

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 13 November 2002

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 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 LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBERS ABSENT:

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

THE HONOURABLE JAMES TO KUN-SUN

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 MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

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

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.
SECRETARY FOR SECURITY

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

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.
SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

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

THE HONOURABLE STEPHEN LAM SUI-LUNG, J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

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

| Subsidiary Legislation/Instruments | <i>L.N. No.</i> |
|---|-----------------|
| Shipping and Port Control (Closure of Waters) (No. 2) Notice 2002..... | 164/2002 |
| Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 2002 (L.N. 118 of 2002) (Commencement) Notice 2002 | 165/2002 |
| Waste Disposal (Refuse Transfer Station) (Amendment) Regulation 2002 (L.N. 119 of 2002) (Commencement) Notice 2002 | 166/2002 |

Other Papers

- No. 20 — Report by the Trustee of the Customs and Excise Service Children's Education Trust Fund for the year ending 31 March 2002, together with the Director of Audit's Report and the Audited Statement of Accounts
- No. 21 — Summary of the Statement of Accounts of the Customs and Excise Service Welfare Fund together with the Director of Audit's Report and the Audited Statement of Accounts
- No. 22 — The Government Minute in response to the Fourteenth Annual Report of the Ombudsman issued in June 2002

ADDRESS

PRESIDENT (in Cantonese): Address. The Chief Secretary for Administration will address the Council on the Government Minute in response to the Fourteenth Annual Report of the Ombudsman issued in June 2002.

The Government Minute in response to the Fourteenth Annual Report of the Ombudsman issued in June 2002

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the Fourteenth Annual Report of The Ombudsman was tabled at the Legislative Council on 3 July 2002. The Government undertook at the time to prepare a Government Minute in response to the recommendations made by The Ombudsman in respect of the cases contained in annexes 6 and 10 of the Annual Report respectively. This will enable The Ombudsman and the public to monitor the implementation of the relevant recommendations by the Government and public bodies. I now officially present the Government Minute to the Legislative Council.

The Government Minute covers the cases investigated by The Ombudsman in 2001-02 on which recommendations were made, as well as the four cases on which The Ombudsman had initiated direct investigation. Most of the Policy Bureaux and departments involved in these cases have adopted all of the recommendations made by The Ombudsman and are currently following them up in their implementation. Only in a small number of cases, owing to policy considerations or operational constraints, the Policy Bureaux, departments and public bodies involved have not yet been able to take on board all of the recommendations of The Ombudsman. Their reasons have already been detailed in the Government Minute.

The Government Minute also covers the cases of public bodies such as the Hospital Authority and the Kowloon-Canton Railway Corporation. These public bodies are not government departments, but they still have the obligation to be accountable to the public. By way of providing information through the Government Minute, these public bodies will explain the follow-up work adopted in response to the recommendations of The Ombudsman.

The contribution of The Ombudsman in handling public complaints against maladministration and improving the quality of public administration has been obvious to everyone. We also understand that the aspiration of the people is that the Government could further increase its transparency and enhance its accountability. Therefore, the Government would continue to do its best to assist The Ombudsman in discharging his duties and will actively respond to the recommendations made by The Ombudsman in a joint effort to improve the quality of public administration.

Should any Member require further explanation by the Government on any part of the Government Minute, we will be glad to provide the relevant information in writing.

Thank you, Madam President.

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Surface of Pavements Using Paving Slabs

1. **MR LAU WONG-FAT** (in Cantonese): *Madam President, regarding the surface of pavements using paving slabs, will the Government inform this Council:*

- (a) *of the life expectancy of such slabs and whether they are made of recycled materials;*
- (b) *given that the surface of these pavements will become rugged or even subside suddenly after prolonged use, of the measures in place to ensure that, for the safety of pedestrians, these pavements are properly maintained; and*
- (c) *of the channels currently available to members of the public for lodging complaints or reporting to the authorities in respect of uneven pavement surface; whether it will draw up a performance pledge that the pavements concerned will be repaired within a certain number of days after receiving complaints or reports?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President,

- (a) To upgrade the streetscape of Hong Kong to world-class city standards, the Highways Department (HyD) is actively promoting the use of quality precast paving slabs of different sizes, shapes,

colours and patterns for pavement surfaces to provide a more pleasant and harmonious environment. Precast paving slabs are recyclable and heavy machines like jackhammers are no longer needed in road opening works, thus reducing noise from construction work. Therefore, we think that this kind of slabs is more environmentally friendly and economical to use. In addition, it takes more time for ordinary concrete pavements to mature and harden and they cannot be open for immediate use upon completion of the works like those pavements paved with precast paving slabs. Such slabs are therefore especially suited to the pace in Hong Kong.

The life expectancy of precast paving slabs depends on the type of material used, pedestrian flow and the surroundings. In general, the life expectancy of such slabs is about 10 years.

At present, the Government does not require the use of recycled materials in the production of precast paving slabs. However, the Government encourages the use of recycled materials and is working with the Hong Kong Polytechnic University to conduct a research on the production of precast concrete paving slabs by using such materials. The research is in progress and the performance of such slabs is being tested and monitored.

- (b) The ruggedness of precast paving slabs is due to various factors, including overloading caused by illegal parking, loss of sand underlain due to leakage of pipes or heavy rains just after the laying of slabs, problems in construction programmes or sub-standard reinstatement works following road opening works.

The HyD conducts regular inspections of all public roads and often receives reports of road defects from the public. For those defects that may threaten public safety, the HyD will arrange for immediate repairs. If the works cannot be completed immediately due to other arrangements, the HyD will keep pedestrians away from the affected areas by providing suitable lighting, signs and protective barriers to prevent accidents from happening.

- (c) The HyD receives any complaints lodged through various channels such as telephone, e-mail, letter, fax and the Road Damage or

Defect Report form. Members of the public can also report any road defects through the HyD's web site. The HyD operates a 24 hours complaint hotline. The information about such channels is available in the "Highways Department Performance Pledge" booklet and the Department's web site.

Upon receipt of complaints about rugged surfaces of precast paving slabs, the HyD will promptly arrange for inspections. For road holes that may threaten public safety, the Department undertakes to carry out emergency repairs within 48 hours. With regard to road defects such as rugged or uneven pavement surfaces, it may take a longer time for the HyD to make adequate preparations and to co-ordinate with the persons affected such as shop owners. The time required largely depends on site constraints, scope of works, traffic diversion and the necessary liaison work.

MR LAU WONG-FAT (in Cantonese): *Madam President, it was reported that on the 21st of last month in Yuen Long, an elderly person fell into a big pit when he was walking along a slab-paved pavement because the road surface suddenly subsidized. May I ask the Secretary whether the relevant department has conducted a thorough investigation regarding this incident? If yes, what is the outcome of the investigation? Does it involve any human negligence?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, on 21 October this year, we read about a report on this incident in the newspaper, saying that when an old man, suffering from cataract, was walking pass Sau Fu Street in Yuen Long, a rare case of road subsidence occurred, causing the old man to fall into a big pit. Upon investigation, we found that the Government had carried out drilling works on the road surface near the spot of the accident during the period of time from mid-August to the end of September. According to the terms of the contract, the contractor should have made proper arrangements to repair the drilled area and carry out sand filling works before reopening the section of road that affect pedestrians. As investigations are now underway, we still do not know whether or not this incident is related to the drilling works, but we have already instructed the contractor to promptly enclose the affected areas and provide suitable lighting so as to ensure public safety and prevent similar incidents from happening. The

Civil Engineering Department, too, has immediately conducted an investigation into the subsidence incident. As investigations on accidents in works sites take time, it is anticipated that it will not be completed until the end of November. At present, the overall investigation work in relation to this incident has not yet been completed and I hope that once it is completed, corresponding measures could be taken to actively prevent similar incidents from happening again.

DR LAW CHI-KWONG (in Cantonese): *Madam President, I have also received some complaints on pavement slabs from disabled persons. Very often, the wheelchairs and walking sticks of disabled persons are stuck between the slabs. I am particularly aware of situations where the slabs of many recently paved pavements are too far apart and the road surfaces are too rugged. The Government has mentioned in part (b) of the main reply that the HyD conducts regular inspections of all public roads, but firstly, we are now talking about pavements; and secondly, the Government should actually know which pavement has just been paved. As such, instead of conducting regular inspections, could the HyD consider sending along its staff for inspections immediately after the completion of the slab paving works and acknowledge that the works are acceptable only if it is up to standard, otherwise, demand that immediate repairs be made? I would like to know whether the Secretary would consider changing the practice of conducting regular inspections to immediate inspections?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, Dr LAW Chi-kwong has made a very good suggestion. At present, a team of HyD inspectors is responsible for conducting regular inspections. As regards whether special inspections on newly paved roads would be conducted, I would bring it to the attention of the HyD and request it to enhance its work in this aspect to check whether there are problems with newly paved road surfaces.

MR JAMES TIEN (in Cantonese): *Madam President, similar problems have occurred at the Peak, for its road surface is also paved with slabs and the areas around the Peak are full of ramps. Recently, several members of the public have brought this issue to my attention, but unlike what the Secretary said in part (b) of the main reply, such incidents were not caused by illegal parking, leakage of pipes or heavy rains. In fact, gaps already exist between the slabs and they*

had started to come off soon after the road surfaces were paved. May I ask the Government whether there are any specific requirements on paving slabs, such as how much sand has to be added after concreting, or is it necessary to put sand between two slabs, or that the Government would term the works as acceptable even if the pavings were casually done?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, as regards the present works procedures, I cannot give Mr James TIEN a reply right now. I only know that the whole project was conducted under the supervision of HyD engineers and it was also stipulated in the contract that contractors should decide how the works are conducted. What is most important is that our objectives could be achieved upon completion of the works. I would ask our engineers to check carefully whether such slab-paving works are up to standard because slabs were not used in the past. Before the slabs were used, the method of concreting was adopted. Therefore, it may be necessary for us to make some improvements on the works procedures.

