the Mainland. It is only inevitable in the development of Hong Kong and the PRD that economic integration between the two places should be strengthened. In

fact, this is not a novel idea at all. For as early as in the 1990s, scholars and people from the business sector already pointed out the need for development in this direction. However, the reaction from the community was not consistent because attention was drawn to the 1997 question.

With the smooth reunification and the successful implementation of "one country, two systems", the public view of the issue is becoming clearer and more homogeneous. Despite the fact that the proposal made by the SAR Government to expedite economic integration with the PRD is not some kind of a unique insight, still it can be considered as a plan that will be helpful to speeding up the process of economic integration, and it merits our support. Unfortunately, the policy address has not proposed any strategy for promotion of such an integration. Is it because the Government cannot take the lead but has to leave the task of finding the right course to the private sector?

As we all know, the fact that our cross-boundary facilities and infrastructure are unable to meet actual needs has become the main obstacle which obstructs the flows of passengers and goods between the two places. Therefore, the policy agenda has proposed a series of measures to facilitate the movement of people and goods across the boundary including co-location of immigration and customs facilities, preparation for automated passenger clearance and automated inspection of vehicles, and a new bridge to connect Lok Ma Chau and Huanggang. All these will help solve the problem of congestion at the land crossings.

In terms of the traffic facilities linking up the two places, I am very much in support of the priority given by the Government in considering the project of a bridge linking up Hong Kong, Macao and Zhuhai. It is because the project would have a great impact on the traffic and transportation between Hong Kong and the western part of the PRD. As for a new express railway linking Hong Kong, Shenzhen and Guangzhou, I hope that the relevant authorities would step up its efforts in studying its feasibility in order to put the idea into practice as soon as possible and hence foster closer links between Hong Kong and the neighbouring regions.

On the question of closer partnership in trade with the Mainland, I hope that the SAR Government can engage in more active talks with the Central Government and arrive early at some arrangements conducive to the development of the mainland market by Hong Kong enterprises. As a matter of fact, the relevant talks have been in progress for some time, so any further delay

will cause Hong Kong to miss the unique opportunity offered. As mentioned in the policy address, four years from now, the Mainland will have become more fully aligned with the rest of the world in trade and economic matters. We must seize this interim to elevate Hong Kong from its traditional role as an intermediary to a major hub connecting the Mainland and the international markets.

The policy agenda also proposes to maintain Hong Kong's position as an international financial centre and the premier capital formation centre of China through enhancing the quality of our financial markets. This is fully consistent with the principle of making the best use of our advantages. This goal will be reached if the relevant authorities can seriously implement the specific measures of strengthening and improving the financial markets.

On the issue of the merger between the MTR Corporation Limited (MTRCL) and the Kowloon-Canton Railway Corporation (KCRC), I hope that a decision on this can be made as soon as possible after the proposals are studied by the Government. Despite the fact that the Government is still the largest shareholder of the MTRCL and that it wholly owns the KCRC, it fails to meet the expectations of the public on the issues of fares and the provision of transfer concessions for rides on the two railways. The Government should play a leading role in these respects. In addition, the Government is actively developing the railway network of Hong Kong and there is really a need to determine a way forward for the two railway corporations as soon as possible.

As for infrastructure facilities, the government decision to develop a Logistics Park and a Digital Trade and Transportation Network (DTTN) will facilitate the development of the logistics industry. I support the early commencement of the feasibility study on Container Terminal No. 10. However, some of the infrastructure projects which have been planned are not mentioned in the policy address and the policy agenda, I am very disappointed to see this because these projects may have been abandoned as a result of the Government's bid to reduce its fiscal deficits.

In October last year, the Financial Secretary made remarks on abandoning some projects and he wrote to me later to state that the Government will honour its pledge on infrastructure investment. A total of no less than \$147 billion will be invested over the five-year period from now, that is, an annual average of about \$29.4 billion will be invested from the year 2002-03 to 2006-07. His contradictory remarks have made the construction industry feel at a loss. In

December last year, I moved a motion on maintaining infrastructure investment to address this concern. The motion was carried with support from an overwhelming majority of Honourable colleagues present.

As the progress of infrastructure projects is slowing down, plus the fact that the Principal Officials have been sending out balloons to call for a halt to those projects considered non-essential in order to reduce the fiscal deficits, so the construction industry is really in a bad situation. The unemployment rate in the construction industry is far higher than the overall unemployment rate in Hong Kong, and it is close to 17%. Most of the infrastructure projects mentioned in this year's policy address and policy agenda are still at an initial stage and they can only commence after a long time. They do not have any immediate effect on lowering the unemployment rate in the industry. The construction projects in the private sector are also decreasing as a result of the economic downturn and the weak property market. So when this is coupled with the short-term impact of the measures to stabilize the property market on the construction industry, the employment situation in the construction industry will depend to a large extent upon whether or not public works projects can commence as planned. Those small to medium sized projects which require a lot of labour, such as the 160-odd projects left over from the two former Municipal Councils, may create a large number of job opportunities.

Apart from the dwindling number of public works projects, the industry is also plagued by the slow progress of public works projects. Over the past few years and on various occasions and through various means, including this Council, I have urged the Government to streamline its administrative procedures and expedite the implementation of infrastructure projects. I am happy to see that the Government has finally made a response in this regard. It remains, of course, that the Government should address the problems presented by the cumbersome procedures in land resumption and the unreasonable requirements prescribed by the Environmental Impact Assessment Ordinance and its rigid enforcement. In my opinion, the Government should incorporate work in these two aspects to the high-level task force on improving the business environment soon to be formed.

In addition, this task force should also review the details implementing Private Finance Initiatives (PFI) and rectify some unreasonable practices. For example, some companies are interested in providing public services and they have presented some workable ideas or proposals to the Government. What the Government has been doing is that after looking into the feasibility of these ideas

or proposals, it would make an open invitation to interested parties from the private sector to submit tenders. The company which has put forward the idea in the first place is not given any preference in the bid and the right to implement the proposal may even fall into the hands of other companies. This has made many companies become disinterested in the PFIs although they may have spent some money drawing up a proposal. The Government must address this problem. Why is it that other countries such as Britain can implement PFIs successfully, but not in our case? In order to encourage more private sector organizations to put forward innovative proposals, the Government should consider according priority to the company which has made the proposal to take part in the plan concerned.

With respect to small and medium enterprises (SMEs), I hope that there would be more commitment from the Government in providing active support to upgrade their competitiveness. As to the measures to improve the four existing support funds for SMEs, the authorities should pay special attention to improving the vetting and approval procedures and avoid a rigid handling of the applications so that no SMEs will be barred from getting the support they need.

Madam President, these are my remarks on the policy area of economic matters as found in the policy address and the policy agenda. I so submit.

MR AMBROSE LAU (in Cantonese): Madam President, the policy address this year highlights the key point of each policy initiative and avoids setting out each policy initiative at length. While this makes things clear and simple, it is not aiming at unrealistic objectives. It represents a return to simplicity and brevity, a manifestation of a pragmatic and innovative inclination.

Some people have criticized the policy address for its lack of substance, and one of the reasons is that no money is handed out this year. When the Government is up to its neck in the reds, it is clear that it cannot repeat the policy of handing out money that it has been following since 1998. Such a policy surely has its use in easing the hardship of the people during the four years which it has been in place. But that can only be a contingency measure and should not be adopted as a long-term policy, lest government coffers will certainly be emptied. Therefore, solving the deficit problem is the Government's top priority. Reluctantly, the Government has to cut spending, and we in the Hong

Kong Progressive Alliance (HKPA) do not agree with the criticism that the policy address lacks substance just because no money is handed out.

The so-called "lacking substance" criticism is also due to the opinion that the policy address offers nothing on how to revitalize the economy. But the fact is, even as no panacea is offered, that does not mean that nothing at all is offered. If anybody has any panacea, he or she should tell everybody about it. And if people make the accusation that nothing is offered by the policy address to revitalize the economy while failing to come up with any panacea for the ailing economy, this would not help things at all. Though the policy address has not offered such a panacea, it has indeed pointed to a clear direction and proposed some new initiatives.

Madam President, last year I spoke to this Council on the four expectations I had for the policy address of 2003. These included a clear direction for our economic development, fostering a closer relationship between Hong Kong and Guangdong, formulating a policy which gives priority to employment and reducing the burden of the middle class. This year's policy address has made a positive response to these suggestions. Therefore the HKPA thinks the policy address does have something to offer.

As regards the setting of a clear direction for economic development, the direction and positioning espoused in the policy address is to make the best use of our existing advantages and strengthen the four main pillars of our economy to tie in with the promotion of creative industries and innovative technologies, support the SMEs in their diversified development, expedite the economic integration with the PRD, facilitate the restructuring of our economy and increase employment opportunities for the people. The HKPA supports this direction and positioning. However, irrespective of how we position our economy, the problem of employment faced by the lower and middle classes should be adequately addressed. In the past, the development of hi-tech industries was stressed, but as the technology bubble burst, it proved that high technology was no solution for unemployment. The Government now stresses the use of new knowledge, new technology and the provision of high value-added services. But whether or not these can be effective in solving the unemployment problem is a question that warrants careful consideration by the Government. The HKPA thinks that firstly, Hong Kong should develop a dual economy, that is, efforts should be made to foster those trades and industries which are not high value-added service industries but can provide a lot of jobs,

such as the many SMEs and trades like environmental protection and home services, and so on.

Secondly, on the issue of fostering ties with Guangdong, the policy address points out that we should seize the opportunity of deepening economic integration between Guangdong and Hong Kong to help small and medium foreign enterprises to set up regional offices in Hong Kong and use Hong Kong as a base for investment, procurement and production in the PRD. At the same time, we should also help PRD enterprises to establish outlets in Hong Kong proactively, so that they can market their products to foreign companies direct and develop co-operation in external trade. The policy address also proposes other new initiatives of co-operation, such as according priority to the building of a bridge linking Hong Kong, Macao and Zhuhai, facilitating the movement of passengers and goods across the boundary by measures like co-location of immigration and customs facilities, preparation for automated passenger clearance and automated vehicle clearance, construction of a new bridge to connect Lok Ma Chau and Huanggang, and studying the feasibility of a new express railway linking Hong Kong, Shenzhen and Guangdong.

The new business model and initiatives on co-operation between Hong Kong and Guangdong will help smooth out the hardware relationship in such co-operation. But the problem is how the software side of the relationship can be smoothed out. To this end, officials in Hong Kong and Guangdong should abandon their past differences and adopt a new mentality to address the new conditions, for the relationship between the two place underwent a stage where Guangdong was enthusiastic and Hong Kong was indifferent. At that time, the Shenzhen authorities proposed the idea to use a piece of wetland along the Shenzhen River to develop hi-tech industries, but that was rejected by Hong Kong on grounds of environmental protection. Now the situation is reversed. Guangdong Province is lukewarm about the idea of building the Hong Kong-Zhuhai-Macao bridge, citing the same reason of studying the impact on the environment. It can be seen therefore that a good software relationship should be forged for Guangdong-Hong Kong co-operation. For Hong Kong, it should change its mentality and view co-operation with Guangdong not merely as a means to solve our economic difficulties and consolidate our position as a regional leader and a regional hub. Co-operation with Guangdong should be taken as a means to achieve a win-win situation. We also hope that the Guangdong authorities will take into account the overall situation and react positively to our request for co-operation. The HKPA suggests that a mechanism facilitating high-level exchanges and co-ordination should be set up.

A Hong Kong-Guangdong co-operation committee should be set up by the governments and the business sector of the two places to forge a software relationship for co-operation purposes between the two places. This will also help the two places in complementing their respective advantages.

Thirdly, on the formulation of a strategy of "giving priority to employment", I pointed out in this Council last year that the policy address should formulate a strategy of "giving priority to employment", especially when making a review of the vetting criteria of the SME funds in order to solve their problems in financing. Preferential measures should be devised to encourage SMEs to enhance their competitiveness through the use of innovative technologies, manpower training, brand establishment and value-added efforts, and so on. Now the policy address proposes to carry out various measures to improve the four existing SME funds, help place the middle-aged unemployed in jobs, re-engineer the procedures for the planning and implementation of infrastructure projects with a view to improving efficiency and cost-effectiveness. As SMEs take up 60% of the workforce, the Government should further enhance its support measures for SMEs.

Fourthly, the policy address states that in order to eliminate the fiscal deficits, the prime consideration of the Government presently is to cut public expenditure and raise revenue, proposes to introduce appropriate increases in tax and government fees and charges to effectively resolve the fiscal deficit. However, as the tax base of Hong Kong is narrow, the middle class bears the major burden of tax revenue. If the tax base is not widened while the tax rate is increased, the ones to bear the brunt of all this will be the middle class. As solving the fiscal deficit is an immediate imperative, the middle class is prepared to make some sacrifice. But many middle-class people are likewise affected by the economic downturn and some are even burdened with negative equity assets. The Government must not shift the burden of solving its fiscal deficits onto the middle class. Therefore, the HKPA hopes that the Government will act prudently in preparing the Budget.

In addition, on the issue of solving the fiscal deficits, the HKPA suggested last year that the Civil Service should be downsized to 150 000 to 160 000 gradually in phases; the accountability officials should have their salaries slashed by 11%. The policy address pledges that in a bid to reduce expenditure, the civil service establishment will be cut by 10% by 2006-07 through natural wastage and normal retirement. That means the number of civil servants will drop to about 160 000. In order to show their determination to ride out the

economic difficulties with the people, the Chief Executive and the 14 accountable officials, the Director of the Chief Executive's Office and the Head of the Central Policy Unit have all decided to reduce their salary by 10% with effect from 1 April. The answer provided by the policy address in this respect merits recognition. Reducing the civil service establishment is a move towards the goal of "big community, small government". The significance of the Chief Executive and the accountable officials taking the lead to reduce their salary lies not in reducing expenditure and solving the deficits, but in showing their commitment to Hong Kong, their sympathy for the people's difficulties and their desire to gain their trust. The move is a positive action that is vital to restoring confidence and strengthening cohesion.

There are views that not only is the length of the policy address this time has been shortened, but that the number of initiatives proposed by the Chief Executive is also reduced. These new arrangements are in fact appropriate and they can better manifest the spirit of the Accountability System of Principal Officials. Under these arrangements, the major policy directions are stated by the Chief Executive and the accountable officials are then given a free hand in putting forth specific policy initiatives to work towards the policy objectives. The success or otherwise of administration would depend on the efforts of the sincere co-operation among accountable officials. Therefore, the HKPA thinks that the accountable officials should consult the Legislative Council on the ideas and enforcement details of various policies, and they should also gauge public opinion. Only when these are done that the policies to be formulated will have regard for the urgency of the people and the way they think.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, the title of this year's policy address is "Capitalising on Our Advantages Revitalising Our Economy". The policy address has, from a macroscopic angle, described clearly the challenges now faced by Hong Kong, such as economic restructuring, a serious budget deficit, and so on, and also pointed out the ways to resolve problems. Generally speaking, its direction is correct.

The Liberal Party met with the Chief Executive in November last year to express our expectations of the policy address. Many of the proposals have been the subjects of lobbying by the Liberal Party for implementation by the

Government over the years, for example, the notion of "big market, small government", improvement to tourism infrastructure, attracting investment migrants from the Mainland, promotion of the development of logistics, integration with the PRD, reforming government institutions, and so on. We can see that this policy address has indeed taken on board some of these views. I believe as long as the relevant measures and policies are implemented as soon as possible, new dynamics will be injected into Hong Kong to revitalize the economy, ease the fiscal deficits and improve the people's livelihood. Therefore, the Liberal Party supports this policy address.