DR LUI MING-WAH (in Cantonese): *Madam President, the Secretary has also said earlier that the use of precast slabs in paving roads has its advantages. Very often, such slabs are also used outside garages in overseas countries and vehicles could be driven over them, so why would so many problems occur in Hong Kong? I think there are two reasons for this: Firstly, the slabs are too small and secondly, the foundation is not thick enough. Does the Government agree that fundamental studies should be carried out again to see whether certain flooring preparations should first be completed before slabs are paved? If the slabs are not damaged even when they are driven over by vehicles, then it should be much safer.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, Dr LUI Ming-wah has mentioned a very important point because there are many different kinds of precast paving slabs. When the Government adopts such a policy, that is, when paving slabs are used in the place of concrete in paving road surfaces, five different kinds of slabs are used, including those made with concrete, wet concrete, artificial granite and natural granite. There is also a great difference in the price levels of these slabs.

Therefore, different kinds of slabs should be used in different districts according to their needs. As slabs used on pavements may be cheaper, they may not be able to bear a very heavy load. If someone drives his car onto the pavement, then the pavement may be damaged. On the whole, this plan has not been on trial for too long, for it has just begun in 2002 and only about 7.3 million sq m of road surfaces has been paved. We would look at the results again. After listening to the views of Dr LUI Ming-wah, we would review the relevant procedure again.

MS MIRIAM LAU (in Cantonese): *Madam President, the Secretary mentioned in the main reply that apart from conducting regular inspections, the Government actually relies a great deal on complaints received from the public. In relation to this subject, has the Government set up an internal reporting mechanism? For example, the Government has employed many staff to clean the streets, so if such staff discover that the roads are rugged, will the Government ask them to make reports so as to carry out expedient repairs? If not, will the Government set up such an internal reporting mechanism?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): *Madam President, I have mentioned earlier in the main reply that the HyD has set up a complaint mechanism and many complaints have been received. During the period from November 2001 to the end of October this year, the HyD has received 263 complaints. Ms Miriam LAU has just made a very good suggestion, too. If street cleaners could make reports on rugged or damaged road surfaces, then it may be even more effective. We would adopt this suggestion.*

MISS CHOY SO-YUK (in Cantonese): *Madam President, I would like to ask the Secretary a question about the maintenance of rugged private road surfaces. The Government is now willing to maintain rugged private roads, but when repairs have to be carried out, the Government would specifically require the private property owners to take up the responsibility for future repairs. If they do not agree, then the Government would not carry out repairs, thus resulting in a deadlock. Very often, although those are private roads, they are actually used by the general public and the constantly rugged road surfaces would cause a lot of inconveniences to pedestrians. Have the Secretary got any new ideas in this area?*

PRESIDENT (in Cantonese): Miss CHOY, the subject of this question is on the use of paving slabs for pavements. I think private roads are not covered under this question.

MISS CHOY SO-YUK (in Cantonese): *Madam President, perhaps I should rephrase my supplementary question. May I ask the Secretary whether slabs would be used to repave damaged pavements of private roads that are for public use?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I think the HyD would not be responsible for maintaining private roads and that is the reason why those roads are called "private roads" and this is a government policy. I do not think there would be any changes to this policy for the time being.

PRESIDENT (in Cantonese): We have already spent 17 minutes on this question. We shall now move onto the last supplementary question.

DR RAYMOND HO (in Cantonese): *Madam President, in part (a) of her main reply, the Secretary said high quality paving slabs of different sizes, shapes, colours and patterns are used for pavement surfaces, but from what I see, most paving slabs are of the same pattern and they are quite monotonous. However, the designs of paving slab even in some very remote provinces such as Qinghai and Lingxia are very pretty, why then could we not have some real designs instead of using paving slabs of the same colour? In the past, concrete were used for paving roads, but now slabs of the same colour are used. Could we have some real patterns and designs?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, when precast paving slabs are used, the public have been consulted through the District Councils and we have obtained favourable response. However, we think we could still do better. Though the streets of many cities are prettier than those of Hong Kong, we also have a layout plan for street scenes. The plan will be implemented by stages in different districts. On the one hand, we hope to improve our street scenes, and on the

other, we also hope to create job opportunities. Take for example, the road surface of the section of the road outside Times Square are paved with the most expensive paving slabs because that is a tourist spot and better quality slabs are used. As for other aspects, we welcome views from different sectors of the community. We are also happy to adopt Dr Raymond HO's earlier suggestion.

PRESIDENT (in Cantonese): Second question.

Pilot Scheme on Teaching in Small Classes

2. **MR SZETO WAH** (in Cantonese): *Madam President, it has been reported that the Secretary for Education and Manpower has publicly stated that the Government will conduct a pilot scheme on "Teaching in Small Classes" or "Small Class Teaching". In this connection, will the Government inform this Council of:*

- (a) *the commencement and completion dates of the pilot scheme, the participating schools and the districts in which they are located, the class levels of target students, as well as the criteria for selecting the schools;*
- (b) *the mode in conducting the pilot scheme, phases of implementation and the relevant details, the scope of the pilot scheme (including the subjects and interdisciplinary subjects to be taught), the training provided for the teachers involved, the support given by the Education Department, as well as the resources required for conducting the scheme; and*
- (c) *the methods and criteria for evaluating the scheme, and whether it will, based on the evaluation results, formulate a long-term policy on "Small Class Teaching"?*

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

- (a) "Class Size" is a highly controversial issue because of the inherent complex nature of the classroom as a place to construct knowledge.

A lot of overseas educational research and experiences, which attempted to establish a correlation between "Small Class Teaching" and enhancing the effectiveness of learning, have been inconclusive. Given the huge amount of resources involved, the cost-effectiveness of "Small Class Teaching" is also a point of contention.

Generally speaking, although there have been many studies overseas on "Small Class Teaching", the findings are inconclusive. Besides, there is a lack of in-depth studies and discussion on many related aspects, for example:

- (i) Some studies showed that teachers generally did not adjust their instructional methods to take advantage of the reduced class size. Besides, the studies did not attempt to identify the changes in the process of teaching and learning brought about by the reduced class size.
- (ii) Many studies did not follow the students at grade four and above to study whether the benefits could be sustained after their return to regular classes.
- (iii) From the perspective of cost-effectiveness, whether alternative measures (such as teachers' professional development, teaching assistants, and so on) could lead to similar benefits.

In Hong Kong, there have been few empirical studies of similar nature on "Small Class Teaching". Given the controversial nature of this topic, the complexity of the problems involved and the resource constraints, it is imperative for us to consider the issue thoroughly and rationally before making a decision on whether there is a need and, if so, how to implement "Small Class Teaching". Hence, we would take into account the local context and draw references from the findings and practical experiences of overseas studies, and draw up the details of our own study on "Small Class Teaching". As the study is still in its planning stage, I could only reply to the Honourable SZETO Wah's question on the basis of some preliminary thinking as follows:

- (i) The study will be conducted in 30 to 40 public sector primary schools, starting from the 2003-04 school year. The participating schools will try out the class size of about 20 students at the junior primary levels. Relevant professional training and support will be provided to the teachers as appropriate.
 - (ii) For evaluation, apart from analysing students' performance in the three basic subjects of Chinese, English and Mathematics, we would also observe the teaching activities (for example, teaching strategies adopted by teachers) to assess the impact of "Small Class Teaching" on the process of teaching and learning.
 - (iii) Other details of the study, such as the completion date, the selection criteria for the participating schools and the districts in which they are located, the scope of the study, the training to be provided to teachers, the resources required, and so on, are still under consideration. Professional views from experts in the field are being sought. Details of the study will be announced when ready.
- (b) The objective of the study is to find out the relationship between "Small Class Teaching" and the "effectiveness of teaching and learning". The main areas of study will include:
- (i) whether "Small Class Teaching" is able to bring about positive effects on teaching and learning, and if so, how and to what extent;
 - (ii) how the expertise and teaching strategies of teachers affect the effectiveness of teaching and learning in "small" and "regular" classes; and
 - (iii) whether "Small Class Teaching" is cost-effective.
- (c) The Administration adopts a prudent yet open attitude as to whether "Small Class Teaching" should be adopted as a policy in the public

sector primary schools in Hong Kong. The findings of the study mentioned above will provide important reference for relevant policy consideration.

Lastly, I would like to point out that the primary goal of "Small Class Teaching" is to enhance "diversified teaching and individualized learning". The existing teacher-to-pupil ratio in local public primary schools is 1:20.8, which is more or less the same as that in developed countries. Some local primary schools have indeed made use of existing resources and school facilities to implement various forms of small group learning for certain subjects. We expect that the proposed study will also identify other feasible and more cost-effective ways to enhance the quality of education.

MR SZETO WAH (in Cantonese): *Madam President, the Government indicated in the main reply that the study would be conducted in 30 to 40 public sector primary schools, starting from the 2003-04 school year. Will the Government inform this Council whether it will give priority consideration to schools in the districts with a sharp decline in the number of students in the course of selecting from these 30 to 40 public sector primary schools?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, as to the issue of whether schools which are experiencing a reduction in the number of classes would be given priority consideration, I think it is another issue. The redundancy among teachers as a result of the reduction in the number of classes is a matter of school administration as well as an issue about the supply of primary places, while "Small Class Teaching" is a matter of education; therefore they are two different things. Decision would not be made in connection with the selection of a school in a certain district simply because it has excess classes. We will make the ultimate choice according to the circumstances of each school.

MS AUDREY EU (in Cantonese): *Madam President, "Small Class Teaching" does not only involve the issue of number of students, but also the issue of whether students in the same class are of the same degree of intelligence. Let us*

take Mathematics for example, most schools abroad require students to sit for an examination to determine the aptitude of each students before arranging them into the different classes. I would like to ask the Secretary whether the "Small Class Teaching" study would include this feature? To be exact, in the course of the grading exercise, will the grouping of students be based on their degree of intelligence?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we are studying whether this approach is necessary on the basis of professional views. In this regard, we have not made the decision yet. However, we hope this study could be implemented on a general basis. If we pick a batch of students good at mathematics and group them into a small class, we are sure that their results in mathematics would be exceptionally good, but it does not necessary mean that "Small Class Teaching" is indisputably effective. Therefore, I am putting emphasis on generalization, instead of picking children with good results and grouping them into small classes for study purposes.