On the economic front, I will speak mainly on my industry, namely, the tourism industry. With regard to the integration with the PRD, as early as in 1997, the tourism sector, like many other trades and businesses, already realized the importance of the PRD and the Mainland as our hinterland as well as their strategic development potentials and needs. Following the reunification of Hong Kong and Macao with China, and the accession of China to the WTO, Guangdong, Hong Kong and Macao have become interdependent and developed a very close relationship, with a greater scope for co-operation in many aspects, particularly in tourism. As most of the tourism resources and scenic features in the PRD are not in conflict with those in Hong Kong, I think we can complement each other's advantages and introduce quality tourism products, itineraries and services, working in concert to create a regional tourism zone which can be vigorously promoted to tourists from around the world.

In this year's policy address, the Chief Executive has mentioned that tourism in Hong Kong is one of the few sectors that have registered growth despite the prevalent economic downturn. This can be attributed to the continuous investment, publicity and promotional efforts by the industry in recent years in the face of adversities and the Government's readiness to heed the views of the industry and its many positive responses, together with the staunch support of the Central Government.

According to forecasts by the World Tourism Organization, by the year 2020, China will attract close to 130 million visitors and will lead the world in terms of the number of in-bound visitors, and Hong Kong will hence become the fifth largest tourist centre in the world. All these factors show that the speeding up of the development of the PRD can brook no delay. So, the industry strongly supports the Government putting emphasis on the PRD and intending to

expedite economic integration with the PRD. It is hoped that these initiatives, in tandem with the target of promoting the four pillar industries, can enable tourism and other industries to scale new heights and develop robustly.

I wish to say a few words on the issue residents of Guangdong Province visiting Hong Kong in their personal capacity. At the suggestion of the Hong Kong Government, the Central Government has agreed to allow residents of Guangdong Province to visit Hong Kong in their personal capacity. According to the estimation of the Travel Industry Council of Hong Kong, about 700 000 residents of Guangdong Province, or an extra 10% of them, will become a new source of tourists. Although visitors coming to Hong Kong in a personal capacity are not on package tours and this may not directly benefit local inbound travel agencies on the surface, this arrangement can in fact be immensely helpful. From the findings of surveys conducted by the Hong Kong Tourism Board, we learn that visitors from Guangdong Province spend on average over \$5,000 each, and they spend more than visitors from many other places. An additional 700 000 visitors will generate tourism proceeds to the tune of \$3.5 billion. As Hong Kong people have been going northwards to spend money, mainlanders coming southwards to spend money can balance out the revenue of both places. This will also be very beneficial to Hong Kong. So, this can stimulate tourism-related industries and also consolidate Hong Kong's status as a tourism hub in Asia. This can at the same time benefit industries other than the travel agencies, which obviously include the hotel industry; the catering and retail industries and also some sectors of the transportation industry will benefit from this too. These measures will quicken the pace of economic recovery of Hong Kong. The Liberal Party and the industry very much welcome this initiative of the Government.

I would also like to speak on the 24-hour customs clearance arrangement. To facilitate the economic development of Hong Kong and the Mainland, the Government has finally decided to implement 24-hour clearance at the Lok Ma Chau border control point before the Chinese New Year to maintain a smooth flow of passengers, vehicles and goods. The tourism industry welcomes this arrangement and considers that the public can adjust the time of their crossing the boundary in the future, thereby helping to disperse the crowds and long queues that are often seen at this crossing, thus reducing the waiting time of passengers in crossing the boundary. Indeed, 24-hour customs clearance has long been implemented by European Union countries and at land crossings between the United States and Canada. Since there is no problem with such arrangement

between countries, the implementation of round-the-clock clearance at boundary crossings between Hong Kong and the Mainland should be very normal, for Hong Kong and the Mainland are one country, only that "one country, two systems" is implemented. The Liberal Party considers that the Government can further study other matching measures, such as giving consideration to allowing taxis to access places near the Lok Ma Chau border control point, providing more modes of public transport to carry passengers to bus stops for yellow buses, providing special passages for package tours, making special arrangements for transit passengers, negotiating with the relevant mainland authorities on the co-location of immigration and customs facilities, and improving clearance facilities at boundary crossings, with a view to providing greater convenience to visitors, so that mainland visitors will spend less time on queuing at such crossings and more time on travelling and spending in Hong Kong.

Madam President, the policy address has not mentioned much about specific measures. Regarding the future of the expansion of the Ocean Park, about which the Liberal Party and the industry are more concerned, and on the question of whether or not a cruise terminal will be developed, I hope the Government can give us a substantive response. Why are we so concerned about the Ocean Park? Given that the construction work of the Disneyland is underway and scheduled for completion some two years later, we do not wish to see that an old flagship lost once a new flagship appears. Over the years, the Ocean Park has been a tourist attraction which is second to none in Hong Kong. Many foreign travel agencies, particularly those in Southeast Asia, will advertise the Ocean Park as a prime highlight of tours to Hong Kong, similar to local travel agencies advertising Tokyo Disneyland or their tours to Tokyo. So, it is evident that the Ocean Park is a prestigious tourist spot in Hong Kong. What should we do to ensure that its status will not diminish upon the completion of the Disneyland? I think we should find ways to provide room for its development. As I have mentioned on other occasions, there are now a Citybus depot and schools in the vicinity of the Ocean Park. Must they be located there? If such land can be granted to the Ocean Park for expansion purposes, it might do good to Hong Kong's tourism as a whole. I hope the Government will look into this issue which requires cross-department input.

Besides, is it that we are less concerned about the construction of a cruise terminal? It is because we see that Hong Kong has the natural conditions to become a cruise centre. There are not many cruise centres in the world, and the

number may just be a few, such as Athens in Greece, Miami in Florida of the United States, Long Beach in Los Angeles, and Vancouver where cruises set sail to Alaska. These places are all characterized by well-established cruise terminal facilities, and they have more than one terminal with such facilities. I wish to point out that the Government must not be influenced by existing operators of cruise terminals. Certainly, they will produce many statistics to show that their operation does not make a high level of profits. But as far as I understand it, cruise terminals are different from ferry terminals. The latter have passengers every day and ferries are scheduled for departure every hour and so, the profit will definitely not be high. But cruise liners which carry tourists exclusively have different characteristics. A successfully run sea cruise can attract foreign visitors to fly to Hong Kong particularly for the cruise. They may stay a night in hotel, and they may immediately board the cruise liner and then stay behind for a day or two when they are back from the cruise. The several terminals that I have just mentioned all have this feature. To meet the demand of the market, these sea cruises are often scheduled for departure on Sunday nights. Seldom will they set sail on Monday. And a cruise normally spans seven days as a cycle, or it may last for three days, which means that it will be back on Wednesday. So, the terminal will certainly be idle every Monday, Tuesday, Thursday and Friday. I have been to Athens, and three or four cruises companies there provide seven-day cruise to the Mediterranean Sea and all are scheduled to set sail on Sundays. So, the terminal is idle every Monday, and it is impossible for cruise terminals to maintain a utilization rate of 100%.

I just hope that the Government will not be misled by these simple statistics, thinking that cruise terminals will have a low utilization rate and therefore the construction of a cruise terminal is not an option. I think it is downright unwise of Hong Kong not to make use of its natural advantages. Today, we are already lagging behind Singapore. Luckily, there is now a cruise company willing to berth several cruise liners in Hong Kong as a permanent base for its operation. I hope that more cruise companies will be attracted to operate in Hong Kong in the future. However, if we do not have the facilities for cruise terminals, it will be difficult to attract cruise companies to base their operation in Hong Kong. At present, passengers who patron the cruise liners are mostly local residents, and few foreign visitors will make a trip to Hong Kong specifically for the cruise. As far as I know, in those places that I have just mentioned, such as Miami or Athens, a vast majority of the cruise passengers are not local people, but people who purposely fly there for such cruises. Therefore, the problem cannot be solved simply by constructing a few

more berths for cruise liners. I hope the Government can respond to these two proposals.

With these remarks, Madam President, I support today's motion.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, the focus of the policy address this year is on the integration with the PRD. From the policy address, it can be seen that the SAR Government has made a step further in integration with the bureaucratic culture on the Mainland. Officials of the SAR have picked up the culture of the Mainland and so the entire policy address is a constant attempt in boasting the advantages enjoyed by Hong Kong and that an integration with the PRD will solve the prevalent economic problems, and so on. However, the policy address does not have any specific measures to work for this anticipated result, nor can it dispel the misapprehensions which the public has for this development direction. Despite the fact that the policy agenda mentions the five guiding principles of Effective Governance, Vibrant Economy, Caring and Just Society, Enlightened People with a Rich Culture, and Environmentally Responsible Development, what the people see in reality is exactly the opposite to these guiding principles. We cannot see what can be done to make the community united and to boost the economy with development in the relevant direction.

The policy address still stresses repeatedly that the economic problems that we have experienced in the past few years are due to the Asian financial turmoil and the bursting of the bubble economy, and hence our present predicament. However, if Members should care to read the policy addresses of 1999, 2000 and 2001 again, they will find that the same analysis and argument have been repeated year after year, and again and again. It is true that these factors have led to our economic difficulties, but have the policy addresses of the past few years not proposed many measures to revitalize the economy as well? How effective are they? Other countries may have faced the same problems as ours, but the economy of some of these countries have revived, yet we are still in a persistent downturn. Why? I think the answer is that the SAR Government has been putting the blame on the objectivities, without ever making a good review of its work and abilities. I would discuss this point later.

Likewise, various advantages enjoyed by Hong Kong were mentioned in the policy addresses over the past few years, such as open financial markets, a sound legal system, and so on. But why can we not revive the economy albeit

we have all these advantages in our grasp? Now the Government is stressing once again that we have four pillars in Hong Kong economy and piles of figures are cited to show that the number of tourists and volume of exports have continuously been on the rise over the last few years. But these were mentioned in previous policy addresses already. So the people will ask again, "If the economy has really turned for the better, why is their living going from bad to worse?" If the economy has really improved, why then can the people not share the fruits of a recovery?

If Hong Kong really possesses these advantages, but there is no real improvement to the economy, what does this show? Does it not show that our government is so impotent that it cannot seize the opportunities or has it been blindly optimistic and ignorant of the realistic conditions? Take the integration with the PRD which is stressed so much this year as an example. The policy address in 1999 made a point of implementing a series of short-term measures, such as expediting the building of road links to achieve this goal. The policy address of 2000 proposed that matching infrastructure should be increased. In 2001, emphasis was made that Hong Kong should make use of the opportunities offered by China's accession to the WTO to forge economic co-operation with the PRD. As a matter of fact, during the period of three years after the proposal was made in 1999 to develop economic ties with the PRD, all that the SAR Government has done are merely opening up a trade office in Guangzhou and reaching an agreement recently on 24-hour passenger clearance. For three years, the idea of economic integration with the PRD has remained only an idea on paper and no more. Three years are no short period in anyone's political career. Speaking from the five-year term of the office of Chief Executive, this is already more than 60% of his term of office. It is amazing to note that the SAR Government still takes the pain and trouble to say it now that this is a new direction, a new way out and a new consensus of society. What does all this tell us? Does it not reflect that the Government is impotent? If not, what is it after all?

Apart from incapability in governance, another factor preventing our economy from recovering is the blind optimism of the Government. For every year after the financial turmoil, the policy address invariably stressed that the economy would recover. But the public's hopes were dashed year after year. Now the Government has become smart and it says that it would be some time before the economy can recover. But even so, I would still feel that this is another form of blind optimism, for such a recovery is founded entirely upon the

integration with the PRD. We need look no farther than the sheets of cold water thrown by Guangdong officials on the SAR Government for the last couple of days. The Governor of Guangdong Province, LU Ruihua, pointed out in the work report of the provincial government that he planned to turn Guangzhou and Shenzhen into a regional financial hub, and stressed that efforts would be made to attract large companies to set up headquarters in Guangdong. All this shows that the province views Hong Kong as a rival. Yesterday, another official of Guangdong showed his support for the plan to build the Hong Kong-Zhuhai-Macao bridge, but beneath these remarks, he also emphasized the issues of ecology and investment. This shows clearly that the so-called integration with the PRD is only wishful thinking on the part of the SAR Government. Even if the idea has been endorsed by the Central Authorities, as the Chief Executive has always been stressing, how can there be any progress if support is not given on the regional level? It is like a man has to get the consent of the girl when he wants to marry her. And only when there is a marriage of true minds that the couple can enjoy the happiness of marriage. It is doubtful that life after marriage would be happy at all if this is just a shotgun marriage.

As the Chief Secretary for Administration Donald TSANG said, this could well be a matter of division of labour. Foreign automobile manufacturers may set up their headquarters in Guangzhou while the financial institutions will choose Hong Kong. Even if this is the case, the finer the division of labour becomes, the smaller will be Hong Kong's share of the pie. Most importantly, even if Hong Kong gets a share of the pie, would this mean anything to the ordinary people? Will they get any benefits out of it? Some people are already worrying that integration with the PRD would mean Hong Kong being eaten up by Guangdong. For if more jobs would move northwards, it is likely that the jobless rate will scale new heights. So, is this integration with the PRD really some sugar-coated poison? It tastes well, but it kills. In my opinion, a more important question is ensuring capital will not go in just one direction, that is, to the north. Despite the possibility that foreign companies making investments in the PRD would set up companies in Hong Kong and spend here, it has to be supported by actual figures to convince the people. One cannot just talk without giving people the impression that he is just being blindly optimistic. In the criticism I made in 1999 on the web fad spurred on by government efforts, I said it was only a hollow concept that would not help the economy very much. Facts later proved that it had failed to boost the economy, and conversely it had only pushed up our jobless rate.

Even if the integration can be successful, that could not be done in a short time. And as we all know, the people of Hong Kong would still have to undergo a long period of hardship. So it is imperative that the social safety net be improved. Unfortunately, the Government only stresses the gravity of the fiscal deficits and finds excuses for its back paddling on its social policies. Not only will welfare payments be slashed, the tax liability of the lower and middle classes will also be increased at such times of difficulty. We would like to stress once again that tax increases and welfare slashes would only make people more reluctant to spend and keep as much savings as possible. This will certainly aggravate deflation and push economic recovery farther away from our reach.

I must stress once again that while the problem of fiscal deficits must be resolved, the lower and middle classes must be spared from being victimized by the Government's inept financial management. We have stressed many times that rash actions must be avoided and the year 2006 must not be set as the deadline. Efforts should be aimed at minimizing the adverse impact on the people and applying the brake, or else we will only be heading into a fatal crash.

Furthermore, previous policy addresses all undertook that jobs would be created. In 2000, 15 000 jobs were promised. In 2001, more than 30 000 jobs were promised. But the unemployment situation has been going from bad to worse. And a more deplorable fact is that the Government is doing nothing at this most difficult time. To quote what the officials have said, the people are being told to fend for themselves. But to the people, this is like asking them to resign themselves to fate. If the people can take care of themselves, then why is there a need for a government?

Madam President, the policy address this year is repeating the same thing as in the past, that is, to inflate an unrealistic outlook for the future. The people have already lost all hopes. Yet a most shocking fact is that, while they cannot see any prospects, a knife is recklessly making itself felt and the people are left at its mercy. Many items of public expenditure are cut, while fees and charges are raised. The people must then ask, "Is this what a responsible government supposed to do? Is this a responsible policy address that merits implementation?"

Madam President, I so submit.

MR ABRAHAM SHEK: Madam President, we are facing the toughest economic challenges and economic recovery has yet to emerge. With available government statistics, it appears that there is light at the end of the tunnel, but it is actually a train coming in our direction. Erosion of people's confidence is at an unprecedented level.

Why is people's confidence at the lowest level? The answer is simple. It is because we are poorer and getting poorer. Confidence is linked to our wealth and assets. There are over 1.4 million homeowners in the Hong Kong Special Administrative Region (SAR) and without exception, each and every one of these homeowners has his asset value nose-dived from pre-1997 high to the present level with a difference of 40% to 60%. If one's assets have, in a short period of five years, depreciated and suffered such a drastic drop, how could he have confidence? The people who have bought new and uncompleted flats 12 months ago now wake up to find that their potential assets have dropped by nearly 20%, what level of confidence could they have? The answer is a dwindling one.

Recovery of people's confidence must be the prerequisite for economic recovery. Therefore, to achieve a stabilized property market is the very key to the restoration of public confidence and economic recovery. The Administration's nine housing measures introduced recently aim to achieve market stability. The measures are widely accepted and welcomed, but have yet to yield effective results. The Government needs to do more — continue to withdraw from market participation and competition, and further introduce policies that could encourage market stabilization and growth. What are these measures? These measures are the relaxation of the 70% ceiling of mortgage loans and the reduction of stamp duties. Such measures would greatly benefit the secondary housing market and directly affect other markets, too.

The commercial office market, I am afraid, is facing even tougher conditions than the residential market, as the Government, instead of helping as it has done in the residential market, is doing the opposite. Prices for industrial and commercial offices are at a pre-1986 level — Let me repeat, it is 1986, and not 1996. Rental levels of these premises are equally bleak. The average rental for offices in industrial buildings in Kwun Tong is \$3 to \$4 per sq ft; in Hong Kong Island East, Western District and Central Kowloon, approximately \$8 to \$10 per sq ft; and in Central, \$20 to \$22 per sq ft.

The trend is that the rentals are going further down. Critics of high office rentals and even some government officials might applaud such reduction and allege that it would improve our business competition. We know that this is a false belief when we look at the vacancy rate of office buildings in our territory. Low rentals yield deter investments in office development, creating economic hardships for the construction industry and the tens of thousands of workers.

The deterioration of the commercial office market is directly affected by the adverse economic crisis, but its drop is further aggravated by ill-conceived government measures and market intervention.

I sincerely wish to draw the attention of Mr Henry TANG, though he is not here, to the fact that some of the policies of his Bureau are bringing detrimental effects to the tens of thousands of small and medium enterprises (SMEs) that he works so hard to assist. He is no longer the white knight, he is going to be the black knight. Without malice, the Administrative is softly and slowly killing the SMEs of the SAR with its songs of business social philosophy. I am referring to the Government's two pet projects — the Cyberport and the Science Park.

The Government has spent billions of Hong Kong people's money to build the two projects, hoping to take Hong Kong into the highway of information technology (IT) and bio-technology. This original intention was to bring international cutting edge companies into Hong Kong. Unfortunately, with the bursting of the IT bubble, we have yet to see cutting edge companies coming to Hong Kong's dreamland of Cyberport and Science Park. Instead, the Government is cutting the edges of commercial office market by pinching tenants from the private sector with record low rentals and terms for A-grade offices that the private sector cannot match. What kind of competition and what kind of intervention is this?

The leasing activities of the Administration have triggered off a further downward erosion and nose-dive of market rentals across the territory. Yes, this affects my constituents — the developers, but I am not worried for them because they can weather the storm without any problem. My concern is for Mr Henry TANG's thousands of SMEs which have their own offices for investment and usage. The erosion of market rentals and yields will bring down the asset values for the owners of these offices and affect their bank borrowing and their day-to-day operation. This is going to be a drastic killing for Hong Kong.

It is time that the Government should cease to intervene and interfere in this type of market activities, for this type of rental subsidies to businesses is likened to a new policy of social office welfare under a new type of business welfare philosophy. I should remind the Secretary, Mr Henry TANG, that Hong Kong businesses need no welfare subsidies. We only need prudent policies. Only our old, sick and underprivileged need this kind of government assistance.

I call on the Government to stop the construction of Phase II of the Science Park but use the money for social projects, and also to put the Cyberport for academic use and stop the unnecessary competitions.

Madam President, I now go back to my main speech. The Chief Executive, Mr TUNG Chee-hwa's first policy address of his second five-year term has drawn a wide range of views from commentators. Some have criticized the brevity of the Chief Executive's speech and feel that it disregards social issues, some say that it offers no new ideas or surprises to the general public. But some say that it offers insight and inspiration. Personally, I think that it is good to have diverse opinions. And also, one person's meat is another person's poison. It is clear from the policy address that after his first five-year administration, the Chief Executive and the SAR Government have come to the realization that their previous extravagant blueprints for the long-term development of Hong Kong, however appropriate, were born at the inappropriate time, and these measures are over-optimistic and unattainable. The present policy address is pertinent and down-to-earth in countering our current economic and social problems head on. It highlighted all the issues that the SAR Government needs to urgently deal with, including improving the economic environment, stabilizing the property market, opening up new business horizons, and expediting economic integration with the Pearl River Delta (PRD).

Madam President, Mr TUNG's policy address has set a clear direction for revitalizing the economy. The Government now needs to put in place effective mechanism to review and adjust, when necessary, the policy implementation process so that the policy goals are not only achieved, but achieved effectively and efficiently. For example, the policy address stressed that one of the most urgent tasks is to further improve our business environment through prudent policies and small government. In the policy address, the Government has stressed that it would try to attract more foreign investment while retaining

domestic investment levels, boost economic activities and set up a high-level task force to examine these issues. However, I would remind the Government that various task forces had been set up in the past to review different policies, and their effectiveness was quite limited due to indecisiveness when problems occurred. We cannot afford to make the same mistakes again and again. It is now time for action and not time for study and searching for solutions and excuses.

Another case in point — recently, the Chief Secretary for Administration and the Financial Secretary visited Japan and Europe, where they encouraged SMEs to seize business opportunities in the increasingly integrated PRD Region by setting up shops in Hong Kong. They have done great tasks. However, the Government appeared to ignore other key Hong Kong assets that may influence foreign investors' decisions, such as the adequacy of international school places for their children, subsidies for English Schools Foundation, an easily adaptable environment for their families and the availability of world-class social services. These are all factors that the Government should include in their sales pitch and promotional strategy to entice foreign investments. I believe that these are Hong Kong's unique advantages over other localities in the PRD. In this type of promotion, we need all the assistance from the business chambers and private sectors, and it should not be government-led.

In other areas, the policy address pointed out that the Government has, in recent years, actively reduced costs by cutting red tape, deregulating rules, streamlining procedures and enhancing administrative efficiency, in order to lower costs. I think that the Government should continue to step up efforts here and to avoid situations of direct market interference and intervention in the private sector. The office lease of the Cyberport and the Science Park, as I said earlier, are classic examples. Besides, I oppose the Secretary for the Environment, Transport and Works, Dr Sarah LIAO's proposal on setting up a new fare-adjustment mechanism for public transport operators. This proposal is dangerous as the Government will seriously interrupt the operation of public transport market and its independence. Is this what Mr TUNG called small government and respect for market environment and independence? Being popular is good, being popular is vanity, but being prudent is more important.

Madam President, I am quite disappointed that the Chief Executive has not mentioned in his policy speech any solution for alleviating the present 16%

unemployment rate of the construction industry. The Government should consider increasing its investment in public works projects (more than the \$29 billion set aside annually for the next five years). It should expedite the construction progress of public projects, open more new projects and adopt the mode of private funded initiatives (PFI) or public-private partnership in financing new projects. Moreover, I suggest that the Government should build more public rental housing under the present deflationary trend. It will benefit the community at large by fulfilling the housing needs for the low-income families as well as providing more job opportunities for the construction workers. All in all, the point I would like to stress is that the expenditure on public works should not be considered as an expenditure, but should rather be as an investment for our future, like education.

Madam President, I hope that the Government will take my opinions into careful consideration, otherwise, it will be difficult for the general public to restore confidence in our economy.

Thank you.

MR WONG YUNG-KAN (in Cantonese): Madam President, Chief Executive TUNG Chee-hwa delivered the first policy address of his second term of office, which shows his courage and determination in leading Hong Kong out of the plight. The DAB and the New Territories Association of Societies and the Joint Committee of Hong Kong Fishermen's Organization to which I belong are confident that the Chief Executive can continue to lead Hong Kong in resolving the crisis, revitalizing the economy and improving the people's livelihood. The policy address objectively analyses the situation of Hong Kong, especially in face of the enormous challenge of a continuous deflation, and illustrates that the SAR Government will adopt a series of administrative measures to alleviate deflation, revitalize the economy and reduce the fiscal deficits. The policy address specifies the direction of development of Hong Kong in future and boosts public confidence in the prospects.

The economic downturn and critical fiscal deficits are worrying, but the SAR Government has not declined to seek medical attention and has confronted the ills in a responsible manner. The Government mainly addresses the fiscal deficit problem by cutting spendings and reducing public expenditure by

streamlining the government structure. With streamlining the government structure as the starting point, the Government will review civil service pay and reduce expenditure, while adopting the new thinking of "small government, big society", which is conducive to the long-term and overall development of Hong Kong. As regards the civil service pay reduction, the Chief Executive and accountability officials have taken the lead to accept a 10% pay slash. Some people have said that the rate of reduction is inadequate, so the Government can actually consider that further. The fact that the Government can sincerely and actively communicate with civil servants in working out a pay reduction proposal that is acceptable to both sides indicates that civil servants are willing to tide over the difficulties with the public. I believe that, with the active co-operation of civil servants, the Government will be able to move forward with ease after the government structure has been streamlined. This can not only effectively streamline and reduce expenditure and relieve the pressure of fiscal deficits, but more importantly, the Government can keep abreast of the times, enhance efficiency and change the style of administration.

The sluggish economy can be attributed to deflation to a very large extent. Consequent to the bursting of the bubble economy, property prices and rents have declined substantially over the past four years against a high deflation rate of 13%. The continuous deflation has seriously affected spending and investment and dealt a very heavy blow to economic growth and public revenue. The SAR Government has adopted all along a positive attitude in combating deflation and positive economic policies to enhance macro regulation. In this policy address, the Chief Executive again highlights the deflation problem for solution. The SAR Government has identified a clear direction of future administration, grasped the excellent opportunities of rapid economic development and further opening of the Mainland to reinforce and develop the four innate economic pillars of Hong Kong, namely finance, producer services, logistics and tourism. Insofar as tourism is concerned, although there is a Disney theme park, I think that the Government should give more consideration to the development of ecotourism after all. Besides, paragraph 18 of the policy address states that traditional industries should be reinforced, developed and supported. But I fail to see how the Government is going to support traditional industries. Can the application of new knowledge and technologies revitalize our economy and demonstrate that the SAR Government is confident and resolute in leading Hong Kong in the course of economic restructuring?

In the face of serious fiscal deficits, Hong Kong will have to overcome the vicious cycle of economic downturn in the medium-to-long term in the future. To this end, it is most important to develop our economy and improve our business environment, strive to propel the development of various industries and trades, increase tax revenue and reduce the fiscal deficits. In regard to economic development, the policy address proposes enhancing economic co-operation with the PRD, which is the direction of long-term economic development. The PRD is the pioneer of reform and opening of China, and although the model of co-operation with a shop in front and a factory at the back in the past brought generous returns to the economic development of the two places, to maintain an advantageous position under new circumstances, the two places have to step up co-operation and give play to their respective strengths. They have to keep extending the domains of co-operation and let their strengths complement one another for mutual benefits before economic co-operation with the PRD can be practically promoted, thus bring new prospects to economic development in Hong Kong.

To step up economic co-operation between the two places, the SAR Government should formulate corresponding coupling policies which include better co-ordination of cross-boundary infrastructural projects, perfect infrastructure construction, step up co-ordination and planning by officials of the two places and abolish the border closed areas. The border closed areas are a problem left behind from the past and the SAR Government should consider their abolition. It will not only provide plenty of land for the establishment of border industrial zones (Macao has already opened negotiations on the matter and is going to put the proposal into effect) and a "Lo Wu Commercial City" on Hong Kong side, but also help promote economic development and social integration between the two places, with positive effects on the overall planning of infrastructural projects in the area, regional economic co-operation and the promotion of economic development of the entire PRD Region.

This policy address by the Chief Executive focuses on the economy, unlike previous address that focused on objectives of administration. The policy address also proposes measures to deal with the unemployment problem that is most closely related to the people's livelihood. However, the Government should commit more resources to addressing the unemployment problem of the disadvantaged and systematically introduce other local community economy projects, continue to create positions for the grassroots and promote business

ventures by suitable people to solve their employment problem. Last year's policy address proposed the establishment of the Community Investment and Inclusion Fund, but its objectives and priorities failed to emphasize support for grass-roots community organizations, and it only studied and attempted some modes of community economy. Therefore, many grass-roots organizations, despite their long history of serving the communities with a large pool of volunteers and frequent activities, have failed to bring the enormous community forces into full play due to a lack of systematic and meticulous planning and organization of stable public and social resources and full-time professional support. Thus, the Community Investment and Inclusion Fund should not go after any illusory pavilion in the sky. I hope that the Government will set its eyes on and emphasize giving play to the roles of these existing grass-roots organizations in the community in its future administration and commitment of resources. Priority should be given to considering the spirit of mutual help of their community services and assisting them in self-help and mutual assistance in order to improve their quality of life, thereby revitalizing the community for contribution to society as a whole.

Madam President, I so submit.

MS LI FUNG-YING (in Cantonese): Madam President, the Chief Executive delivered last week the first policy address of his second term of office. It is also the first strike by the Chief Executive team after the implementation of the accountability system. In the policy address, the Chief Executive emphasizes at the outset "to lead Hong Kong out of the present economic difficulties and restore people's confidence in their future" as the challenge confronting the SAR Government and its responsibility. In other words, the Chief Executive appreciates that the economy is in a difficult situation and the people lack confidence in the future. The community also hopes that the brand new operation of the SAR Government will bring new prospects to invigorate people's mind. As the representative of the labour sector, I also hope that the policy address will come up with initiatives to alleviate the people's difficulties and narrow the wealth gap. It is regrettable that the policy address and the policy agenda only lay emphasis on revitalizing the economy and integration with the PRD. It either pays lip service to the building of a just and loving community or repeats what was done in the past. This is undoubtedly disappointing.

The whole policy address can be summarized into two points, firstly, the establishment of closer economic and trade relations between Hong Kong and the Mainland; and secondly, pegging addressing the fiscal deficits to revitalizing the economy, and the serious fiscal deficit problem must be solved by increasing revenue and reducing expenditure. These two points are nothing new. In respect of closer economic and trade relations, in fact, the integration between Hong Kong and the PRD already started when the Central Authorities specified reform and opening as a national policy, and the integration has already been developing for more than two decades. During the past two decades or so, the integration with the PRD has brought the local manufacturing sector to the Mainland. Now, according to the blueprint proposed in the policy address, integration in future will bring mainland and overseas factory operators to Hong Kong. The direction will undoubtedly be helpful to the financial services industry in Hong Kong, but at the same time it will bring large numbers of competitors to small and medium enterprises (SMEs) in Hong Kong. I am not sure if the United States market will still place orders with small and medium factories in Hong Kong after the SAR Government has successfully attracted small and medium factories in the United States to Hong Kong and made way for and assisted them in investing in production in the PRD. If SMEs in Hong Kong follow the footsteps of the manufacturing sector, it will deal a severe blow to Hong Kong economy and the people's livelihood.