PRESIDENT (in Cantonese): Ms EU, has your supplementary been unanswered?

MS AUDREY EU (in Cantonese): *Madam President, my question was not about students with good results, it was about students of similar intelligence in my supplementary.*

DR YEUNG SUM (in Cantonese): *Madam President, as far as I know, many countries and cities in Asia have implemented "Small Class Teaching" system, including Shanghai, Beijing, Japan and Taiwan. Shanghai in particular, is implementing a 25-student-per-class strategy based on birth issues. Will the Government draw on their experience and lessons and take them as a reference, in the hope that the system could be implemented as soon as possible?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we would certainly draw references from various "Small Class Teaching" systems implemented all over the world.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, one of the major purposes of the relevant study is to find out the cost-effectiveness of "Small Class Teaching". I would like to ask the Secretary how could cost-effectiveness be measured? Could we look at the volume of resources being input into the system and then come up with a conclusion? Cost-effectiveness is difficult to measure. We believe that after the system is implemented, students would be more attentive in classes, but it would be difficult to measure the knowledge that students had absorbed. As a result, I wonder how can the Secretary achieve that objective?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, according to views of experts in education, it can be measured. As far as cost-effectiveness is concerned, we could identify its effectiveness from the results of students in various subjects as well as the resources being input in each small class.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, on the one hand, the Government permits British schools, International schools, Direct Subsidy Scheme schools and quality private schools to adopt "Small Class Teaching" and agrees that it may help uplift the quality of education; on the other hand, from the past to present, government officials have all along been casting doubts on the cost-effectiveness, questioning the academic results and dismissing the benefits of implementing "Small Class Teaching" in public sector schools. May I ask whether this is double standard and unfair treatment to students in local public sector schools? Can it be considered discrimination in education terms?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, "Class Size" is a controversial issue. Certainly, many schools have implemented "Small Class Teaching". As for the standard class size in Hong Kong, each activity approach class has 32 students and each conventional class has 37 students, some schools may have the class size as much as 40 students. However, with regards to the class size and the initial analysis on the performance of students in the Hong Kong Attainment Test, there is no obvious correlation between the class size and the effectiveness of learning. In fact, although some schools are having a class size exceeding 40 students, the

performance of learning outcome is better than that of classes of reduced size. Of course, we understand that the phenomenon is affected by a number of factors, such as the background of students, the professional level of teachers, curriculum tailoring, and so on. For this reason, we consider that there is a need to conduct an in-depth study on class size and the effectiveness of learning.

PRESIDENT (in Cantonese): Mr CHEUNG, has your supplementary been unanswered?

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, I wish to seek the ruling of the President on whether the Secretary has responded to my supplementary. I was raising the issue of educational discrimination in my question. That is, why were British schools and International schools permitted to adopt "Small Class Teaching" and to have 25 student in each class, and why was it agreed that such a system may help uplift the quality of education, whereas the same attitude was not adopted towards public sector schools, and why did the Government have doubts over the implementation of "Small Class Teaching" in public sector schools?*

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

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, perhaps I should further explain that the school sponsoring bodies Mr CHEUNG has just mentioned, especially private schools, have their own autonomy, the Government have no right to intervene. Therefore, the size of classes in these schools is entirely their discretion. As for government schools, they may have over 40 students in each class, but the results of their students are also very outstanding. In this regard, since the benefit of "Small Class Teaching" has been inconclusive, therefore we have to further study the issue, and there is no discrimination in it at all.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the implementation of "Small Class Teaching" will enhance education quality, but some people think that there is more benefit in reducing the workload of teachers*

than in the implementation of "Small Class Teaching". In order to find out the most effective way that students would be benefitted, will the Government take the second proposal into consideration, that is, to adopt the proposal of reducing the workload of teachers? If not, what are the reasons for that?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we will look into different ways. We also know that teachers are facing very great pressure, but this matter seems to have very little correlation with the issue of "Small Class Teaching".

PRESIDENT (in Cantonese): Third question. Mr SZETO Wah will ask this question on behalf of Mr James TO.

Legislative Proposals to Implement Article 23 of Basic Law

3. **MR SZETO WAH** (in Cantonese): *Madam President, thank you for allowing me to raise this question for Mr James TO who is absent.*

Regarding the making of legislation to implement Article 23 of the Basic Law, will the Government inform this Council:

- (a) *as it is stated in the Consultation Document on the Proposals to Implement Article 23 of the Basic Law that prior to the reunification, information relating to the relationship between Hong Kong and the Mainland was protected under the rubric of "international relations", the Administration now proposes to protect information relating to the relationship between the Central Authorities of the state and the Hong Kong Special Administrative Region (SAR) under the rubric of "relations between the Central Authorities of the People's Republic of China and SAR" (relations between the Central Authorities and SAR); however, the relationship between China and Hong Kong was that between China and the United Kingdom prior to the reunification and, following the reunification, this has become the relationship within the same country, why the Administration proposes to create a new class of protected information — relations between the Central Authorities and SAR;*

- (b) *as the Secretary for Justice stated at the luncheon meeting of the Newspaper Society of Hong Kong on 17 October this year that information relating to the relations between the Central Authorities and the SAR "is merely an adaptation of the provision on 'relations between the United Kingdom and Hong Kong' as originally contained in the part on 'international relations'"; however, prior to the reunification, the relationship between the United Kingdom and Hong Kong was that between a suzerain state and a colony from a legal perspective whilst following the reunification, the relationship between China and Hong Kong was that between the Central Authorities of the state and its special administrative region, why the Secretary for Justice considers that the proposed new class of relations between the Central Authorities and SAR to be an adaptation of laws; and*
- (c) *whether it will consider stipulating, by provisions of law or in other forms, that apart from requesting the Central Authorities to issue a formal notification regarding the question of fact on whether a mainland organization has been proscribed by the Central Authorities on national security grounds, the SAR Government shall not, in respect of issues relating to "foreign political organizations" set out in Chapter 7 of the above Consultation Document, request the Central People's Government to issue a certifying document on questions of fact concerning acts of state such as defence and foreign affairs in accordance with Article 19 of the Basic Law; if it will, of the form of such stipulation; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I will answer part (a) and part (b) of Mr SZETO Wah's question together.

(a) and (b)

Under the Official Secrets Ordinance (Cap. 521, Laws of Hong Kong), there are four categories of information the unauthorized disclosure of which could constitute an offence under Part III of the Ordinance. They are security and intelligence information, defence information, information related to international relations,

and information related to commission of offences and criminal investigations. Under section 12(1) of the Ordinance, "international relations" is defined to mean, *inter alia*, "any matter relating to the relations between the United Kingdom and Hong Kong or the external relations of Hong Kong". After the reunification, by virtue of the application of the well established principles of adaptation, "relations between the United Kingdom and Hong Kong" means "relations between the People's Republic of China and the SAR". Thus, information related to the relations between the People's Republic of China and the SAR is already covered under the Official Secrets Ordinance. However, given that it is inappropriate to refer to relations between the People's Republic of China and the SAR as "international relations", we propose to amend the Official Secrets Ordinance to place information related to the relations between the People's Republic of China and the SAR under the new heading of information related to the relations between the Central Authorities and the SAR. The Government's proposal would not extend the criminal law to any extent.

- (c) The Government had already submitted a paper to the joint meeting on Panel on Security and Panel on Administration of Justice and Legal Services, explaining that the doctrine of act of state under Article 19 of the Basic Law is irrelevant to the proposed proscription mechanism. Article 19 stipulates our constitutional obligations under the Basic Law. It would be inappropriate for the Government to undertake to exclude any of our constitutional obligations under any specific circumstances.

MR SZETO WAH (in Cantonese): *Madam President, the Government states in part (c) of the main reply that the doctrine of the act of state under Article 19 of the Basic Law is irrelevant to the proposed proscription mechanism. Will the Government inform this Council, among the legislative proposals to implement Article 23 of the Basic Law, which provisions require the obtaining of certifying document on the act of state from the Central People's Government? Are there such provisions?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I suggest that the Secretary for Justice should give an answer for this legal question.

SECRETARY FOR JUSTICE (in Cantonese): Madam President, I find Mr SZETO Wah's question a little difficult to answer, because his supplementary question is seeking legal advice and is proposing an abstract legal question involving a hypothetical debate. Furthermore, colleagues of the Judiciary has attended on three occasions the joint meeting of the Panel on Security and the Panel on Administration of Justice and Legal Services, to explain the legislative proposal for implementing Article 23 of the Basic Law. Each of the joint meetings lasted more than two hours, which means a total of six hours has been spent on discussion for the three meetings. As the oral question time is only as short as 15 to 20 minutes, I am afraid I can hardly give a clear explanation to this legal question. I consider it more appropriate to discuss the question at a joint meeting, however, I respect the right of Mr SZETO Wah to put forward this supplementary question, so I will give a simple reply.

The certifying document referred in Article 19 of the Basic Law is totally irrelevant to the legislative proposals for implementing Article 23. However, in processing issues related to Article 23, that is when the Court handles other types of cases relating to international status, certifying document provided in Article 19 may be required. Therefore, we can imagine there may be a situation in which an organization is accused of treason for assisting the common enemy which is at war with the state, then certifying document may be required in proving that the two states are at war and that war does occur. This is a scenario that I can think of. However, as I have said a moment ago, there are a lot of difficulties in answering this question.

MISS MARGARET NG (in Cantonese): *Madam President, it is stated in part (a) of the main reply that protection of the category of information related to relations between the People's Republic of China and the SAR is based solely on the principle of adaptation of law. The present principle on adaptation of law is derived from the definition that it is "any matter relating to the relations between the United Kingdom and Hong Kong or the external relations of Hong Kong." However, Madam President, previous exercises on the adaptation of laws were not carried out mechanically, some provisions concerning Hong Kong and the*

United Kingdom have actually been repealed. May I ask the Secretary, under the present circumstances, why should adaptation be exercised to retain this category? On top of the concern on adaptation of law, is the existence of such a category necessary, if so, what are the reasons?