Such a mixture of advantages and disadvantages is also reflected in other aspects. For instance, the tourism industry is one of the four pillar industries as stated in the policy address. "In response to a proposal by the SAR Government, the Central Government agreed to study further relaxation of current restrictions to facilitate mainland residents visiting Hong Kong, including allowing residents within Guangdong Province to visit in their personal capacity." Nevertheless, the new policy will give rise to new social problems such as public order and the illegal employment problem about which the labour sector is gravely concerned. I will not ask the Government to give up the relevant policy as a result of these new problems, but I ask that the Government must allocate new resources for solving the problems arising from the new policy. For example, in regard to upgrading the quality of human resources, the policy address states that "we will make reference to this policy (of attracting talents from overseas) to facilitate mainland talent and professionals to work and live in Hong Kong". There are no restrictions as to industries and numbers in this regard. I do not discriminate against mainland professionals and talents, but the policy address has not given any account of the non-abuse of the measure in

enforcement while it proposes the policy, and the training and prospects for local professionals. These are important topics.

It is an indisputable fact that economic integration with the Mainland is essential. The Central Policy Unit has published a report on the effects of 24-hour boundary clearance on our economy. Its study points out that various industries such as retailing, catering, hotel and entertainment are worried about the effects on their profits while the community is worried about the deterioration of the drug abuse problem of the youth. The Government should sufficiently assess the problems arising from closer integration with the PRD and set aside adequate resources to address the problems. In the final analysis, whether integration with the PRD can be taken to a higher pedestal depends upon the attitudes of both parties to the integration. Two decades have passed and the PRD Region is already fully grown and eager to step on the stage of world economy. But Hong Kong is still struggling in the swirl of economic downturn. Just as the Chief Executive has stated, we have to depend on the Mainland to "lift Hong Kong out of the existing difficulties and revitalize its economy". With the swapping of positions, the policy address has not judged the hour and sized up the situation to strike a suitable balance, and it still stresses the superiority of Hong Kong, and states that integration allows the PRD to "use Hong Kong's strengths to elevate its status and competitiveness to become a global player" and "it is the role of Hong Kong as the international business and trade centre." I am not sure about the extent to which the high-profile depiction of the integration with the PRD is the Chief Executive's own wishful thinking and the extent to which we still have to reply on the support and consent of the Central Government.

Madam President, I still wish to discuss how we can pool the confidence of the community. The Chief Executive has given a lot of data in the policy address and in his replies to questions raised by Members at the Question and Answer Session. I am going to synthesize and quote what he has stated. He has stated that "3.27 million people were employed, setting a record high", and he said during the Question and Answer Session that "there were 11.30 million tourists in 1997 and the number reached 16.50 million last year; in respect of logistics, there were 14 million TEUs in 1997 and the number has increased to 18.4 million TEUs now; there were 2 500 foreign companies in Hong Kong in 1997 and there are 3 200 now". We can draw a conclusion from the figures cited by the Chief Executive that the existing economic situation is better than that in 1997, but that is not the case in reality, at least, the public feel so.

Where does the problem lie? Have the efforts made by the Government for these achievements been slow in having effects on society or have the fruits of its efforts been shared by a small number of people and thereby fail to benefit the whole society? The policy address states that "the fiscal deficit problem must first be solved when solving the economic problems of Hong Kong." I do not agree with the judgement. In my view, to solve the economic problems of Hong Kong, we must first solve the problem of public confidence in the economy, and next the problem of economic restructuring. Hong Kong is not in lack of capital, but confidence. When public confidence in our economy is restored, the economy will regain vitality and the economic problems can be solved, so are the fiscal deficits. To set eyes only on increasing revenues and reducing expenditures, levying taxes, increasing fees and charges and reducing services cannot boost people's confidence. It will only increase grievances in society and even induce more social tragedies.

In the policy address, the Chief Executive has analysed that quite a lot of the difficulties encountered by Hong Kong are directly related to the people's livelihood, for instance, "incomes have continued to drop", "with some facing the hardship of negative equity" and a high unemployment rate. The Chief Executive said, "we fully understand the situation and feelings of people who suffered losses during the economic restructuring". People who have suffered losses certainly need the understanding of the community, and genuine understanding should be manifested by actions. An unemployed person who is caught in the hardship of negative equity, who is short of money and has to bear the burden of mortgage repayment for a flat that has substantially depreciated in value needs actual assistance measures instead of the Chief Executive saying that he understands whilst he is only mindful of turning the fiscal deficits into surpluses as soon as possible.

In the Budget delivered by the Financial Secretary last year, \$400 million was appropriated for the introduction of the Youth Work Experience and Training Scheme to provide training to young people aged 15 to 24. The Federation of Hong Kong & Kowloon Labour Unions to which I belong made a statement at that time, pointing out that the Government was discriminating against unemployed middle-aged workers and doing nothing for the unemployed who were economic pillars of their families. The policy address this year has demonstrated some improvement and the policy agenda has introduced two schemes to assist the middle aged in employment. I am very pleased that the

Government can heed good advice, but the schemes combined can only provide a total of 3 500 places, which is no doubt utterly inadequate for the unemployed middle-aged workers. I hope that this is a starting point in assisting unemployed workers and that the effectiveness of the schemes can be reviewed half a year later, and the Administration should not rule out the possibility of allocating more resources and enlarging the number of people to benefit under the schemes.

I understand that the Government anxiously wishes to resolve the fiscal deficits, but all efforts to this end during an economic slump when people are emotionally upset should be made as if one is walking on thin ice, and a balance must be struck between economic development and care for the community. The Chief Executive admitted during the Question and Answer Session on the policy address that the unemployment rate of Hong Kong had been persistently high and would remain so for a certain period of time. The Government should not only make policy remedies but also consider the formulation of policies on unemployment, which is fundamental to solving the problem.

Madam President, the expression "honest government (以誠取信)" is used in the Preamble of the policy agenda and I think that it is a very good step in pooling the strength of the community again and restoring confidence. The SAR Government has governed Hong Kong for more than five years now and the Chief Executive set out various reasons when he analysed in the policy address the reasons for our difficult situation today. I can only say that the conclusion of his analysis is that "everybody excepts him is wrong (萬方有罪，不在朕躬)", which does not tally with the social reality and is unfavourable to the rallying of popular support, and is quite distant from "honest government (以誠取信)". Lastly, pinpointing at social division, I wish to quote the famous saying of Mr YAN Fu, a well-known thinker and educator in China, and it goes "we can only rely on new things for progress and on old things for support (非新無以為進，非舊無以為守)". If a minor amendment is made so that it goes "we can only rely on two systems for progress and on one country for support (非兩制無以為進，非一國無以為守)", it will more or less be able to reflect the dialectical relation of "one country, two systems". While Hong Kong needs progress, it also needs support. Those in politics should have the breath of mind to make progress and to gain support.

Madam President, I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, first of all, I will comment on the policy address as a whole, and I wish to liken the Chief Executive and senior officials to students of the "Kongdong School (空洞派)" who have mastered the essence of this school. The Accountability System of Principal Officials will have been implemented for seven months very soon and the Chief Executive has intentionally postponed the delivery of his policy address for three months. I originally thought that the Chief Executive might have a well-thought-out plan, but it is a pity that the 2003 policy address contains nothing substantive. It has not proposed any specific policies, and many accountability officials even failed to provide the panels of this Council with policy documents in the briefings. They are only willing to distribute them to us today after our repeated requests. Is this accountability? However, the Secretary for Home Affairs has performed better because the Bureau at least distributed a pamphlet yesterday and this pamphlet apparently looked even better and was more substantive than this policy agenda. The Government has played a new trick of the 21st century of the Kongdong School and deviated from the previous rules of the game, thus creating a mess in many businesses of this Council and upset me, the Secretariat and our arrangements for our personal affairs. It is absolutely not excessive to say that it has been a real mess. Such a policy address and the relevant arrangements are really extremely disappointing. So, how can we say any thanks sincerely?

Madam President, the economic slump is caused not only by external factors but also by the bad fiscal management by the Government and its inappropriate concepts of management. Under the circumstances of having a steady and strong fiscal reserve, the Government still timidly and actively introduces some irrational measures of increasing revenue and reducing expenditures, such as tax increases, reduction in public expenditure, voluntary retirement schemes and forced pay reduction for civil servants and employees of subvented organizations. All of these measures will deal a severe blow to the consumption power and confidence of the public. Actually, while the public has little confidence now, the Government should adopt a positive attitude and proactive measures to help restore their confidence. Yet, the government policies have run in the opposite direction and the Government has outsmarted itself. Madam President, the Chief Executive has not only failed to make appropriate use of resources to improve the economy, but also, conversely, spared no effort in rashly commencing legislation on Article 23 of the Basic Law, leading to a serious divergence among Hong Kong people, in total defiance of the worries expressed by opponents of the legislation. Worse still, the Secretary

for Security, out of her arbitrary assertion, accused this morning that the worries or concerns of opponents were meant to deceive the public. I hope that she can give us substantive evidence to support her remarks, otherwise, Honourable colleagues and I hope that she can withdraw her comments. I also feel sorry about what she has said.

PRESIDENT (in Cantonese): Mr MAK, the policy area under debate in this session is related to economic issues, would you please speak on this area?

MR MICHAEL MAK (in Cantonese): No, all these will affect the economy.

PRESIDENT (in Cantonese): Mr MAK, I was only reminding you of the relevant policy area. You may continue.

MR MICHAEL MAK (in Cantonese): Madam President, my confidence will also affect my spending, therefore, her comments today have very significant effects on me. In any case, I am talking about the effects in many aspects. I have to express my extreme dissatisfaction with such a low degree of sensitivity on the part of the Government and its cabinet and its burying its head in the sand.

The Chief Executive proposes in his policy address to strengthen the role of Hong Kong in the PRD Region and integration with the PRD. However, he has not offered such details as how integration can be effected, for instance, how to integrate the flow of people and goods into the PRD, the effects of the integration on Hong Kong and whether it will help improve the existing unemployment of workers with low academic qualifications. So it is a proposal that has not gone through careful consideration. Regarding the integration with the PRD and the construction of the Disneyland (the Government thinks that the construction of the Disneyland can rescue the dead economy, though the Secretary has said that the economy has never died), I think that government officials and many people concerned think that there will be economic recovery in 2005 granting this. In fact, the relevant measures in this respect are distant water that cannot put out the fire nearby. The Government keeps saying that the tourism industry should be developed, but it has not proposed any positive measures to alleviate the problems plaguing tourism. For instance, it seems

that the authorities have not stepped up actions to crack down on a small group of black sheep in the retailing industry and unscrupulous taxi drivers who cheat tourists for exorbitant profits.

Stimulating internal consumption is an indispensable factor to revitalizing the economy. Yet confidence is still the most important factor. After the delivery of the policy address, an opinion poll conducted by the University of Hong Kong pointed out that the ratings given by the public to the Chief Executive have not risen but dropped instead. The revelation is pretty simple, that is, people still lack confidence. The paramount responsibility of the SAR Government is to take practical measures to restore the people's confidence. My electors and I, as members of the community, will definitely exert our utmost together.

Madam President, I so submit.

DR PHILIP WONG (in Cantonese): Madam President, the Chinese General Chamber of Commerce (CGCC) that I represent highly appraises the first policy address of the Chief Executive in his second term of office and thinks that many aspects of the policy address are commendable. For instance, there are innovative ideas and practical policies, and a clear account of the direction of future development which is helpful to revitalizing the economy and restoring confidence.

I said last week that I trusted the administration by the Chief Executive. Although my remark was followed by laughter, I was very serious indeed, for the following reasons.

Firstly, in the past five years, the SAR Government has successfully implemented "one country, two systems" and the successful implementation of "one country, two systems" in Hong Kong is generally recognized by the world. The achievement is certainly attributable to the efforts made by the SAR Government and the public at large.

I think that the first advantage that Hong Kong needs to capitalize is "one country, two systems". Let us review why Hong Kong, having been struck by the financial turmoil and being troubled by the economic restructuring, is still regarded highly by international investors. Apart from such factors as a sound

legal system, a simple taxation system, a lot of talents and quick access to information, the most important factor is that we have the Motherland at our back — the "world factory" with the fastest economic growth and greatest market potentials. We can say that the prospects of Hong Kong, Macao and even Taiwan lie in economic integration with the Mainland. With China's accession to the WTO, it will open wider to the outside world, its legal system will gradually become sounder and the private enterprises have become active in an unprecedented way. The status of Hong Kong as the financial, logistics, tourism, shipping, talent, information, business and trade services centre of China will be continuously consolidated. This general trend will certainly benefit the industrial and business sectors in Hong Kong and create more and more business opportunities for professional services and creative industries, such as finance, real estate, accounting, listing sponsorship, assets evaluation, legal advice, fashion design, film and publishing.

Leaders such as JIANG Zemin and ZHU Rongji specifically indicated earlier on that the Central Authorities would try its best to support Hong Kong and ensure its prosperity, stability and development. Under the circumstances of "one country, two systems", we have to deepen our understanding about the country and realize that Hong Kong is part of China. Now that we are members of the country, we can only function better if we integrate with it. The conservative idea of resisting "one country" with "two systems" and thinking that co-operation with the Mainland will make Hong Kong lose its original value is lopsided and short-sighted. If we do not give up the "island" mindset of arrogance and isolation, we will miss the opportunities of economic development and become marginalized. In a word, we have to be practical and conduct ourselves well, make good use of the space and impetus offered by the Mainland, give play to our relative advantages and continuously accomplish a new "win-win" situation between the SAR and the Mainland.

Second, the Central Authorities support the work of the Chief Executive and the SAR Government. The Central Authorities know the situation of the SAR Government like the back of their hands and have always been very supportive of the work of the Chief Executive and the SAR Government, enthusiastically supporting them without intervening. The leaders of the Central Authorities have pointed out most precisely that the problems of Hong Kong have been accumulated for a long time. Since the Chief Executive and the SAR Government have toiled hard and made contribution to Hong Kong, we

cannot give the British credit for the glamorous past and put the blame on the Chief Executive for the bursting of the bubble economy for it does not tally with the facts and is unfair.

Everybody knows that the Central Government considers the problems impartially and has looked after the SAR and given it various concessions. The Chief Executive has visited Beijing several times to report on his work and frequently brought us heartening good news. For example, the construction of Disneyland, substantial relaxation of restrictions on mainland residents travelling to Hong Kong, the implementation of 24-hour boundary clearance, stepping up technology and education exchanges, assisting Hong Kong businessmen in going north for development of new markets, introducing mainland investors to Hong Kong, negotiating closer economic and trade relations and the joint recommendation of Hong Kong and the PRD to the whole world, and so on, have embodied the caring of the Central Authorities for the SAR and Hong Kong people and the many efforts made by the Chief Executive and the people concerned. All this is highly significant to maintaining the leading edge of Hong Kong.