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, as I have just said in my main reply that, under section 12(1) of the existing Ordinance, "international relations" includes "any matter relating to the relations between the United Kingdom and Hong Kong or the external relations of Hong Kong." According to the established principles of adaptation, "relations between the United Kingdom and Hong Kong" should be interpreted as "relations between the People's Republic of China and the SAR". In other words, since the reunification taken place five years ago, information related to the relations between the People's Republic of China and the SAR has already fall within the four categories of protected information. Unauthorized disclosure of such information may constitute an offence, and such information has been under protection for five years. In fact, I have pointed out on several occasions that the Official Secrets Ordinance is introduced on the basis of a British legislation enacted in 1911. Prior to the reunification, the former Legislative Council had agreed to localize the legislation. Therefore, in 1996, we submitted a bill to the former Legislative Council seeking to localize that piece of British legislation. The former Legislative Council had agreed to the policy of providing protection to the relations between Britain and Hong Kong by including it under the scope of "international relationship", and that should remain in force after the reunification. That policy is thus an important consensus reached by the former Legislative Council and the Government, and we have no reason for failing to protect this category of information. Actually, such information has already been put under protection, why such a protection will suddenly lapse? However, such information should for no reason be protected under the rubric of "international relations" as Hong Kong is already part of China. Therefore, the Secretary for Justice proposes to introduce appropriate adaptation to put information related to the relations between the People's Republic of China and the SAR under this new category.

PRESIDENT (in Cantonese): Miss Margaret NG, has your supplementary question not been answered?

MISS MARGARET NG (in Cantonese): *Madam President, the Secretary has not yet answered that apart from the need to carry out mechanical adaptation, why is it necessary to retain this category?*

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

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

MR ALBERT HO (in Cantonese): *Madam President, the Official Secrets Ordinance is originally a piece of British legislation. Prior to the reunification, the former Legislative Council legislated to localize that piece of British legislation. Consequently, that category of information related to the relations between the United Kingdom and Hong Kong did exist at that time, however, the relationship was that between a suzerain state and a colony. Following the reunification, Hong Kong has become part of China. It is crystal clear that the relation now is that between the Central Authorities of the state and its special administrative region. This relationship as stipulated in the Basic Law is completely different from that between a suzerain state and a colony. Does the Secretary find it necessary to review this kind of mechanical adaptation, in a bid to confirm that Hong Kong is no longer a colony, to clearly highlight the constitutional role of the SAR as a special administration region, and that there is no need for Hong Kong to copy the legislation implemented under the colonial administration?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, Mr Albert HO is considering from the perspective of constitutional relationship whether there is a need to retain this category. However, within the entire structure of the Official Secrets Ordinance, "international relations" includes not only relations between Britain and Hong Kong, but also the external relations of Hong Kong, such as relations with countries other than Britain, international organizations and other countries. Hence, the principle so applied is obvious,

that is to protect the relations between the Hong Kong Government (that is the SAR Government) and other governments or international organizations. As information affecting inter-government relationships, other than confidential information, may also need to be protected. In the light of this principle, we propose to carry out adaptation for this ordinance.

MR ALBERT HO (in Cantonese): *Madam President, the relationship I mentioned just now is one between the Central Authorities and the SAR, but not the external relations of Hong Kong. Why does the Secretary diverge my supplementary question and give irrelevant answers? What we are discussing is the relationship between Hong Kong, as a Special Administrative Region and the Central Authorities, and how could the relationship between a suzerain state and a colony be changed to the present one. There is nothing to do with external relations.*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, in fact I have nothing specific to add. The definition of "international relations" referred to under section 12 covers several types of relations, one special type of which is on inter-government relations, or that between the government and international organizations. This reflects the principle that we have to protect information affecting inter-government relations. We think there is hardly any reason for this principle to be affected after the reunification. Any information affecting the relationship between the Central Authorities and the SAR should certainly be protected. We consider this reasonable, besides, such information has all along already been put under protection.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, in fact, the Secretary has not fully replied Mr Albert HO's supplementary question. After the reunification, Hong Kong is a Special Administrative Region, certainly not a colony of China. Thus, will the Secretary explain how the relations between Britain and Hong Kong, as defined under "international relations" in the Official Secrets Ordinance, which the main reply mentioned and which is the relationship of a suzerain state and a colony, be changed to relations between the Central*

Authorities and its special administrative region? May I ask the Secretary to consider once again that it is inappropriate to adapt the previous relations between Britain and its colony Hong Kong to the relations between China and the SAR? This approach is in itself wrong, and may even extend the scope of criminal law.

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have indeed found Mr CHEUNG Man-kwong's logic puzzling. I have already explained that the relation-between China and Hong Kong are already under protection now. If this is to be interpreted strictly from the perspective of constitutional relationship, I would consider it too narrow and inappropriate. Moreover, policy-wise, we have to maintain protection of information affecting the relationship between the Central Authorities and the SAR Government. Thus, I can hardly understand Mr CHEUNG Man-kwong's logic. Besides, as I have said in the beginning, we do not think that the adaptation will extend the criminal law to any extent.

PRESIDENT (in Cantonese): Fourth question.

Residential Mortgage Loans

4. **MR JAMES TIEN** (in Cantonese): *Madam President, will the Government inform this Council:*

- (a) *of the changes in residential property prices, the relevant mortgage rates and the public's ability to repay mortgage loans, compared to the situation in 1997;*
- (b) *of the number of residential units taken possession of by Authorized Institutions (AIs) in each of the past five years because the mortgagors have defaulted on mortgage payments, and its proportion to the cumulative number of mortgages of the year concerned; and*
- (c) *as the Hong Kong Monetary Authority (HKMA) has indicated that it would not object if AIs were to depart from the 70% loan-to-value*

guideline (70% guideline) in processing applications for refinancing residential mortgage loans (RMLs) for homeowners in negative equity if they deem it commercially desirable to do so, whether the HKMA will, in respect of other mortgage loan applications, similarly relax the 70% guideline, so that banks may process these applications with prudence and flexibility on the basis of the merits of individual cases; if not, if there is any special reason for that?

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

- (a) The prices in secondary residential property market in September 2002 have dropped by about 62% since the peak in October 1997.

The typical mortgage rate available in the market for a good customer in December 1997 was 10.5%, made up of a prime rate (P) of 9.5% and a typical lending spread of 1%, that is, P+1%. This has steadily fallen as both the prime rate and the lending spread have declined. Currently a typical rate would be around 2.5%, made up of a prime rate of 5.0% and a typical lending spread of minus 2.5%, that is, P-2.5%. The full figures are as follows but I am not go over them here.

Full figures:

| | <i>Current date</i> | <i>2001</i> | <i>2000</i> | <i>1999</i> | <i>1998</i> | <i>1997</i> |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|
| | | | (%) | | | |
| Best Lending Rate (BLR) as at period-end | 5.0 | 5.125 | 9.5 | 8.5 | 9 | 9.5 |
| Typical lending spread for new RMLs approved during last month of period | -2.5 | -2.5 | -2.125 | -1.0 | +1.5 | +1.0 |
| Average interest rate | 2.5 | 2.625 | 7.375 | 7.5 | 10.5 | 10.5 |

According to the statistics compiled by the Rating and Valuation Department, the affordability of the public to repay mortgage loans has improved by 73% from 1997 Q4 to 2002 Q2.

- (b) The HKMA do not collect data on the number of residential units taken possession of by AIs.

What the HKMA do collect, however, which is quite similar, is data on the outstanding number of RMLs subject to mortgagee actions. This encompasses all actions taken by an AI as mortgagee to enforce the security of an RML in default, such as appointing a receiver, applying to the Court for taking possession of a property, applying to the Court for a foreclosure order or exercising the power of sale.

The first date for which data are available is end-1998, at which time 0.2% of AIs' outstanding RMLs were subject to mortgagee actions. This rose to 0.4% at end-1999, 0.5% at end-2000, and 0.6% at end-2001. It was also 0.6% at end-September this year. The full figures are as follows but I am not going to go over them here.

Full figures:

| | <i>End- September 2002</i> | <i>End-2001</i> | <i>End-2000</i> | <i>End-1999</i> | <i>End-1998</i> |
|---|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| No. of outstanding of RMLs subject to mortgagee actions | 2 892 (0.6%) | 2 681 (0.6%) | 2 344 (0.5%) | 1 634 (0.4%) | 597 (0.2%) |
| Total no. of outstanding RMLs | 471 517 | 450 599 | 430 553 | 384 490 | 363 436 |

Remark: There is an increase in reporting institutions at end 2000. Data from end 2000 onward are not comparable to the previous data.

- (c) The relaxation of the 70% guideline for negative equity homeowners was a "special case" to give homeowners in negative

equity the ability to transfer their existing RML to another AI if they could find one willing to offer them a lower interest rate. Given that this, in effect, involved redistributing within the banking sector existing RMLs with a current loan-to-value of over 70%, rather than creating new ones, this will not add to the overall risk of the banking sector.

However, allowing new loans to be created at a loan-to-value exceeding 70% would add to the overall risk of the banking sector. The HKMA has carefully considered whether such a relaxation would be acceptable, and has concluded that it would not, for the following reasons:

- (i) The 70% guideline is a long-term prudential measure aimed at maintaining stability in the banking system. It has worked well in protecting AIs from fluctuations in property prices during recent economic cycles.
- (ii) The 70% guideline continues to command widespread support in the banking industry. Moreover, relaxation of the 70% guideline could lead to AIs being prompted by competitive pressures to lend imprudently and thereby increase their credit risk.
- (iii) The 70% guideline is to prevent AIs from lending more than 70%, not to prevent individuals from borrowing more than 70%. Indeed, there are a number of options in the market to enable individuals to borrow more than 70%, for example, the mortgage insurance scheme operated by the Hong Kong Mortgage Corporation and co-financing schemes provided by property developers.