Third, the effects of the Accountability System of Principal Officials (accountability system) since its implementation are beginning to be seen. The first policy address after the implementation of the accountability system is different from its predecessors in that it focuses on the economy, highlights exploring co-operation with the Mainland and the problems that should be urgently solved and the solutions. However, the Chief Executive himself has not stated the specific measures. Rather he has left plenty of room for accountability officials to play their roles. I think it represents not only a change in format, but also a progress in the way of thinking and style of administration, which is going to have positive effects on the gradual perfection of the accountability system.

In the face of such internal problems as deflation, unemployment and fiscal deficits and the external challenge from neighbouring regions, I believe accountability officials will follow through the ideas of the Chief Executive and study, design, interpret, market and effect specific policy measures around the key areas of administration. I wish to particularly point out that there will inevitably be complaints and criticisms in the course of policy formulation because no policy can satisfy everybody at the same time in a diversified society, needless to say these "extraordinary acts" at an "extraordinary time". I believe the bold and courageous accountability officials in their good conscience will

formulate suitable policies for Hong Kong at an appropriate time for the future of Hong Kong. They will prudently and meticulously work for good results and minimize the negative effects. In respect of enhancing economic integration with the PRD, for example, a lot of measures including cross-boundary transport infrastructure, extending boundary clearance hours and promoting the two-way flow of personnel, capital, goods and spending have long become imperative. If there were inadequate co-ordination and promotion and a stalemate before the accountability system came into being, then there must be division of labour and increased pace after the accountability system has been implemented in order to make up for lost ground.

Fourth, the SAR Government is resolute and determined to eliminate the fiscal deficits. No matter how serious and complicated are the internal problems of the SAR, I think the SAR should solve the problems on its own after all. There is a structural deficit and drastic reform is necessary. Certainly, the Government has to be resourceful in strategies and make good judgements, but civil servants and the public cannot be indifferent. Before the economic situation fundamentally improves, the priority task is to revert to the principle of small government and fight for the support of the Civil Service, subvented organizations and the public at large. The Government should control expenditure through streamlining the government structure, stopping wastage and reducing pay and benefits to rationalize the financial structure. Suiting the remedy to the ills this way will also benefit the governments to come.

Insofar as civil service pay reduction is concerned, I believe the Government will enhance communication with the Civil Service to shorten the distance between them. Firstly, I very much appreciate that the Chief Executive and the accountability officials have set a very good example by voluntarily reducing their pay by 10%, and Executive Council Members have followed suit. I think that the problem does not lie in the rate of reduction, and the move is most commendable in that it shows their determination in solving the fiscal deficits and their willingness to bear responsibilities for the overall interests of Hong Kong. I hope that civil servants of all grades and ranks, especially the Directorate grade officers can clearly receive the message. I also hope the Government can consider whether it can give civil servants some sweeteners so that they can more easily accept the appeal of the public. If they can voluntarily reduce their pay by 10%, the annual public expenditure will instantly decrease by tens of billions of dollars. The Government can then promise them an extension of the original retirement age of 55 years by around

one year, using long-term income to make up for the short-term adjustment. Now that the Government has decided to suspend civil service recruitment, it should be perfectly justifiable for civil servants who voluntarily accept a pay reduction and perform their duties faithfully to suitably postpone their retirement. Under the present circumstances, I believe this proposal will be attractive and help keep up morale.

Madam President, on the one hand, the CGCC has made a proposal, asking the Government to develop the economy, tell the public where the difficulties lie, how the difficulties can be overcome, step up co-operation with the Mainland, establish complementary and mutually beneficial relations with the PRD, relax the restrictions on the entry of mainland capital and professionals to Hong Kong, formulate a long-term population policy, improve the business environment, and support SMEs; and on the other hand, it has suggested that the Government must contain the fiscal deficits, consider proposals to reduce expenditures and increase revenues in a holistic manner, the Chief Executive and senior officials should take the lead in pay reduction, and the Civil Service should adopt a co-operative attitude. I am pleased that a great majority of the CGCC proposals have been accepted. Of course, the policy address does have some inadequacies and the problems cannot be solved overnight. I hope the Government will continue to sum up its experience, upgrade the quality of policy making and improve its ability of response and commit the limited resources to the most urgent projects so as to make the established policies more specific and enable them to be more practically implemented for purposes of enhanced cohesion and popular support. The CGCC will also try its best and spare no effort in supporting the administration by the Government.

Madam President, I so submit.

MR ERIC LI (in Cantonese): Madam President, the style of the Chief Executive's policy address this time differs starkly from previous ones in that it is more pragmatic and dwells less on the abstract. In particular, I consider that of all years, the Government's analysis of the financial and economic situation this year is the most objective and most capable of facing up to the reality and pinpointing the ills of our time, as well as reflecting the direction that many members of the industrial, commercial and professional sectors wish Hong Kong to take. My sole expectation is that the Chief Executive can set an example by striving to put into practice what he advocates and lead officials at various levels

as well as members of the industrial, commercial and professional sectors in a genuine partnership to strive to attain, promote and implement what is set down in the policy agenda and eventually let the public feel the effects of the fruitful results. I have spoken a lot in public on the fiscal deficits and it appears that the policy address has also recognized the reality and the views in it concur with those expressed by me in the past. I will focus on economic issues in this speech. Concerning the measures relating to public finance, I intend to talk about them after the details of the Budget are published.

Although the Government has indeed got to the crux of the matter by saying in very crisp and sonorous terms that we are backed by the Mainland and engaged globally, it would be difficult to put into practice what we know. I want to write out three political prescriptions for the Government's administration — luckily, no doctor is present here today — in the hope of making the Government's thinking more comprehensive and flexible. The first prescription is known as "do as the Romans do" and my assistant calls it a "heat-clearing tonic"; the second prescription is "taking care of both sides" and my assistant calls it "resurrection pills"; the third prescription is "officials and the public putting their heads together" — I think the democrats among Members will probably call it "collusion between officials and businessmen", but my assistant thinks that it is the Government's "tonic pill".

Concerning "do as the Romans do", the Mainland has carried out reform and opening for over 20 years. Hong Kong businessmen learned how to deal with government departments on the Mainland in making investments right from the beginning and have accumulated rich experience from actual practice and established a lot of personal ties. However, many officials in the SAR Government are still novices in this area. In particular, after the early stage of co-operation between both sides in the past several years, many items have now passed the stage of discussions on political principles or the exchange of ideas and entered a stage of specific enforcement at the government level. This requires not only senior officials but also those at the middle and lower levels in the SAR Government to be well-versed in the modes of co-operation with the Mainland and the culture of its bureaucracy. If officials on both sides can only exchange bureaucratic parlance but lack mutual understanding or good personal ties in handling matters, it will be difficult to tackle the onslaught of increasingly complicated issues in the future. This is an inadequacy that has to be addressed urgently. The Hong Kong Government should select high calibre officials from various departments to receive intensive training here in Hong Kong and send

them on attachment to the Mainland. If possible, they can even be enrolled into courses in cadre schools as are officials from other provinces and cities in China, in order to establish lasting relationships with officials of various levels on the Mainland. Businessmen knowledgeable in affairs on the Mainland all know that Chinese value personal favours and consider personal ties important. Good mutual understanding between officials on both sides can facilitate their work, so that more can be attained with less effort.

The doors of the China market are now wide open after China's accession to the WTO, and many Hong Kong businessmen with rich experience have encountered new problems. In the past, the pattern of making investment on the Mainland was basically export-oriented, that is, raw materials imported are turned into similar quantities of goods to be exported in the simple pattern of "Three Processings and One Compensation"¹. Things are now different. It is now necessary to open up the domestic market and service industries. For service industries relating to the public domain and subject to regulation, such as the accounting and medical professions, the issues involved in expansion into the Mainland are even more complicated. If basic rank officials, who are accustomed to protecting the interests of Hong Kong but who do not even have a good understanding of the operation of the business sector in Hong Kong, are required to conduct immediate negotiations with their mainland counterparts on forging closer economic and trade relations, such as on infrastructure construction and boundary clearance in a spirit of mutual understanding and accommodation, it would pose a very tall challenge to them.

On "taking care of both sides", the economic integration of Hong Kong and the PRD is grounded on mutual benefits and complementary strengths. Although Guangdong Province has developed in leaps and bounds in recent years and the gap between Hong Kong and Guangdong has narrowed, the mentality of competition, albeit healthy, cannot be removed within a short period of time. In the end, the outcome of competition will depend on the capabilities and strengths of either party. I believe the population policy mentioned in the policy address should clearly point out that in the long run, the quality of talents and the population in general has to be upgraded, and only in this way can Hong

¹ "Three Processings and One Compensation" is an abbreviated term for processing supplied materials, processing in accordance with supplied samples, assembling supplied parts and compensatory trade.

Kong emerge as the winner. This is what I meant when I said just now that officials had to receive retraining. The Chief Executive has proposed that Hong Kong should speed up its economic integration with the PRD. Some people consider this to be hackneyed, others think that this has come too late, but I do not think that this is necessarily so. The further integration of the two involves the jurisdictions of the central and local governments. To make any headway in this area, Hong Kong needs to secure the blessing of the Central Government, not least the support of Guangdong Province. It is necessary to take care of both sides rather than caring just about oneself. If Hong Kong can bear in mind the interest of the whole country in its consideration of issues, it will surely win the approval of the Central Government, whereas the proposal must also be beneficial to Guangdong Province before it can win its support.

So what are the pros and cons to the industrial and commercial sector in Hong Kong? I believe we must further consolidate our economic foundation, with its abundant manpower, materials but shortage of land, to make it easier for us to further expand all-out and across all fronts on the Mainland. The Government's participation, support and co-ordinated actions will have an immediate effect on the industrial and commercial and professional sectors, in particular on SMEs in Hong Kong and even on those SMEs from overseas that have limited resources and manpower, and to the financial and professional sectors which still do not have the opportunity to develop and expand freely. However, the Government must note that those large corporations which have already penetrated the mainland market will definitely be disappointed if this policy of economic integration is limited to the PRD only. Insofar as they are concerned, I think our targets can be set higher over a longer term, and they can cover a wider scope and develop places with even greater potentials. This is their expectation.

Madam President, when it comes to economic integration with the PRD and the direction of economic development in Hong Kong, the impression given by the Chief Executive's policy address is that it has a sense of direction and good intentions, but it seems arrangements are still pending in relation to the actual enforcement of many of the proposals. Therefore, it is not convincing if the Government intends to put them across as effective and substantial measures. I find this disappointing. Under "one country, two systems", the economic integration of the two places is a novel endeavour. The policy address only touched very superficially on what risks the Chief Executive, officials and the

business sector have to bear, the roles played by each party, how we should define our roles and work in tandem with the implementation of these policies. There is a saying in ancient Chinese dialectics that says, "It is upon bad fortune that good fortune leans, upon good fortune that bad fortune rests".² I have provided a footnote on this because understanding this saying is difficult. However, I think we can draw on this saying.

Without specific pledges in black and white, will officials under the accountability system deliberately hide the truth and exaggerate their accomplishments? Or, given the absence of consensus in the government team when implementing policies as a result of the lack of details, will they then distance themselves from the Chief Executive's policy address and shift the responsibilities to one another? Although the Chief Executive said that the policy address and policy agenda have been an outcome of team work, in the parts on economic recovery and expediting economic integration with the PRD, there is no mention of any framework would be specifically charged with these responsibilities, nor is there any specific measure to implement the proposals. This gives people an impression that these aspects of the policy address have to do with every Director of Bureau, and yet it also appears that this will allow Directors of Bureaux under the accountability system some room within their respective portfolios to freely deviate from the proposals and even make their own interpretations of their relationships with the policy address.

The integration between Hong Kong and the PRD cannot be achieved merely by means of slogans or writing an ornate article. This must be achieved step by step by following detailed work plans and establishing a framework to implement the relevant policies. Only in this way will the public be able to relish the benefits of integration with the PRD and gradually restore their confidence in the future of Hong Kong. I suggest that the framework should make appropriate use of talents and absorb people from the industrial, commercial and professional sectors, and in particular, talents from SMEs who are knowledgeable in economics and have good ties on the Mainland, so that they can become pilots and guides for government officials with little experience in co-operation with China, for example, through facilitation by the Trade Development Council.

² From Chapter 58 of *The Classic of the Virtue of the Tao* by Lao Zhi.

It seems that the initiatives to implement the policy objectives in the policy address are passed down from the top and the policies are implemented by accountable officials. However, as I have said before, in order to achieve economic integration between Hong Kong and the PRD, it is not possible merely to make an empty gesture. In order to really achieve results, it is necessary to work from the bottom up by allowing professionals in the industrial, commercial and professional sectors to offer plans and strategies and to participate. The Government has also to take the initiative to take on board the views of the public and attract talents into its fold in order to establish practical and viable business models together. Furthermore, it has also to bear in mind the need of the Mainland for the policies to be mutually beneficial. Only in this way can people from all walks of life be united and the public will eventually taste the sweet fruit of success.

Madam President, it has been one year since China's accession to the WTO and the remaining four years of transition will end in no time. It can be envisaged that the next few years are crucial to the economic integration between Hong Kong and the PRD and also the most opportune moment for Hong Kong to open up the huge, emerging market in China. We must hurry up and chart the course together with the people of Guangdong Province in order to create a third miracle in the economic development of Hong Kong.

MR TAM YIU-CHUNG (in Cantonese): Madam President, over the past two years, the film market of Hong Kong has not been looked upon favourably, but during the recent Christmas and New Year holidays, the box records of Hong Kong cinemas actually exceeded \$100 million, proving a considerable number of pessimists wrong in their judgement of the market outlook. This phenomenon shows the Government that as long as we rack our brains and do more solid work, we will have a bright future again.

Doubtless Hong Kong is now in a very difficult situation. The period of darkness before dawn is the darkest, and some people could not help feeling disheartened and hopeless. However, the Government should not relax its efforts and this policy address has summarized our past experiences in a pragmatic manner and also set a direction. Compared to various grand agendas and lofty plans, this policy address appears to be moderate, but it has the effect of achieving success through persistent efforts. It brings out the essentials in consolidating the foundation of Hong Kong economy and further brings Hong Kong's advantages into full play.

Some people have commented that the policy address has only focused its discussion on the economy and the positioning of the Government, while neglecting issues of livelihood about which the public is concerned. However, let us consider this. If our economy remains in the doldrums, then any promise made by the Government in relation to the people's livelihood will be nothing more than a mirage.

The policy address proposes to strengthen the four major industries of finance, logistics, tourism and producer services and speed up economic integration with the PRD. The direction of these measures are endorsed by the public. However, as a long-term measure, the favourable social benefits of integration cannot be seen in the short run. Therefore, when everybody are suffering from the heavy pressure of economic difficulties and going through the pains of economic restructuring, they naturally hope that a panacea of immediate cures can be found to solve all problems and ease the pains. This is exactly why the policy address has been criticized for its lack of sufficient short-term relief measures.

One of the key points of this policy address is how best the economic integration between Hong Kong and the PRD can be promoted. Some people harbour doubts about this direction because they fail to see that there will be constraints on Hong Kong's development if we rely solely on the efforts of Hong Kong and they also overlook that the past success of Hong Kong was inseparable from the rapid development of the mainland economy. According to the estimate made by the Political and Economic Risk Consultancy Limited in its recently published report, Hong Kong's position as an international city would also be elevated correspondingly in tandem with its gradual integration with the Mainland.

However, the problem before us, insofar as the promotion of the economic integration between Guangdong and Hong Kong is concerned, is enhancing mutual understanding and communication and co-ordinating the development of the two regions. The SAR Government is not seeking to become the leader of the PRD, but rather to complement and co-operate with Guangdong for mutual benefits. For example, the SAR Government should open negotiations with Guangdong for an early liberalization of its market to the service industry of Hong Kong during the first five years after China's accession to the WTO. The SAR Government must step up publicity and promotion in this relation to make Guangdong realize that the introduction of Hong Kong's service industry will improve the development outward expansion of its service industries like finance

and insurance, accounting, legal services and logistics. This will upgrade the standard of its service industries and by bringing in the high-quality intermediary system of Hong Kong, transaction costs can be reduced and efficiency enhanced. Moreover, Guangdong can also take the lead in building up a modern nation-wide market support system and perfect its market institutions, so that the institutions of Guangdong can maintain their leading edge in the whole country. I hope the Chief Executive and all Secretaries of Departments and Bureau Directors can take up the important responsibility of promoting Hong Kong. They must pay more visits to various cities of the PRD to build up a cordial relationship in co-operation and remove obstacles in policies so as to expand the Hong Kong market and bring in more business opportunities for Hong Kong.

The sluggish economy and serious unemployment are now tying up Hong Kong people like the "incantations of the Golden Hoop". The atmosphere in the community is gloomy and grievances among the people are rising. The globalization of world economy and rapid economic restructuring have exerted immense pressure on Hong Kong's employment market. From the policy address, we can see that the Government is also keenly aware of such challenges. However, the difficulties faced by Hong Kong do not end here for it must also face the problem of an expanding workforce. Since the middle of 1996, the workforce of Hong Kong has increased from 3.09 million to 3.52 million, representing an increase of as high as 13%. However, the number of job vacancies has failed to catch up with the growth of the workforce. Besides, the education and skill level of the Hong Kong workforce as a whole is lower than that of our neighbouring regions. This has led to an immediate mismatch between the unemployed and the skills and knowledge required by new jobs, thus making it difficult for the unemployed to find suitable jobs.

The Government is now trying to deal with the employment difficulties through boosting the economy and improving the business environment, in order to increase employment opportunities. All these are typical measures adopted by countries all over the world to deal with employment. On the other hand, the number of jobs offered by large enterprises in Hong Kong has dropped drastically in recent years. Many one- or two-man companies and self-employed persons have emerged instead, and this trend is becoming more and more obvious. For this reason, the Government must put in place additional corresponding measures to assist such self-employed business starters. The year before last, the Government set up the Self-employment Business Start-up

Assistance Scheme through the Employees Retraining Board. The result of the past year showed that the plan can effectively reduce the business risks of business starters through such measures as training, counselling and feasibility tests on business start-up plans so that they can be given one more option and channel to leave the unemployed ranks. At a time when more and more middle management staff become jobless, encouraging them to start up their own business is a direction which merits vigorous promotion by the Government.

The policy address, focusing on the phenomenon of employment difficulties, proposes a re-employment plan for the middle-aged. The plan is not new, and it has only been further enhanced after going through the pilot test, in the hope of helping the middle-aged to seek employment. Truly, such measures have undoubtedly opened up more avenues for employment in the sluggish job market. However, in the course of enforcing such programmes, I also hope that the Government must ensure that employers who have joined the programmes will offer full-time jobs and salaries at the prevailing market rate, strengthen the supervision of such programmes, and urge employers to set up and implement the training programmes honestly. Real assistance can be provided to unemployed persons only in such a manner.

Madam President, I so submit.

PRESIDENT (in Cantonese): Members, it is now nine minutes to ten o'clock at night. We still have five Members waiting for their turn to speak. Therefore, I have decided that the meeting today will end by 11 pm at the latest.

MR TIMOTHY FOK (in Cantonese): Madam President, when the local economy and the market conditions were still at a low ebb, the box office of the local movie industry witnessed a rebound — the gross box office records of four movies exceeded the \$100 million mark during the Christmas holidays. This is a tremendous boost to the morale of participants in the local movie industry.

In recent years, while other regions in Asia have done remarkably well in the production and export of their works in movie entertainment and culture, the competitiveness of the movie industry of Hong Kong continues to be weak, and it

no longer enjoys any advantage in overseas markets. What have gone wrong with the movie industry of Hong Kong? Are there any ways that can bring back its past glory?

A small local market, the extended economic downturn in Hong Kong, the fast changing market situation, the shrinking overseas markets and a market flooded with pirated copies of movies are the fundamental reasons for the fading of this so-called "Eastern Hollywood". In fact, under the influence of globalization, Hong Kong artists or creative talents of better calibre are lured to develop their careers in Hollywood or elsewhere. This has brought about a major outward drain of talents from the local industry of culture which already has a shortage of creative talents. The movie industry is thus dealt a further blow.

In fact, with the self-enhancing efforts of industry participants, and their broad international outlook, flexible and intricate creative minds, advanced production techniques and cross-boundary market operation, Hong Kong still occupies a leading role in the market of Greater China and even the entire Asian market. I believe that, as long as the industry continues to make efforts and the Government provides enhance backup, the same good box office records in Christmas can repeat, and a full recovery of the movie industry can be anticipated.

In this regard, all the Government can do is to better the investment environment and offer assistance in the development of overseas markets. In fact, with the introduction of a more relaxed policy by the Government, the movie industry now enjoys greater conveniences in its production. Earlier on, when "Tomb Raider II" was shot on location in Hong Kong, the co-operation of the Government won wide acclaim. On the issue of combating piracy offences, some achievements have also been made. But it is still necessary for us to pay attention to the problems of parallel imports and the protecting for intellectual property rights of our products in markets out of Hong Kong.

On assisting the industry to explore overseas markets, the enormous mainland market has always been the aspired target of the industry. However, due to the constraint imposed by an import quota system, as well as the limitations brought about by geographical factors, the progress has not been very satisfactory. Therefore, it is hoped that the Administration can conduct discussions with the mainland authorities to relax or even waive the quota control imposed on Hong Kong.

Madam President, aided by new technologies, movies, records, educational software, computer games, multimedia publications, and so on, have become the development focus of creative industries in Hong Kong. With the elevated status of China in the international community, the Chinese language has become the second most influential language in the world. In this context, the development potential of Hong Kong in the cultural and publishing industries is enormous. We hope the Government can have the vision to make early development planning, so that we can tap these potential business opportunities and turn them into the fundamental momentum pushing our economic recovery.

MR MA FUNG-KWOK (in Cantonese): Madam President, in the first policy address delivered by the Chief Executive after his re-election, the SAR Government is assigned a major task of "leading Hong Kong out of the present economic difficulties and restoring people's confidence in their future" in the next four and a half years. While the Government's priority task is to resolve the fiscal deficits, it has to, in the long run, strengthen integration between Guangdong and Hong Kong, and tackle our difficulties by way of economic transformation. As opposed to the policy addresses delivered in the past several years, this policy address is pragmatic in that there are no far-fetched ideals and its proposed general direction is correct. But the questions are: What specific measures is the Government prepared to take to realize development in this direction? Or, from another angle, are the proposed measures adequate and can they effectively realize the goal?

On resolving the fiscal deficits, the Chief Executive has particularly stressed that civil servants are not the cause of the fiscal deficits besetting us today. Though I concur with the Chief Executive on this point, what can be done to address the structural deficit problem? The policy address has merely emphasized that the fiscal deficits are so severe that it is necessary for members of the community to share the responsibility. To demonstrate the Government's determination to ride out the difficulties with the public, the Chief Executive and his team have volunteered to accept a 10% pay cut. While this action deserves our affirmation, what can be done to the entire civil service establishment? The Government has still failed to explain clearly whether it will resort to cutting the salaries of civil servants to suppress spending, even though the policy address has made a point about the willingness of civil servants to accept to pay cut if necessary. On this issue, my friends from the New Century Forum opine that the Government should, instead of talking in ambiguous terms, give a clear

account on the civil service remuneration issue in the future. In addition, the Government is obliged to ease the temporary conflicts with civil servants, narrow gaps, and seek consensus by way of full and rational communication. After all, the civil service issue poses a problem not only to public finance, but also to public administration. The policy address has proposed to reduce the size of the Civil Service and suspend the recruitment of civil servants in the next several years. However, it is only suitable for suppression measures to be taken when we are in a stable economic situation, because any improper handling of the issue will aggravate the vicious cycle of unemployment and deflation.

Madam President, it is proposed in the policy address that members of the community should share some commitment in respect of the fiscal deficits. But how can fairness be achieved in this sharing? The Financial Secretary has earlier on disclosed that high income-earners would be the target of higher taxation. However, these people might still be suffering badly from their negative equity assets. Is this direction of consideration fair? Furthermore, is the thinking of levying heavier tax from people of a specific stratum consistent with the community aspiration for responsibility sharing? The middle classes are particularly sensitive to this issue for they have long been paying more and gaining less. For this reason, I hope the Government can expeditiously explain to the public its entire plan of resolving the fiscal deficits in a clear and comprehensive manner in order to avoid unnecessary speculations and doubts.

Madam President, the policy address suggests that the way out for Hong Kong economy should be the general direction of full integration with the PRD. It is regrettable that this direction, though supported by the New Century Forum, was not proposed at the time of the reunification. Its importance of being a visionary proposal is therefore lost. Today, the proposal of speeding up integration will inevitably push property prices, prices and wages further down. Although in the long run, Hong Kong's economic development will be benefitted and the rate of downward adjustment might gradually slow down, the Government must allow the public to be fully prepared and take adequate measures to face the adjustment. Nevertheless, we cannot expect integration between the two places to quicken as Hong Kong unilaterally wishes. In the past, we could see that "the Mainland was hot, whereas Hong Kong was cold". Today, the reality might turn out to be just the opposite. Has the SAR Government fully exchanged its views and reached a consensus with the provincial government and the Central Government?

Despite the Government's advocacy for economic integration between Guangdong and Hong Kong, many specific measures are yet to be sorted out. On the one hand, we are still faced with a host of traffic problems at our boundary crossings, and the supply of Dongjiang water has not yet been properly arranged. What have the high-level meetings held between Guangdong and Hong Kong over a considerable period of time achieved? Is our civil service well prepared? Has it taken a grip on the macroscopic strategies of development in the PRD? How well does it understand the development of the PRD? Has it gained a good understanding of the structure of the Central and provincial governments, their *modus operandi*, and most importantly, the needs of the Mainland? These are key subjects we have to tackle in strengthening integration between Guangdong and Hong Kong in the future. I recently asked some senior officials if they had ever set foot on the PRD. I was indeed worried, but not surprised, by their answers.

Madam President, it is proposed in the policy address that the four pillars, namely finance, logistics, tourism and producer services, will become the core of our future economic development. I find this direction generally correct. However, I am prepared to express some of my observations about logistics only.

The most pressing problem we need to address at the moment is to speed up passenger flow and logistics between the two places through active co-operation. Round-the-clock boundary clearance and the relaxation of tourism restrictions will only offer limited help to expedite and upgrade the level of integration and cost-effectiveness. Government officials must therefore broaden their vision through actively understanding the developments and needs of the Mainland at various levels and in various aspects. While the proposed Boundary Facilities Improvement Tax might help relieve our fiscal deficits, have our officials considered that the levy is contrary to the major direction of strengthening integration between Guangdong and Hong Kong? It may even give rise deep resentment and thereby widen the gap between the two places.

Furthermore, even if the proposal of levying the Boundary Facilities Improvement Tax is implemented, there is apparently no intention on the part of the Administration to upgrade the facilities of boundary crossings. Nor will the Administration attempt to combine the ever-increasing flow of travellers from both directions with commercial concepts to develop immigration control points

into multi-purpose facilities that may bring substantial income and social benefits. Opposed to other immigration control points in Hong Kong, the segregation policy is perpetually followed at land control points. It is really impressive that we can easily see the rationale behind such a policy by making a simple comparison of the toilets installed at boundary control points with the facilities provided in other air and marine control points. Such excuses as security requirements, environmental protection, heavy passenger flow, and so on, can simply not justify such differences. It is indeed time for the SAR Government to conduct a comprehensive review of its closed area policies, to clearly differentiate boundary facilities policies and closed area policies, to examine the feasibility of partially reducing the size of the closed areas adjacent to control points, and to expedite the introduction of matching measures to tie in with such support facilities as boundary immigration control points, road planning, and so on.

As for the bridge linking Hong Kong, Zhuhai and Macao, a feasibility study is now being conducted by the State Development Planning Commission. The policy address has also made it clear that the SAR Government will do its utmost to facilitate the project. Nevertheless, my friends from the New Century Forum opine that it is essential for the SAR Government to strive to build the bridge with a more proactive attitude, to actively lobby various stakeholders with an option most conducive to the long-term development of the entire PRD rather than only that of Hong Kong, to assume a more active role to solicit a wide range of views from Guangdong on the design and requirements of the bridge, to be better prepared for the carrying out of support work, and to expedite the construction of the bridge in order to create job opportunities, thereby creating a "all-win" situation for the PRD and various parties.

Madam President, I am very pleased that policy addresses and policy debates have been borrowed repeatedly in movies. The Chief Executive has once again mentioned in the policy address the importance of developing creative industries. It is also clearly pointed that the Government will devise a concrete plan and create the necessary environment conducive to promoting and facilitating the development of creative industries. I personally welcome the importance attached by the Government to such industries. These industries are actually no novelty. Instability and the relative isolation of our neighbours in the past made it possible for Hong Kong to pool such favourable conditions as talents, funds, and so on. Our liberal and open policies have also helped create

a favourable environment for the development of creative industries. Such industries as television, movie, music, publication and design have contributed to our glorious past. Nevertheless, the development of our peripheral regions is now giving rise to new competition. The size of our local market has also restricted our room of development. There were serious acts of copyright infringement too.

The idea of developing creative industries should come from the people, not to be created or led by the Government. What the Government can provide or help is mainly by creating the general environment. This should include upholding a liberal and open social atmosphere, nurturing and upgrading professionals, extending the work of protecting intellectual property rights to beyond the territory, expanding the markets and, in particular, opening up the mainland market. Government officials must not attempt to lead or interfere in the specific operation of the industries. Otherwise, they will only end up doing bad deeds, despite their good intentions, thereby stifling the industries' room of development.

I am prepared to make a bold, but realistic, assumption. If the SAR Government could expand its work of protecting intellectual property rights to overseas countries, and achieve half the results produced by the United States Government in similar work, we can at least push up the creative industries as a share of our GDP from 2% to 4%. The proportion may even be pushed up by at least 2%, if we can succeed in making the mainland market open fully to Hong Kong industries. This is definitely not a deliberate exaggeration. On the contrary, this estimate tends to be relatively conservative. For instance, the number of clients or households watching free television programmes in the PRD may be five to six times the number of viewers in Hong Kong. One fifth of the viewers of Cable television may not be paid patrons. This is a very simple example to illustrate the fact. I only wish to point out to the Government the direction it should follow by citing this assumption.

Madam President, Hong Kong owed its past success to its ability to pool funds and talents. The demand for talents has become even greater, now that Hong Kong is to march towards a knowledge-based economy. While the New Century Forum supports the relaxation of the admission of mainland professionals to Hong Kong, we still have reservations about the importation of professionals for all industries. This is because the relevant proposal, if abused,

will impact on local employment. The SAR Government should indeed, by making reference to such overseas countries as Canada and Australia, introduce a points system for the admission of skilled migrants or short-stay professionals, so that different scores are given to different job types according to the requirements of the community. This will prevent the emergence of vicious competition between foreign and local professionals.