MR JAMES TIEN (in Cantonese): *Madam President, I would like to thank the Secretary for giving us such a detailed reply. The Secretary said in his main reply that prices in the property market have dropped by 62% since the peak period, whereas the affordability of the public has also improved by about 73%, so these figures can all show that the risk now is very low. However, the Secretary said in the last part of the main reply that in view of the overall risk to*

the banking sector, it is still necessary for the authorities to maintain a requirement of 70% loan-to-value. Madam President, the Secretary, Mr Michael SUEN, will make a statement on the Government's measures to stabilize the property market and I believe that the property market should become more stable then. In this connection, I would like to know whether the Government will discuss with the HKMA if the 70% loan-to-value requirement imposed on banks can be relaxed if there is not any problem with the financial ability of the people concerned, since the risk is now very low, so that it will not be necessary for the public to have recourse to other channels such as the Hong Kong Mortgage Corporation?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I would like to thank Mr James TIEN for his supplementary. The 70% guideline is a prudent measure introduced by the HKMA to monitor banks so as to maintain stability in the banking system. This is not a measure to stabilize the property market. The aim of the guideline is to prevent banks from lending beyond the 70% level. This is not a measure designed to prevent property buyers from borrowing beyond the 70% level. As I have said in the main reply, there are in fact many ways for the public to borrow beyond the 70% level. For example, the Hong Kong Mortgage Corporation can provide financing up to a loan-to-value ratio of 90% and the period of repayment can also be as long as 20 years.

PRESIDENT (in Cantonese): Mr TIEN, has your supplementary not been answered yet?

MR JAMES TIEN (in Cantonese): *Madam President, since the Government will announce new measures to stabilize the property market later on, I would like to know if the Government will discuss this issue with the HKMA in the future?*

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

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I have nothing further to add.

MR CHAN KAM-LAM (in Cantonese): *Madam President, although the Secretary has said that borrowers can secure additional financing for 20% of the value of their properties in the market, thus making up a total loan-to-value ratio of 90%, is the Secretary aware that if borrowers want to borrow money in addition to that from banks, they have to pay legal fees, mortgage fees, and so on? Will this increase the burden borne by borrowers? Since the borrowers are capable of borrowing up to the 90% loan-to-value ratio, why does the Government not relax the loan-to-value ratio to 90% once and for all?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): I would like to thank Mr CHAN Kam-lam for his supplementary. Madam President, allow me to give an example. If a property buyer has to arrange mortgage for his flat which worths \$2 million at market value and he can arrange financing for 90% of the value of his property, that is to say, \$1.8 million dollars, and assuming that the lending rate is prime rate with a lending spread of minus 2.5%, and the period of repayment is 20 years, then the mortgage insurance premium will be about \$53,000. As regards other fees such as legal fee, they have to be paid whenever a property is purchased. Since banks can even lend the mortgage insurance premium of \$53,000, it means that the mortgage loan is about \$1,853,000 and the borrower has only to pay an additional \$280 each month, which is only a little more than the repayment of \$9,800. As to Mr CHAN Kam-lam's supplementary on why the ratio cannot be relaxed to 90%, as I have explained, the 70% loan-to-value guideline is aimed at maintaining stability in the banking system and is not a measure to stimulate the property market.

MR ABRAHAM SHEK (in Cantonese): *Madam President, regarding the 70% loan-to-value ratio, when was this requirement introduced? At that time, property prices in Hong Kong were soaring and in order to prevent the occurrence of problems in banks, the 70% loan-to-value requirement was imposed. However, with property prices falling, has the measure of imposing a 70% loan-to-value ratio deviated from the original aim? In addition, the 70% loan-to-value requirement has a great impact on the secondary property market and the market as a whole. I would like to know if the Government will relax the 70% loan-to-value requirement for the secondary property market?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the background of the 70% guideline is that in 1991, loans created for residential mortgages were increasing drastically, and as described by Mr Abraham SHEK, property prices were soaring. In view of this, a number of banks lowered the loan-to-value ratio to 70% in November 1991 and other institutions also followed suit. In 1995, the HKMA incorporated the 70% guideline into its guidelines. Therefore, the 70% guideline has always been followed by us since its inception in 1991 to 1995 and even to the present day.

MRS SELINA CHOW (in Cantonese): *Madam President, the Liberal Party has conducted a random survey by telephone and polled 1 000 private property owners. Half of them believe that the most effective measure in stabilizing the property market is relaxing the 70% loan-to-value ceiling, because once this restriction is relaxed, the confidence of the public in buying properties will be boosted. They even considered this approach better than the moratoriums on the sale of Home Ownership Scheme flats and public rental housing flats and that on land auction. Of course, it is not necessary for the Secretary to believe entirely in our survey results, but I would like to know whether or not the Government has gauged the public's views? Since the public believe that this is the most effective measure in stabilizing the property market, will the Secretary re-consider relaxing the 70% loan-to-value requirement?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I wish to thank Mrs Selina CHOW for her supplementary. As I have said, the 70% loan-to-value requirement is a measure to maintain stability in the banking system rather than a measure to stimulate property transaction, and this measure has proved to be effective so far. However, I believe the HKMA will monitor changes in market conditions closely and review its measures from time to time.

DR PHILIP WONG (in Cantonese): *Madam President, my supplementary is in fact more or less the same as that of Mrs Selina CHOW. This morning, the Government has introduced some measures to stabilize the property market. If the loan-to-value ratio offered by banks can be increased from 70% to 90% at the*

same time when these measures are introduced, this will send a very strong message to the market showing how much confidence the Government itself has in the 10 measures to stabilize the property market. This message is very important, therefore I hope that the Government will re-consider this suggestion. My supplementary is, would the Secretary agree with my views? (Laughter)

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I have already said that if someone wants to secure finance beyond the 70% level for his mortgage, there are channels for him to do so.

MR TOMMY CHEUNG (in Cantonese): *Madam President, may be I can ask my supplementary in another way. The Secretary repeatedly emphasized when giving his reply that the 70% loan-to-value requirement is intended to stabilize the banking system, that is, to safeguard the stability of banks. In this connection, I would like to ask if the Secretary believes that the banking system will become unstable once the 70% loan-to-value ratio is relaxed? If so, how unstable will it become? Will it cause some banks to close? If the Secretary replies in the negative, then will the Secretary consider discussing with the HKMA to relax the 70% loan-to-value ceiling?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I would like to thank Mr Tommy CHEUNG for his supplementary. In fact, loans created for property purchases account for a very high proportion of the total amount of loans in the local banking system, making up about half of the loans. Hence, the HKMA has been very strict in this respect. As I have said, for a long time, that is, for almost 11 years, the 70% loan-to-value ceiling has been well-established. The HKMA does not see any reason why this has to be changed. However, I believe that the Chief Executive, Mr YAM, will definitely be apprised of Members' views.

PRESIDENT (in Cantonese): Mr CHEUNG, has your supplementary not been answered yet?

MR TOMMY CHEUNG (in Cantonese): *Madam President, the Secretary has not yet answered my supplementary. In fact, what I am asking the Secretary is whether instability in the banking system will occur if the 70% loan-to-value requirement is to be relaxed? The Secretary did not address this point, so I hope he can give me a reply.*

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

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I have nothing to add, nor do I wish to give a reply on an hypothetical scenario.

PRESIDENT (in Cantonese): This Council has spent more than 16 minutes on this question. Last supplementary.

MR ALBERT HO (in Cantonese): *Madam President, as a matter of fact, the Secretary has said in the main reply and in replying to the supplementaries that the mortgage insurance offered by the Hong Kong Mortgage Corporation is very effective and can actually help property buyers obtain loans up to the 90% loan-to-value ratio, but they have to pay a risk premium. In this connection, I would like to ask the Secretary if he has assessed how successful and popular this programme is, and whether it has failed to assist people who are in true need of buying properties but who do not have enough cash to make purchases in the secondary market because of the rather strict conditions at present, such as the high premia and the selectivity in granting applications?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I would like to thank Mr Albert HO for his supplementary. Since the launch of the mortgage insurance programme in March 1999, as at the end of October 2002, 17 195 applications have been approved and the amount of mortgages insured is \$33.1 billion. Of this amount, new property purchases account for 23% and those in the secondary market purchases account for 77%. From this, it can be seen that the programme has in fact been a great success. I have discussed with members of the banking

sector and many of them are aware of this programme. Perhaps more members of the public will be aware of this programme after the queries raised by Members today.

PRESIDENT (in Cantonese): Fifth question.

Land Grants for Private Clubs

5. **MISS CHOY SO-YUK** (in Cantonese): *Madam President, will the Government inform this Council:*

- (a) *of the criteria for determining whether or not government land should be granted at a nominal land premium to provide groups or organizations for use as clubs or clubhouses;*
- (b) *of the present number and names of groups or organizations which have been granted land according to the criteria in (a), as well as the size, premium per square foot at the current market value, and the term of the lease of the land concerned; and*
- (c) *whether it has plans to review such criteria for land grants?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President,

- (a) The grant of land for recreational and sports purposes (including clubhouse facilities) has a long history of about 100 years. The objective of this arrangement is to facilitate the promotion of sports and recreational pursuits by providing land to sports associations and non-profit-making bodies to develop sports and recreational facilities for the benefit of the community at large. When determining whether land grants would be given at nominal premium to organizations for recreational and sport purposes, the Administration will consider the following main factors:
 - (i) whether the applicant is a non-profit-making body;

- (ii) whether the applicant adopts a non-discriminatory membership policy; and
- (iii) whether the application is supported by the Home Affairs Bureau or other relevant Policy Bureaux.

Subject to availability of land, each application will be considered on its individual merits. Application will only be considered if the facilities proposed help facilitate relevant policies at that time.

- (b) A table showing the name of the organizations that have been granted land leases for such purposes, the location and area of the land involved, and their current lease term is at Annex. There are a total of 66 such leases. They can be broadly divided into four groups. The first group comprises 10 welfare organizations, including Po Leung Kuk, Tung Wah Group of Hospitals, and youth federations. In the second group are two civil servants' organizations. The third group comprises three uniformed groups, including The Scout Association of Hong Kong, Hong Kong Girl Guides Association and Hong Kong Sea Cadet Corps. The remaining are sports and recreational associations, including South China Athletic Association, Hong Kong Football Club, Tai Po Sports Association Limited, Hong Kong Sports Institute and Yuen Long District Sports Association Limited. Under the current policy, the normal term of these leases, if newly granted, is 21 years. These leases are renewable on a 15-year term. When their current term expires, they will be subject to the relevant criteria when the Administration considers their renewal applications. Besides, approval of renewal of such land grants is subject to there being no breach of existing lease conditions and subject to the site not being required for a public purpose. The grantees will also be required to accept a special condition for such land grant which requires the grantees to permit the use of the sites and specified facilities by outside bodies such as schools, welfare organizations and government-run recreational activities.