Insofar as investment migrants are concerned, the New Century Forum agrees that the Government should admit investment migrants from Southeast Asia and places around the world, including Taiwan and the Mainland, to Hong Kong. However, the Government should refrain from putting emphasis on the interest of big corporations, such as property investment. These corporations will naturally take the initiative to promote their first-hand properties to migrants who are prepared to buy properties. Assistance should instead be given to the middle classes deeply troubled by their negative equity properties, and attempts should be made to revitalize the stagnant secondary market. The Government should also encourage new migrants to purchase secondary properties when formulating a point-scoring policy for migrants.

Besides luring overseas people with funds to settle in Hong Kong as investment migrants, the SAR Government may consider extending our leading edge public services to other parts of the region, so as to attract people with the means to come to Hong Kong to enjoy such services as health care, education, finance, and so on, at a price slightly higher than the cost. Associated spending thus brought will in turn stimulate Hong Kong economy.

Madam President, Hong Kong's unique high quality of living, its mature financial and judicial systems and its liberal and open environment are in great demand in the regional market. The heavy flow of mainland visitors and the large number of mainland enterprises waiting to be listed in Hong Kong can sufficiently demonstrate the strengths of Hong Kong in this area. Nevertheless, we need to introduce new thinking to lure funds and talents to drive the economic transformation of Hong Kong. I sincerely hope that our government officials and the general public can stop clinging to bygone values and, instead, overcome man-made obstacles posed in the past with an open and proactive attitude, so as to revitalize and revive the economy.

I so submit.

MR NG LEUNG-SING (in Cantonese): Madam President, the policy address of the Chief Executive this year is a programmatic document with the theme of revitalizing the economy. Besides offering an objective and impartial analysis of all the current problems faced by Hong Kong, the policy address also gives a concise exposition of Hong Kong's future development directions.

It looks as if the economic problems faced by the SAR Government since its inception have all cropped up from nowhere since the Asian financial turmoil. But there are also some long-term internal causes. The main reason is the "bubble" nature of our economy in the past, particular that of the property market. Speculation was all the time rampant, but productivity did not show any substantial and marked increase during the same period. Nor was anything done to prepare our business environment, manpower, and so on, for the imminent economic restructuring. Another reason is the rapid expansion of public expenditure, which gradually altered the governance model of "big market, small government". In the five years before 1997, public expenditure increased by 14% per annum, and the nominal cumulative growth of government expenditure in fact exceeded that of the GDP every year. Thus, Hong Kong's long-held principle of keeping expenditure within the limits of revenues, which aims to ensure that the growth in government expenditure would not exceed the overall growth of the economy over time, has become something which exists in name only. The situation has become far too difficult to be reversed, and this has significantly reduced our flexibility of self-adjustment in the midst of difficulties. If we fail to make changes in good time, we may well use up all our reserves. Who then can guarantee that "a fatal car crash" will not happen to our public finances?

Historically and objectively, all these problems have existed in Hong Kong for many years. The Government's long-held principle of positive non-intervention means that it is supposed to play only a very limited role in the economy. It is thus plainly unrealistic to expect that the situation can be reversed as soon as the Government takes some actions. And, any assessment of the SAR Government's past performance on such a basis is utterly unfair. In fact, the social and economic analyses made by the Chief Executive in his policy addresses over the years and also the positioning of our future development set down in these policy addresses are all accurate on the whole; we still very much hope that the Government can be more decisive and efficient in the formulation and execution of its policies, though. When it comes to individual policy areas, such as housing, there have no doubt been some adjustments, but we must realize

that during the several years before 1997, when property prices kept on soaring, people did very strongly ask the then government to adopt some measures to curb the rise in property prices. I am sure that even many of the Chief Executive's political adversaries did not raise any objection to the policies of stabilizing property prices at that time. The Government has once again launched some decisive measures to stabilize the property market recently. This naturally merits our support.

On the handling of our economic problems, the policy address highlights the significance of three macro measures, namely, enhancing our overall economic competitiveness, a closer partnership in trade with the Mainland and eliminating the fiscal deficits. As rightly pointed out by the Chief Executive, the application of monetary policy and fiscal policy by the Government can do very little to foster economic growth. However, positive attempts to eliminate the fiscal deficits are definitely conducive to the sound development of the economy as a whole. When thus viewed, the position of the Government regarding financial management is in fact closely related to the fostering of economic growth. At the same time, society as a whole must come to a consensus that the fiscal deficits are not a problem for the Government only, but that in the end, it will affect society and everyone. This means that the elimination of the fiscal deficits will rely on the commitment of the entire community.

To eliminate the fiscal deficits, we must grasp the crux of the problem. While there is a need to downsize public-sector organizations to a reasonable level, we must realize that it is even more important to bring the salary levels of these organizations into line with the realities of the manpower market. Such is a task we must not avoid. At the same time, while downsizing must be based on the realistic circumstances and must not overlook the need of the Civil Service for both new recruits and a new mindset, we must on the other hand seek to facilitate the process by reducing unnecessary government services. Only when unnecessary services and wastage of resources are reduced can we enable downsizing to be founded on a more realistic basis. I hope that the Government can promptly work out the necessary criteria, prepare a list of unnecessary services which should be deleted and then enforce it. On the part of society, people should not form the habit of lightly asking the Government to establish new frameworks and provide new services. Still less should they look to government assistance whenever they encounter problems. If they do this, the Government will only become increasingly bloated.

Another significant point relating to tackling the fiscal deficits is the question of priority — whether this is to be accorded to restoring the balance of the consolidated account or to that of the operating account. I suppose the Government should accord priority to the operating account, so as to restore the balance between recurrent revenue and expenditure as soon as possible. Salaries account for 70% of our recurrent expenditure, so as I said just now, the Government must do its utmost to bring salary levels into line with market realities. As for creating new sources of revenue and cutting down expenses, the latter should be given priority under the current situation of prolonged deflation. Any increases in tax and charges must be introduced only after fully assessing their impact on local economic activities and the people.

It is of course very important to restore the balance between non-recurrent expenditure and revenue, but the Government must still consider how the future development of the local economy will affect the demand for infrastructure investment, and it must also take account of the serious deflation still plaguing us now. If the Government can restore the balance of the operating account very quickly, than even if the deficit of the consolidated account continues for a little longer, the situation will still be acceptable. The reason is that such a fiscal strategy can strike a balance between sound finances on the one hand and easing deflation as well as boosting the economy on the other.

In fact, given the role of the Government in enhancing the long-term economic competitiveness of Hong Kong, the continuation of infrastructure investments will remain a very important task. In times of recession, a deficit budget may well become a means of boosting the economy. If the structure of public finances can be continuously rationalized to restore the balance of the operating account, then a small deficit in non-recurrent expenditure may still be acceptable. Continuing to focus non-recurrent expenditure on infrastructure projects with long-term economic benefits may boost economic activities and lay a more solid foundation for future economic development. Also, the Government may consider the adoption of a wide range of financing methods for infrastructure investment projects, including, of course, resorting to the capital market. That way, the financial commitment of the Government can be lessened.

Madam President, as a Member from the financial sector, I welcome the Government's assertion that financial services are one of the pillars of our

economy. I also appreciate the efforts made by the Government to enhance the status of Hong Kong as a financial centre and as the leading financial centre of the Motherland. I believe there are still lots of prospects for development of new local financial products. I also hope that while the Government seeks to regulate the financial markets, it will attach importance to the needs of the industries for reduced business costs and fewer formalities and rules. For example, when it introduces a deposits insurance system for the banking sector, or when it explores the introduction of protection funds for the insurance industry, it should always pay heed to the various opinions and needs of the industries concerned. The Chief Executive emphasizes in the policy address that there is a need to improve the business environment continuously. This is an important task required for fostering the development of the various trades and industries. I hope that the relevant high-level task force can review the wide range of issues in good time — the different regulatory systems, procedures, legislative work, and so on. I also hope that the accountability officials can focus on this within their respective portfolios and seek positively to upgrade the appeal of the local business environment through practical work.

While giving focused support to the pillars of our economy, Hong Kong must not ignore the development of its traditional industries. We should even adopt reasonable policies and deploy resources to support and assist those traditional industries which have prospects, so that they can be upgraded and restructured. Let me give one example here. Hong Kong used to be called a "fishing port". The local fishing industry can in fact upgrade its scale and efficiency by developing marine capture fishery. And, this will require effective government support, including the provision of more loan funds to develop marine capture fishery to replace inshore operation. A closer partnership in trade with the Mainland and our integration with the PRD are topics already very familiar to us. I hope that we can soon see the implementation of concrete measures, and their effects too. In this connection, enhancing the understanding, communication and co-operation between officials of the two places is especially important. For example, the participation and co-ordination of both Hong Kong and mainland officials are indispensable to the work of promoting the advantages of the PRD and its industrial development projects among overseas investors.

Madam President, I so submit.

MR HENRY WU (in Cantonese): Madam President, we have the first session of the policy address debate today and the very broad areas under debate are "industry and commerce, economic services, financial services, information technology and broadcasting and labour". Although my speech should cover a number of areas, as Members are aware, today can be described as a day of grave crisis for the securities industry that I represent because the Board of Directors of the Hong Kong Exchanges and Clearing Limited (HKEx) made a decision on whether the minimum brokerage system will be completely abolished from 1 April this year onwards this morning. Therefore, my speech will revolve mainly around financial services.

The key note of the policy address delivered by the Chief Executive this year is revitalizing our economy, and Mr TUNG has told us that "our urgent tasks is to further improve our business environment." Thus, Mr TUNG has proposed to set up a high-level task force to examine this issue, and I welcome the policy direction proposed by the Chief Executive.

This news should have been gratifying, but unfortunately, I believe the securities industry may not be able to benefit from it. As a member of the industry has said, this can be described as a very miserable day for the industry and I, as their representative in this Council, am also very sad, particularly because the industry and I have expressed to the authorities and people concerned our views on a complete abolition of the minimum brokerage system for a long time, pointing out that the move will have adverse effects on the industry and society under the prevalent circumstances. I am sorry that the authorities concerned have failed to fully appreciate the difficulties of the securities industry and heed the voices of the industry, and willfully proposed to the HKEx their support of a complete abolition of the minimum brokerage system for some specious reasons. Furthermore, I also bitterly hate their intention to implement the decision from 1 April this year onwards.

Madam President, Mr Frederick MA, the Secretary for Financial Services and the Treasury, finally tendered the views of the Government to the HKEx last night and the HKEx Board decided at its meeting this morning to completely abolish the minimum brokerage system on 1 April. Securities dealers have to let their fate decide what they are going to do in future, be that having plain congee or rice or burning charcoal.

I cannot agree with the views submitted to Secretary Frederick MA by the HKEx, which pointed out that brokerage liberalisation is consistent with public interest and conducive to the quality of the market and its development. Moreover, I think that such views are not supported by sufficient data and justifications. The statement made by the HKEx also states specifically that the Board decision to abolish the minimum brokerage system with effect from 1 April is based on the views represented by the Government. It goes without saying how influential the inclination of the Government is on the decision of the HKEx.

Evidently, the Government has all along played a very important role in the whole issue. Although the Government has kept saying that the HKEx shall make its own decision and distanced itself from the issue in high profile, the non-industry directors of the HKEx are appointed by the Government and they make up an absolute majority of the HKEx Board, thus, it is actually very easy for the Government to secure support for its policies.

Today, the economy as a whole is still in difficulties, the daily turnover of the stock market has recently recorded the lowest level of only some \$2 billion. The unfair competition posed by banks participating in the securities business and the imminent implementation of the extremely harsh provisions of the Securities and Futures Ordinance have together stifled the vitality of the securities industry. The authorities concerned were indifferent to the unfair phenomena that were unfavourable to the business environment and they even rubbed salt into the wound by insisting with the HKEx that the minimum brokerage system should be abolished. They are simply dumping stones on those who have fallen into a well.

Madam President, it is true that I agree very much with the remark made by Mr TUNG during the Question and Answer Session last Thursday, that it was not most appropriate to propose the postponement of the abolition of the minimum brokerage system year after year and we must look for a thorough solution that has long-lasting effects. Nevertheless, I assert that it is definitely inappropriate to introduce a broad-brush abolition of the minimum brokerage system when there are economic difficulties and social instability in Hong Kong today. It is no different from extinguishing local small and medium brokerage firms and it will have profound adverse effects on the prosperity and stability of Hong Kong.

At the special meeting of the Panel on Financial Services of this Council on Monday, Secretary Frederick MA said that the Government highly approved of the contribution made by small and medium stock brokers to the financial system. I feel very deeply about the remarks made by the Secretary because I have kept expressing to government officials over the past years and repeatedly stated in this Council the contribution made by small and medium brokers, in particular, they have continued to work quietly and take root in Hong Kong after several market crashes and economic downturns. Now that they are suddenly highly commended by the Secretary, he impresses me as if a dying person is being given the last rites, which is so very sad.

Madam President, in fact, for a certain period in the past, three senior organizations in the securities industry and I have negotiated with the Government and the authorities concerned on how the minimum brokerage problem can be solved, and we have recently discussed with the Chief Executive, the Financial Secretary, the Secretary for Financial Services and the Treasury and the Chairman of the HKEx about a sound solution to the business difficulties of the securities industry as a whole and the minimum brokerage system, for we wish to help, in a practical and realistic manner small and medium brokerage firms in attaining healthy and steady development in the long run.

In the past, I said at meetings of the Panel on Industry and Commerce and the Panel on Financial Services of this Council that, the Commerce, Industry and Technology Bureau (the former Industry and Commerce Bureau) was in charge of the Government's arrangements for support to small and medium enterprises, and since the securities industry was within the portfolio of the Financial Services and Treasury Bureau (the former Financial Services Bureau), it was often not given due attention or perhaps because the Industry and Commerce Bureau did not know where to start with, the industry had not fully benefitted from the relevant preferential policies and support fund. As a result, the securities industry was just like wretched solitary spirits who were helpless and left in the middle of the sea.

The helpless securities industry has thus a bleak outlook on the future. My office has conducted a questionnaire survey on suggestions to alleviate the fiscal deficits earlier on and the result shows that most respondents think that it will at least take four years for the overall economic prospects and the future of the securities industry to turn promising. It is therefore evident that the securities industry generally dares not be optimistic about the future. Therefore, it seems as though it is a long winter for the securities industry and it is not easy

for it to endure the severe winter. The key lies in whether the policies of the authorities concerned are conducive to the business environment of the industry. So, whether the Government will send them charcoal in severe winter or let them freeze to death on the streets depends on whether the policy directions of the Policy Bureau tally with the Chief Executive's objective of improving the business environment.

Madam President, I believe Members also know that on days when the Observatory has issued cold spell warnings, the Home Affairs Department will open cold shelter centres to needy people for temporary shelter from the chilling winds and hand out blankets to keep them warm because they cannot bear the sight of their suffering and wish to try their best to protect them. Yet, why can the authorities concerned heartlessly witness the securities industry that has all along supported the development of the local securities industry being gradually blanketed by the ruthless snow, remain indifferent and use snow producers to speed up the production of thicker layers of snow?