With regard to the current market value of the land concerned, such land leases are granted to non-profit-making bodies only and are

subject to very stringent conditions including specific uses, absolute prohibition against alienation. Hence, these land leases have no market value.

- (c) At present, the Administration does not have any plan to review the existing criteria for the grant of land for sports and recreational uses.

Annex

Leases Granted at Nominal Premium for Recreational Purposes

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|--|---|--------------------|----------------------------------|
| 1 | The Hong Kong Federation of Youth Groups | IL 8960 No. 55 Model Lane, North Point | 347.9 | 15 |
| 2 | The Scout Association of Hong Kong | IL 8691 Mansion Street, North Point | 471.2 | 15 |
| 3 | The Royal Hong Kong Yacht Club | ML 709 Kellett Island | 18 738.5 | 150 |
| 4 | Royal Hong Kong Yacht Club | RBL 1077 and Extension, Middle Island | 2 940.3 | 21 |
| 5 | Aberdeen Boat Club Limited | AIL 425 Shum Wan Road, Brick Hill | 2 276 | 15 |
| 6 | The Royal Hong Kong Golf Club | RBL 1117 Deep Water Bay | 66 500 | 15 |
| 7 | The Hong Kong Country Club | RBL 1129 Wong Chuk Hang Road | 21 090 | 15 |
| 8 | Hong Kong Cricket Club | IL 8783 No. 137 Wong Nai Chung Gap Road | 16 970 | 15 |
| 9 | Hong Kong Football Club | IL 8846 Sports Road, Happy Valley | 29 500 | 15 |

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|--|--|--------------------|----------------------------------|
| 10 | South China Athletic Association | IL 8850 Caroline Hill Road, So Kon Po | 32 480 | 15 |
| 11 | Chinese Recreation Club, Hong Kong | IL 8875 Tung Lo Wan Road | 16 490 | 15 |
| 12 | Craigengower Cricket Club | IL 8881 No. 188 Wong Nai Chung Road | 12 535 | 15 |
| 13 | Hong Kong Girl Guides Association | IL 8894 Wong Nai Chung Gap Road | 4 418 | 15 |
| 14 | Jardine's Lookout Residents' Association | IL 8895 No. 2 Creasy Road, Jardine's Lookout | 12 406 | 15 |
| 15 | Indian Recreation Club | IL 8900 Caroline Hill Road, So Kon Po | 11 857 | 15 |
| 16 | The Hong Kong Jockey Club | IL 8847 Sports Road and Wong Nai Chung Road | 92 000 | 40 |
| 17 | The Bishop of the Roman Catholic Church in Hong Kong | Lot 1318 Cheung Chau | 6 744.7 | 15 |
| 18 | Hong Kong Youth Hostels Association | Lot 188 DD 337 Lantau | 3 700 | 15 |
| 19 | Hong Kong Youth Hostels Association | Lot 235 Ngong Ping | 7 300 | 15 |
| 20 | Hong Kong Playground Association | Lot 667 DD 2 Mui Wo | 14 982.5 | 15 |
| 21 | Hong Kong Young Women's Christian Association | Lot 727 DD 332 San Shek Wan, Lantau | 10 780 | 15 |

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|---|---|--------------------|----------------------------------|
| 22 | Scout Association of Hong Kong | NKIL 5956 Kowloon Tong | 419.9 | 15 |
| 23 | The Kowloon Tsai Home Owners Association | NKIL 5961 Kowloon Tong | 5 716 | 15 |
| 24 | Kowloon Tong Club | NKIL 5989 Kowloon Tong | 8 886 | 15 |
| 25 | Area Committee of the Hong Kong Sea Cadet Corps | NKIL 6001 Diamond Hill | 2 462 | 15 |
| 26 | Mongkok District Cultural, Recreational and Sports Associated Limited | KIL 10724 J/O Ivy Street and Beech Street | 233 | 21 |
| 27 | Kowloon Bowling Green Club | KIL 11065 No. 123 Austin Road | 7 153 | 15 |
| 28 | South China Athletic Association | KIL 11071 No. 6 Wylie Path | 5 305 | 15 |
| 29 | Hong Kong Softball Association | KIL 11088 Tin Kwong Road | 8 360 | 15 |
| 30 | India Club, Kowloon | KIL 11095 No. 24 Gascoigne Road | 3 648 | 15 |
| 31 | The Filipino Club | KIL 11096 No. 10 Wylie Path | 2 812 | 15 |
| 32 | Municipal Services Staff Recreation Club Limited | KIL 11097 No. 4 Wylie Path | 4 394 | 15 |
| 33 | Club De Recreio | KIL 11098 No. 20 Gascoigne Road | 23 950 | 15 |

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|---|---|--------------------|----------------------------------|
| 34 | The Directors of the Young Men's Christian Association of Hong Kong | KIL 11105 Off Gascoigne Road | 3 107 | 15 |
| 35 | Hong Kong Chinese Civil Servants' Association | KIL 11048 No. 8 Wylie Path | 3 080 | 15 |
| 36 | Kowloon Cricket Club | KIL 11052 No. 10 Cox's Road | 25 100 | 15 |
| 37 | The Pakistan Association of Hong Kong Limited | KIL 11094 No. 150 Princess Margaret Road | 2 225 | 15 |
| 38 | Yau Yat Chuen Garden City Club Limited | NKIL 6042 Yau Yat Chuen | 5 903 | 15 |
| 39 | Scout Association of Hong Kong and Hong Kong Girl Guides Association | KCTL 391 Wo Yip Hop Road | 690 | 15 |
| 40 | Royal Hong Kong Yacht Club | Lot 341 DD 212 Che Keng Tuk | 5 800 | 21 |
| 41 | The Scout Association of Hong Kong | Lot 1131 DD 217 Pak Sha Wan | 2 405 | 15 |
| 42 | The Hebe Haven Yacht Club Limited | Lot 1138 and Extension DD 217 Pak Sha Wan | 9 550 | 15 |
| 43 | The Directors of the Chinese Young Men's Christian Association of Hong Kong | Lot 147 S.D.5 Sai Kung | 13 303.6 | 15 |
| 44 | Hong Kong Girl Guides Association | Lot 148 DD 250 Sai Kung | 2 508 | 15 |

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|--|--|--------------------|----------------------------------|
| 45 | The Clearwater Bay Golf and Country Club | Lot 227 DD 241 Po Toi O | 1 291 600.1 | 15 |
| 46 | Victoria Recreation Club | Lot 316 DD 252 Sai Kung | 14 100 | 15 |
| 47 | The Outward Bound Trust of Hong Kong Limited | Lot 590 DD 256 Tai Mong Tsai | 23 892.6 | 15 |
| 48 | Lau Wah Sum and Samuel Derek Oates as Trustees for the Area Committee of Hong Kong Sea Cadet Corps | Lot 611 DD 256 Sai Kung | 1 858.1 | 15 |
| 49 | Po Leung Kuk | Lot 613 DD 257 Pak Tam Chung | 48 035.8 | 15 |
| 50 | The Boys' and Girls' Club Association of Hong Kong | Lot 642 DD 257 Wong Yi Chau | 9 250 | 15 |
| 51 | The Directors of the Chinese Young Men's Christian Association of Hong Kong | Lot 75 DD 254 Sai Kung | 29 400 | 15 |
| 52 | The Hong Kong Jockey Club | STTL 13 Ho Tung Lau, Sha Tin | 682 300 | 15 |
| 53 | The Scout Association of Hong Kong | Lot 154 DD 195 Sha Tin | 36 600 | 15 |
| 54 | Hong Kong Amateur Rowing Association Limited | STTL 220 Yuen Wo Road, Sha Tin | 2 475 | 15 |
| 55 | The Scout Association of Hong Kong and The Hong Kong Girl Guides Association | STTL 272 Shui Chuen Au Street, Sha Tin | 9 549 | 15 |

| <i>Serial No.</i> | <i>Name of Holder</i> | <i>Lot No. and Location</i> | <i>Area (sq m)</i> | <i>Current Lease term (Year)</i> |
|-------------------|---|---------------------------------------|--------------------|----------------------------------|
| 56 | Hong Kong Sports Institute Board | STTL 277 No. 25 Yuen Wo Road, Sha Tin | 158 663.2 | 15 |
| 57 | Hong Kong Youth Hostels Association | TPTL 133 Tai Mei Tuk | 1 000 | 21 |
| 58 | The Duke of Edinburgh's Award Hong Kong | Lot 602 R.P. DD16 Lam Tsuen | 7 200 | 15 |
| 59 | Tai Po Sports Association Limited | TPTL 6 and Extension Area 4, Tai Po | 3 051.4 | 15 |
| 60 | Hong Kong Gun Club | TWTL 399 Chuen Lung, Tsuen Wan | 64 900 | 15 |
| 61 | Po Leung Kuk | Lot 2411 DD 118 Tai Tong | 64 803 | 21 |
| 62 | Hong Kong Girl Guides Association | Lot 1707 DD 122 Yuen Long | 2 076 | 15 |
| 63 | Tung Wah Group of Hospital | Lot 2321 DD 96 Ma Tso Lung | 49 220 | 15 |
| 64 | Community Sports Limited | Lot 2322 DD 96 Ma Tso Lung | 18 930 | 15 |
| 65 | Yuen Long District Sports Association Limited | YLTL 160 Yuen Long | 667 | 15 |
| 66 | The Hong Kong Golf Club | Lot 942 RP in DD 94 Sheung Shui | 1 706 176 | 21 |

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that one of the main factors considered by the Administration in determining whether land grants would be given was whether the applicant had adopted a non-discriminatory membership policy. Nevertheless, we can see from the table that many organizations, such as the*

Royal Hong Kong Yacht Club, the Royal Hong Kong Golf Club, the Hong Kong Country Club and the Hong Kong Jockey Club which have been granted government land for such purposes, are charging their members exorbitant membership fees, with some being even as high as one million dollars or more. For instance, if a person wishes to become a member of the Hong Kong Jockey Club, he has to be acquainted with some relevant persons and can only gain the membership through such personal connections. In other words, only the very rich may afford to join these clubs. May I ask whether this is discriminatory? May I ask why the Secretary considers the membership policies of these clubs non-discriminatory?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, under a non-discriminatory membership policy, the priority of a person who applies for membership of a certain organization should not be affected on the grounds of race, religion, sex or other forms of discrimination. The only exception is that a certain sports association may give priority to a person who would take part in sports games for the club, that is, that person has achieved a certain level in a certain sport and may even represent the association and win prizes for the association. Another exception is that a debenture holder who proposes to change the nomination of a member may be granted priority in his membership application. Besides, the provision of memberships should not carry any racial, sexual or religious discrimination. In order to ensure the acceptance of these non-discriminatory membership policies, private clubs or applicants should, in submitting their land grant applications, prove that there is no discriminatory element in the enrollment provisions in their memorandum and articles of association.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary has not explained why the policy, which only grants membership to the rich instead of the penniless, should not be considered discriminatory.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the differences in membership fees or other charges of private clubs are subject to the provision of facilities, the service level and the types of sports activities of different clubs. However, all of them would make use of the funds and

resources in the development, management and provision of facilities. Therefore, the level of various charges set by each club should be acceptable to its members and users. All along, the Government has not interfered with the fees and charges of private clubs. But as all new applicants are non-profit-making independent bodies, we therefore expect the level of charges set by the relevant organizations for the use of services and facilities should be acceptable to the public.

MR LEUNG FU-WAH (in Cantonese): *Madam President, the Secretary mentioned in part (a)(iii) of the main reply that one of the considerations was whether the application was supported by the Home Affairs Bureau or other relevant Policy Bureaux. May I ask the Secretary whether another consideration would be added, such as whether employees of these organizations are given fair treatments insofar as their rights are concerned? Madam President, I would like to cite an example to illustrate my supplementary. With regards to the Hong Kong Golf Club, which is shown in item 66 in the table in the Annex of the main reply and which has been established for 21 years and occupies over 1.7 million sq m of land, over 10 accidents of caddies sustaining serious injuries have happened in the past five years, but the injured caddies have never received any pecuniary compensation. Accordingly, if the relevant policy is reviewed in the future, will the Administration consider adding the above-mentioned factor before determining whether approval should be granted and support given?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, we will take the circumstances of each applicant into consideration. The Bureau has to take many factors into consideration, such as whether the organization is a non-profit-making body, whether it represents broad sections of the public, the membership system, the objects of the applicant, and whether the proposal is of value and long-term benefit to the promotion of sports and recreational activities among the public. Since every sports association has to make use of part of the resources for the development of its own business, therefore the financial viability, financial strength and administrative competence of the applicant would be the criteria for land grants and renewal of land lease under consideration. As for the internal operation mentioned by Mr LEUNG Fu-wah, we would also take it into consideration, but it will not be the only factor of our consideration.

MR LEUNG FU-WAH (in Cantonese): *Madam President, the Secretary has not answered my supplementary. Of course internal management is one thing, but the accidents actually took place and caddies did sustain head or mouth injuries. The Policy Bureau cannot possibly not consider such incidents of unfairness.*

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

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

MR MA FUNG-KWOK (in Cantonese): *Madam President, how does the Government define sports and recreational purposes? I have raised this supplementary because I wish to know whether the Government adopts the same criteria to process applications made by other bodies, such as cultural bodies.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, sports and recreational purposes mean purposes in relation to the training of the body and mind of the general public, which include popular sports activities and the relevant facilities. At present, the purpose by the name of cultural facility is not in place yet.

PRESIDENT (in Cantonese): Mr MA Fung-kwok, has your supplementary not been answered?

MR MA FUNG-KWOK (in Cantonese): *Madam President, will the Government consider future applications made by cultural bodies on the same principle?*

PRESIDENT (in Cantonese): I am sorry, Mr MA Fung-kwok, as your supplementary did not include this part, you are not allowed to raise your follow-up.

MR ANDREW CHENG (in Cantonese): *Madam President, I am very much disappointed by part (c) of the main reply. We can see from the Annex that most of the 66 clubs are private clubs and their membership fees are exorbitant, therefore it would be very difficult for the common people to afford the membership fees and use those facilities. At present, although the Government is facing immense fiscal deficits, it still gives privileges to private clubs and treats those affluent members generously at the expense of the Government by means of granting government land to private clubs at nominal premium. I am really baffled. Can the Secretary tell us why the criteria cannot be reviewed under the current circumstances as the Government is facing enormous fiscal deficits?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, applications for land grants or renewal of leases are subject to a special condition which requires the grantees to permit the use of the sites and specified facilities by outside bodies. In the past three years, the Leisure and Cultural Services Department (LCSD) has co-hosted 59 contests and 1 039 training courses with various national sports associations in the facilities and sites provided by 10 private recreational bodies and clubs. Private clubs are required to set time slots for the public to use their sites and facilities.*

MR ANDREW CHENG (in Cantonese): *Madam President, of course the Bureau and LCSD would follow these matters up and see whether these sites are open to the public, but the core of my supplementary is: As most of the members of these clubs have actually paid a lofty sum of membership fees, I believe if they were asked, they would probably not mind the proposal of asking the clubs to pay the Government a certain percentage of the land premium of the clubs as one of the measures to increase government revenue to resolve the immense fiscal deficits. Can the Government explain why it briefly stated in part (c) of the main reply that it had no plan to review the policy in that respect?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, I have explained in part (a) of my main reply that the applicant should be a non-profit-making body, and all of the charges and fees collected by a non-profit-making body will be used for internal operation purposes and the provision of facilities to its members.*

DR TANG SIU-TONG (in Cantonese): *Madam President, it is stated in part (a) of the main reply that the grant of land was for clubhouse facilities purpose. In this connection, how should the Government monitor the financial position of these clubs? For example, a lot of improper cash transactions were found in the past in relation to the operation of temples, therefore, will the Government monitor these situations?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, certain criteria should be met in the applications for land grants or renewal of leases. That is, the grantee is obliged to submit a detailed report of the recreational facilities of the sites concerned as required by the Secretary for Home Affairs. Moreover, internal matters concerning membership, memorandum and articles of association and so forth have to be submitted to the Secretary for Home Affairs for examination. If there is a need to amend the articles of association or any specific circumstance arises, prior approval of the Director of Lands should be sought. Therefore, these grantees are certainly subject to supervision.

DR TANG SIU-TONG (in Cantonese): *Madam President, I asked if the Government would monitor their financial position.*

PRESIDENT (in Cantonese): Secretary, it is about financial position.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as far as financial position is concerned, if the relevant club goes bankrupt or becomes a profit-making body, the authority shall have the right to examine its articles of associations and financial position.

PRESIDENT (in Cantonese): This Council has spent more than 16 minutes on this question. This is the last supplementary question.

MR ALBERT CHAN (in Cantonese): *Madam President, among the 60-odd organizations listed in the Annex, with the exception of some being welfare organizations which will organize activities for public participation, the rest of them are mostly organizations for the well-off or idle rich, and apparently, the grant of land is subsidizing the pleasure-seeking affluent people at the expense of the public. Given that most of the people are living in destitution today, should such a policy be reviewed? Should such a land grant policy with a strong tone of colonialism be reviewed too?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, the grant of land for recreational and sports purposes has a long history of about 100 years, and the practice of granting government land for such purposes can be traced back as early as the year 1884. Therefore, the lease terms of some of the granted land are quite long. We conducted a review in 1979, and the current policy was formulated after the 1979 review, and it has been serving the community at large well. Should there be a need in society, we would surely listen to public voices.*

PRESIDENT (in Cantonese): Last oral question.

Arrangements for Legislative Council Functional Constituencies Elections

6. **MS EMILY LAU** (in Cantonese): *Madam President, under the Basic Law, the Legislative Council in the third term to be formed in 2004 will continue to comprise 60 Members, with half of them returned by functional constituencies (FCs). In this connection, will the executive authorities inform this Council:*

- (a) *of the planned timing for consulting the public on the arrangements for Legislative Council FCs elections, including the delineation of functional sectors, eligibility of electors and voting methods; and*
- (b) *whether they will consider changing the eligibility criteria of functional sector electors with a view to enlarging the electorate, so as to tie in with the Administration's policy on a gradual and orderly democratization of the political system and to allow wider public participation in such elections?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, as regards part (a) of the question, since assuming office in July, I have been listening to the views expressed by various quarters on issues falling within the portfolio of constitutional affairs. Meanwhile, colleagues in the Constitutional Affairs Bureau are reviewing relevant arrangements for the 2004 Legislative Council elections, including matters relating to the FCs elections. Following completion of the review, in line with established practice, we will consult Members through the submission of proposals to the Legislative Council Panel on Constitutional Affairs. Our current plan is to put proposals to the Panel on Constitutional Affairs for discussion as soon as possible. We intend to do so during the first quarter of next year or earlier. The public and parties concerned are welcome to express their views on the proposals put forth.

As for part (b) of the question, we have no intention at this stage of making major changes to alter the electorate basis of the FCs for the 2004 Legislative Council elections. Our current thinking is that 30 seats of the third term Legislative Council should continue to be returned by the existing 28 FCs. However, we will make appropriate adjustments to the composition of the FCs having regard to the circumstances of individual constituencies. For example, where appropriate we will propose including in the relevant FCs bodies which were established in recent years and are considered to be representative of the relevant FCs, and deleting those which have ceased operation or become inactive.