Though the Chief Executive proposes in his policy address to set up a high-level task force to examine the improvement of the business environment and make policy proposals, the situation has already reached a grim stage of extreme misery and grave crisis to the industry. For this reason, the representatives of the three senior securities industry organizations, namely, the Hong Kong Stockbrokers Association Limited, the Institute of Securities Dealers and the Hong Kong Securities Professionals Association and I have earlier on requested the Government to seriously consider the business difficulties faced by the industry, including the enforcement of the Securities and Futures Ordinance, the unfair competition posed by banks and the adverse effects brought by the abolition of minimum brokerage. We also hope that they can correspondingly make sound proposals such as maintaining the well-tested minimum brokerage system. Yesterday, we explicitly indicated to Secretary Frederick MA that we hoped the Government would set up a task force or an ad hoc committee to comprehensively consider the effects of the overall changes in the economic environment on the business environment of the securities industry. We hope that the task force will put forward long-term and feasible measures to improve the business environment after in-depth studies and analyses, with a view to coming up with proposal under which all parties will win to match the guiding principle of "creating a favourable business environment" espoused in the Chief Executive's policy address and submitting such views to the HKEx Board only after these tasks have been completed.

When Secretary for Financial Services and the Treasury Frederick MA proposed setting up an ad hoc committee to study suggestions on helping small and medium stockbrokers tackle business difficulties, he rapidly responded to our request and I welcome his response. He has especially stated that the committee will make recommendations within three months. Nevertheless, industry participants and I have doubts about the Government's extraordinary approach this time. Why is it so easy going? Are there other conspiracies?

Madam President, taking a closer look, we can see that the Government has shifted all responsibilities onto the HKEx. On the one hand, it says that it supports the abolition of minimum brokerage, and on the other, it has given the HKEx such information as setting up an ad hoc committee and making recommendations on improving the business environment within three months. All responsibilities will be borne by the HKEx while the Government keeps itself out of the business. Therefore, I can only express regrets about the decision made by the HKEx today because the directors of the HKEx have not fully considered the improvement suggestions to be made by the ad hoc committee before mid-April and it has hastily decided to abolish the minimum brokerage system from 1 April onwards. In my view, the directors who supported the decision at the meeting had made the decision before comprehensively considering and studying the suggestions that the ad hoc committee may make. They are incompetent and irresponsible, without regard to the future and healthy development of the industry. They should be reprimanded and resign of shame.

I fully understand that these directors, especially the appointed directors, may have involuntarily done so and I actually have sympathy for them. However, I think they can still make a reasonable and justified decision for the securities industry, especially the group of small and medium dealers who love Hong Kong very much and have made efforts for the securities industry to enable them to maintain steady development in the next few years in Hong Kong despite the economic difficulties. I believe they can do so. They can raise the topic of abolishing the minimum brokerage system for discussion in the Board again, so that a decision can be made after fully considering and studying the suggestions of the ad hoc committee. The Administration should also take sincere practical actions while recognizing and commending the contribution made by small and medium brokers in the past. It should assist them in making continuous contribution to the prosperity and stability of Hong Kong at this important moment when there is a fiscal deficit problem and a high unemployment rate, when the economic future is unclear and Hong Kong really needs unity.

Madam President, I wish to point out to the Chief Executive and Principal Officials under the accountability system that Hong Kong has many advantages, including the "hardware" advantages mentioned by the Chief Executive, but the public is still the most important, that is, Hong Kong people who love Hong Kong and take root in Hong Kong. Thus, "capitalising on our advantages and revitalising our economy" in the policy address is about how to protect Hong Kong people, which is the due responsibility of the Government.

Since the Government's handling of the abolition of minimum brokerage has made the industry that I represent disturbed and upset for a long period of time, I really hope that the authorities concerned will take practical actions and make undertakings in the next day or so, including how to assure that the income of small and medium dealers will not be affected by the decision made by the HKEx today. Only so doing can restore the confidence of the industry and make them believe that the proposals made or directions pointed out by the Chief Executive can really fulfil the policy agenda of revitalizing our economy and improving the business environment. As the representative of the industry, I have to respect the views of it, so I cannot specifically say at this juncture whether I will support the Motion of Thanks on the policy address.

Madam President, I so submit.

DR LUI MING-WAH (in Cantonese): Madam President, the first policy address delivered by the Chief Executive, Mr TUNG Chee-hwa, after he assumed the second term of his office is entitled "Capitalising on Our Advantages Revitalising Our Economy". The economy of Hong Kong is now in the doldrums, deflation drags on, the employment rate is high, the fiscal deficits are huge and the confidence of the community is low. Under such a grave situation, this policy address on revitalizing our economy can really boost the confidence of the people and attract the attention of all sectors of the community. Compared to the five policy addresses in the past, such as "Building Hong Kong For a New Era" in 1997-98, "From Adversity to Prosperity" in 1998-99, "Quality People Quality Home" in 1999-2000, "Serving the Community Sharing Common Goals" in 2000-01 and "Building on our Strengths Investing in our Future" in 2001-02, this policy address is more focused. It proves that the Government really appreciates what is lacking in the community, knows what it wants and can also offer a good solution to lead Hong Kong out of the quagmire; because as long as our economy does well, the people

can live and work in peace and there will be harmony in society. The experiences of Hong Kong in the last 50 years have fully confirmed this point, and governments at all times and in all countries are all working towards this goal.

In revitalizing our economy, the conditions of Hong Kong have actually been the envy of many other cities. It is clearly stated in the policy address that "Hong Kong is the most important international financial centre in the Asia-Pacific Region. We are a hub for trade, shipping, information and services". As regards the hardware and software, we have the following advantages: "..... keen business acumen, a well-developed infrastructure, a versatile financial system, robust legal institutions, policies conducive to a free and open society, a clean and efficient civil service, simple and low taxation, a large pool of talent and a cosmopolitan economy". If we can be "backed by the Mainland and engaged globally, consolidating and developing our position as an international financial centre, a producer services centre, a hub for information services and logistics and a premier tourist destination, we will strive to foster further economic growth by applying new knowledge, new technologies and through providing high value-added services". This is what the policy address said, and from this, we can see that the Chief Executive is very clear about the positioning of Hong Kong and he also has a clear direction. The Government will "reinforce our strengths in our four main economic pillars — finance, logistics, tourism and producer services sectors", and the economy will then slowly recover.

I acknowledge the contribution of finance, logistics, tourism and producer services to the local economy. However, Hong Kong is a separate economic entity and could not only rely on the four "..... main pillars of our economy" as quoted in the policy address to support economic development and provide employment opportunities. Statistics show that the number of tourists visiting Hong Kong in 2001 amounted to 13.7 million passenger trips, but it brought us revenue of only \$64 billion and constituted 6% of the GDP, giving direct or indirect jobs to about 360 000 people. The logistics industry, which the Government is striving to develop, only constituted 4.8% to 5% of the GDP and employed about 200 000 people. As regards the financial services industry that brought in a revenue of \$14.6 billion in 2000, it only accounted for 11.5% of the GDP. Let us consider this. How much scope will there be for the future development of the three economic pillars and how can they revive the poor economy of Hong Kong?

Furthermore, thanks to the tremendous growth in exports from the Mainland, the economic growth of Hong Kong this year continues to be driven by our foreign trade and it is generally anticipated that the economic growth will be in the region of 2% to 3%. The re-export and offshore trade of Hong Kong has now only employed 30% of the working population, which is much lower than the 60% 20 years ago. Therefore, in respect of stimulating internal demand, improving the situation of unemployment and facilitating economic growth, it is insufficient and slow.

Obviously, though the tourism, logistics, financial services and producer services industries have continued to contribute to the local economy, but they are by no means sufficient as the engine of our local economic growth. The experiences of Hong Kong over the past five years have proved this point. Since Hong Kong could not rely on its service industries to give impetus to the economy, it must find a new breakthrough. The local manufacturing sector should be its first choice because the exports of the local manufacturing sector can earn a lot of foreign exchanges, create wealth, offer job opportunities, give impetus to the service industry, stimulate local consumption or even expand the real estate industry.

Last Saturday, the Hong Kong Policy Research Ltd and the Hong Kong Women Professional and Entrepreneurs Association organized an activity entitled "Neo-Industrialization in Hong Kong: Challenges and Opportunities", and as this activity was held on a Saturday, it was attended by more than 200 people and met with favourable response. All speakers emphasized that no matter whether it is based on the consideration of the Hong Kong economy, employment or the people's livelihood, Hong Kong must undergo neo-industrialization. By neo-industries, we mean new sustainable industries founded on information technology, biotechnology and new materials. They are also technology and knowledge intensive industries. With the existing manpower and financial resources of Hong Kong, we possess the necessary conditions to undergo neo-industrialization. However, the Government must put in place matching policies and measures to bring its leading function into full play, otherwise all lofty plans will be nothing more than empty talk.

Moreover, we have to revitalize the manufacturing sector of Hong Kong by attracting the burgeoning private enterprises from the Mainland to set up

factories in Hong Kong. The week before, I had the chance to attend the opening ceremony of a factory that manufactures windscreens for vehicles, and that was a very successful private glass factory on the Mainland. In order to take advantage of the business conditions of Hong Kong to facilitate its export trade, it has invested more than \$120 million in Hong Kong to purchase a 100 000 sq ft-plant and machinery, and it will employ 200 workers when the whole plant comes into full production. This is a typical example and the SAR should actively promote such operations.

Madam President, I support the policy address of the Chief Executive and agree that the urgent task of Hong Kong must be to revitalize the economy. The four pillars of our economy, namely, finance, logistics, tourism and producer services are really very important. But new industries must be introduced before the economy of Hong Kong can be endowed with vitality and regain its past glory.

The development of the mainland economy is like an express train and the business sector of Hong Kong has already started to catch this train 20 years ago, as a result their businesses have increased by multi-folds. The Government is now strengthening the integration with the PRD and though it is late, it is better than never, for it can give impetus to the logistics and tourism industries of Hong Kong and it also has a positive impact on the overall economy. I am keenly aware that a charge of the poor Hong Kong economy for the better cannot be achieved overnight. However, if our policy is correct, a direction is set, and if we can capitalize on our advantages and complement those advantages with appropriate specific measures, then the economy of Hong Kong can certainly climb a new pedestal and regain prosperity.

I so submit. Thank you, Madam President.

MR MARTIN LEE: Madam President, after five years of day dreaming, during which period Mr TUNG's various ambitious plans of turning Hong Kong into a Centre of Chinese Medicine, an Innovation and Technology Centre, a Regional Centre for Multimedia-based Information and Entertainment Services, an Events Capital of Asia, and so on, were dashed one after the other, and Mr TUNG has finally woken up recently to face reality. The fortunate thing is that most people in Hong Kong did not dream with him.

Last Wednesday, Mr TUNG confidently announced the good news to this Council that he has finally found the way forward for Hong Kong. He said, "Our direction and position are very clear. Backed by the Mainland and engaged globally, we are building Hong Kong as Asia's World City, consolidating and developing our position as an international financial centre, a producer services centre, a hub for information services and logistics and a premier tourist destination."

The important words are "Backed by the Mainland". In other words, Hong Kong's future is dependent on the Mainland.

This is certainly a retreat from Mr TUNG's once famous words when he first became the Chief Executive of Hong Kong: "When China gets better, Hong Kong gets better. When Hong Kong gets better, China gets better." For five years ago, Hong Kong and the Mainland were supposed to be interdependent. Today, Hong Kong is dependent on the Mainland.

But five years ago, Hong Kong people were very confident. We believed that we had a pivotal role to play in leading China forward by giving a good example of how a Chinese community could prosper in a capitalist system with freedoms protected by the rule of law, a level playing field, good law and order and with corruption well under control — all of which were lacking but essential in the Mainland in its modernization programmes.

In just five years under Mr TUNG, the people of Hong Kong have lost their confidence; and they do not see a bright future for themselves or Hong Kong. They have become dependent on the Mainland, asking the Central Government to let more tourists to come and spend their money here, and asking for better treatment now that China has become a member of the World Trade Organization.

During the last meeting that members of the Democratic Party had with Mr TUNG on 29 November 2002, I asked Mr TUNG why Hong Kong was doing so badly when China was doing so well, since according to him, when China gets better, Hong Kong should get better. He replied, "Because China is doing well, Hong Kong is not as bad as it otherwise would have been (就係國家好，香港咪無咁衰囉)."

During the same period, the whole ethos of governance has also changed in Hong Kong. Instead of the rule of law where we were all equal, some people are now "more equal" than the others since Mr TUNG has become the Chief Executive. The well-known examples were the non-prosecution of Sally AW, who was a close family friend of Mr TUNG, and the sale of the Cyberport land together with the adjacent prime residential site at Pok Fu Lam by private treaty to Mr Victor LI, the eldest son of Mr LI Ka-shing, a former business associate of Mr TUNG, and not at a public auction.

Today, the people of Hong Kong have lost confidence in Mr TUNG and his Government. Mr TUNG wants the people to support him, as, in his words, "we are all in the same boat"; and Mrs TUNG wants the people to stop complaining all the time. Although Mr TUNG said that he and his Government "are confident, determined and certain that we can lead Hong Kong out of its current difficulties and accomplish the mission of revitalizing our economy", most people do not share his confidence or conviction, for after all, the people of Hong Kong did not elect him into office, nor did they want Mr TUNG to have a second term.

After the terrorist attacks on New York on 11 September 2001, the then New York Mayor, GIULIANI, appealed to the people of New York to work with him together and they immediately rallied round him. GIULIANI could do it because he had the mandate of the people and he also had a good track record. Unfortunately, Mr TUNG has neither. And to make matters worse, Mr TUNG did not seem to care for the people and the hardships that they are facing. Mr TUNG is bent on reducing the deficit as his top priority. But his policies are contradictory. He wants to raise revenue by increasing tax and government fees and charges, and yet he has stopped the sale of land in order to push up property prices "a bit". The common perception is that he is helping property tycoons to sell off their newly constructed flats. But because of the shortfall of revenue from the sale of land, more public expenditure has to be reduced, including the salaries of civil servants, which will lead to a general lowering of salaries and wages in the private sector. The quality of services provided by the Government will be adversely affected. The result is that the common good is seen to be sacrificed for the benefit of the rich, thus fulfilling what I said at the end of my speech in this Council on 16 October last year, urging the Government to consider seriously the expectations of Members of the Legislative Council for the 2003 policy address. I said, "So long as there is no democracy, there will be no accountable government that looks after the interests of every sector of the community, but a government of the rich, by the rich, for the rich."

Madam President, I do not believe that Mr TUNG has yet found the correct direction for Hong Kong. Hong Kong must maintain its distinctiveness if it is to succeed under the policy of "one country, two systems" as laid down by DENG Xiaoping. Hong Kong must not be dependent on the Mainland or the Pearl River Delta (PRD) although geographically, Hong Kong is a part of it. Hong Kong must not be absorbed into the PRD.

Economic integration with the PRD is a fact of life, and has been so for over 20 years. But Hong Kong must continue to have, among other things, a distinct legal system.

Very recently, a senior Judge asked me why Mr TUNG has not sought to promote Hong Kong as the arbitration centre of Asia. Indeed, Mr TUNG should do so. But he must first restore the confidence of overseas investors by openly undertaking in no uncertain terms that the Government of the Hong Kong Special Administrative Region will never again seek another reinterpretation of the Basic Law from the Standing Committee of the National People's Congress if the Court of Final Appeal has interpreted it.

Madam President, if Hong Kong can preserve its rule of law, its freedoms and its way of life while working together with other cities in the PRD, the people of Hong Kong may yet regain their confidence and work out a successful future for themselves.

Thank you.

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

(No Member responded)

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm tomorrow when designated public officers will speak.

Suspended accordingly at ten minutes to Eleven o'clock.