MS EMILY LAU (in Cantonese): *Madam President, the Secretary has said that the Government has no intention at this stage of making major changes to alter the electorate basis of the FCs. The Administration has a policy on a gradual and orderly democratization of the political system, may I ask the Secretary how democratization will be achieved in a gradual and orderly manner? Given that elections in 10 out of 28 FCs are conducted in the "corporate electors" format and there are a total of only 175 000 electors from the 28 FCs, there is a significant difference between such an electorate and more than 3 million electors in geographical constituencies. Besides, many FCs have less than 200 electors, for instance, there are 148 electors in the Heung Yee Kuk, 167 in the Agriculture and Fisheries FC, 181 in the Insurance FC, 153 in the Transport FC, 182 in the Finance FC*

PRESIDENT (in Cantonese): Ms LAU, please come to your supplementary question direct.

MS EMILY LAU (in Cantonese): *Would the Secretary inform this Council how these coterie elections within coterie elections can be abolished in a gradual and orderly manner?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, my response to the supplementary question raised by Ms Emily LAU is as follows.

The provisions of the Basic Law have two important aspects. Firstly, the method for the formation of the Legislative Council shall be specified in the light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress. Secondly, the ultimate aim is the election of all the Members of the Legislative Council by universal suffrage. We have already increased the number of seats directly returned by geographical constituencies from 20 seats in the first term to 24 seats in the second term, and the number would further increase to 30 seats in the third term embodying the principle of gradual and orderly progress. Various trades and professions have voices and representatives in our legislature through FCs, reflecting the actual situation of Hong Kong and the spirit of the Basic Law.

Ms Emily LAU obviously has her political opinions on FCs, but I actually think that there are two very important points about FCs. First, FCs actually comprise many people of talents. Back in the mid-1980s, Mr Martin LEE from the legal FC and Mr TAM Yiu-chung from the labour FC were elected. Madam President, Mrs Selina CHOW from the wholesale and retail FC was more recently elected and she is now Chairman of the House Committee of the Legislative Council. Second, Members from different FCs make practical efforts for Hong Kong and uphold the interests that they and their sectors regard as the overall interests of Hong Kong. Therefore, though the opinions of the Government may not necessarily be the same as theirs, they have very evidently worked very hard for Hong Kong. For example, Mr Henry WU has continuously reminded the Government that it should postpone the abolition of the system of minimum brokerage. For many years, Mr CHEUNG Man-kwong has advocated that we should substitute training for language proficiency assessment. Mrs Selina CHOW and Mr Howard YOUNG have endeavoured to promote the development of the tourism industry, and there has been evident growth in the tourism industry even after the financial turmoil. Mr Tommy CHEUNG has continuously reminded us that the scope of non-smoking zones

should not be expanded to all food premises. Over the past few years, Mr IP Kwok-him has reflected the views of grass-roots members, fought for the interests of District Councils and an increase in the number of seats. In respect of District Councils, I wish to say that though Mr IP Kwok-him was indirectly elected through District Councils, he has an electorate basis of a million electors. Ms Emily LAU has just mentioned that there are only some 140 electors in the Heung Yee Kuk, but we are currently working out a bill on rural election, and when the bill is enacted, the electorate base will comprise 460 000 indigenous and non-indigenous residents.

Every FC has its characteristics and represents various trades, professions and all walks of life. Summing up, I think that FCs serve specific functions and reflect the spirit of the Basic Law.

MS CYD HO (in Cantonese): *Madam President, the spirit of the Basic Law does not support coterie elections. Actually, Article 39 of the Basic Law specifies that the provisions of the International Covenant on Civil and Political Rights apply to Hong Kong. It is stated in the Covenant that elections shall comply with the principle of universality and equality. This principle can be implemented in FCs and there can be a very large electorate basis. Would the Secretary inform this Council how long Hong Kong will continue to contravene the principle of universal and equal elections and when it will be willing to come back to the right track?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, the election system of Hong Kong fully complies with the relevant provisions of the International Covenant on Civil and Political Rights as applied to Hong Kong. In fact, the Court examined the question raised by Ms Cyd HO in 1995 and confirmed at that time that FC elections were consistent with the Hong Kong Bill of Rights Ordinance. As Ms Cyd HO has referred to FC elections again, I can only reiterate that FC elections in Hong Kong are consistent with the Basic Law and the fundamental interests of Hong Kong.

PRESIDENT (in Cantonese): Mr NG Leung-sing Excuse me, Mr NG Leung-sing. Ms HO, has your supplementary question not been answered?

MS CYD HO (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I have not asked if FC elections are consistent with the Basic Law, but how long the Government will continue to contravene the principle of universal and equal elections under the International Covenant on Civil and Political Rights. Of course, I know that it is stipulated in the Basic Law that it shall be implemented through the laws of Hong Kong, but*

PRESIDENT (in Cantonese): Excuse me, Ms HO, I must interrupt you. I think the Secretary has already answered your supplementary question, but you are not satisfied with his answer.

MR NG LEUNG-SING (in Cantonese): *Madam President, in respect of FC elections, has the Government delineated functional sectors that are more effective in respect of the economy and people's livelihood or are very helpful to the Gross Domestic Product? For instance, will such functional sectors as the logistics industry which is currently very important or biotechnology and high technology industries that are useful to Hong Kong, especially in respect of the economy and people's livelihood, be included in the FCs to elect their representatives?*

PRESIDENT (in Cantonese): Excuse me, Mr NG Leung-sing, how is your supplementary question related to the main reply of the Secretary?

MR NG LEUNG-SING (in Cantonese): *Madam President, I wish to raise a supplementary question on the electoral arrangements as stated in the main question.*

PRESIDENT (in Cantonese): Thank you, Mr NG Leung-sing.

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I would like to thank Mr NG for his question. The overall proposal and ideas about the third term of the Legislative Council are basically based on the existing mode of having 30 seats returned by 28 FCs. We will certainly

continue to consider and look into the contribution made by high technology and other sectors to our economy, but as it stands, we will not make major changes to the 30 seats and we will only make minor adjustments to the functional sectors.

I would like to say in passing that the 30 seats returned by FCs actually represent the professional sector and many service industries in Hong Kong and latter accounts for over 80% of the Gross Domestic Product of our economy. The four major areas of finance, logistics, tourism and professional services in trade and industry also account for over 50% of our Gross Domestic Product. Therefore, the existing FCs can really represent the overall interests of various trades, professions and walks of life in Hong Kong.

MR MICHAEL MAK (in Cantonese): *Madam President, I am somehow sad that the Secretary has not mentioned my name though he has spoken for so long. (Laughter) My voice should be representative because I belong to the second largest FC. I feel that my views carry little weight, (laughter) and I hope the Secretary will understand that I represent the Medical and Health Care FC comprising some 300 000 electors. I am quite representative and I have all along expressed my views*

PRESIDENT (in Cantonese): Mr MAK, I know that you are quite representative. *(Laughter)*

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary has stated in the second paragraph of his main reply that bodies which have ceased operation or become inactive would be deleted and I am very worried about that. How does the Secretary define the so-called "inactive" bodies? What principle would be employed in deleting the relevant bodies?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, first of all, I have to reiterate that I have earlier cited the names in random. They are examples of some outstanding figures. It is an indisputable fact that there are many electors in the FC to which Mr Michael MAK belongs.

Deleting bodies which have ceased operation or become inactive is a very simple procedure. We will delete bodies registered as corporates that have ceased operation and bodies which originally had many members but may not have any now. Colleagues of different Policy Bureaux and departments will maintain frequent contact with these bodies and monitor whether they continue to operate, and the relevant situation is obvious. After we have introduced a bill on the elections in 2004, we will have a chance to consider the relevant matters with Members in the Panel on Constitutional Affairs.

MR ANDREW CHENG (in Cantonese): *Madam President, the Secretary for Constitutional Affairs is the youngest Bureau Director and I hope that he will achieve something in regard to democratization and liberalization. However, I am very disappointed that the Secretary has stated in the second paragraph of his main reply that the Government has no intention of making major changes to alter the electorate basis of the FCs, and with the rather agitated reply he has just made. Madam President, I joined the Legislative Council in 1995 and I came from a new FC with 170 000 electors from the finance, insurance, business services and real estate sectors. The thrust of the present problem is how to enlarge the electorate basis with due regard for the provisions of the Basic Law and the fact that FC elections will still be held in 2004. For instance, there should be representatives of front-line workers of the finance and business services sectors in the Legislative Council, but there are not such representatives now. Why can the Secretary not conduct another review on this respect in relation to the 2004 elections? Why could a review be conducted in the past but not now?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, my reply is that the 2004 Legislative Council elections will be the last elections before 2007. We intend to continue to adopt the system for delineating the eligibility of electors that has been accepted by various FCs through the years. In regard to the composition of FCs, whenever an additional FC is included, the size of the electorate is actually determined on the basis of the actual situation of the sector. No FC has so far suggested making fundamental changes to the delineation of its electors. Thus, we will deal with the increase or decrease in the number of electors for the 2004 FC elections according to the existing principle.

MR IP KWOK-HIM (in Cantonese): *Madam President, I am a Legislative Council Member returned by a FC election, and as a representative of District Council members, I take pride in this. Moreover, I think that my electors have a broad opinion basis.*

The Secretary has stated in the second paragraph of his main reply that where appropriate the Government will propose including in the relevant FCs bodies which were established in recent years and are considered to be representative of the relevant FCs. Can the Secretary provide this Council with information on the nature of these bodies and whether a large number of such bodies will be included?

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, we will give the Panel on Constitutional Affairs a detailed account of the relevant matters when we introduce a bill on the 2004 elections. I can give some examples now. For instance, over the past few years, the logistics industry sector has established many associations and whenever we have to deal with transport and transportation problems in respect of logistics, many such associations will reflect their views to the Policy Bureaux and departments. Some newly established associations have volunteered their services to government departments and proposed whether they can have a representative vote in elections. We will take note of happenings in society and conduct a review on the situation of each sector.

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

DR YEUNG SUM (in Cantonese): *Madam President, the main reply of the Secretary is divided into two paragraphs. The relevant arrangements for the 2004 Legislative Council elections are stated in the first paragraph and it is also stated that the Government will submit consultation documents or proposals to the Legislative Council in the first quarter of next year or earlier. But, now that the Secretary has indicated that a review will be conducted on the Legislative Council FC elections, why has he stated in the second paragraph that the Government has no intention of making changes to alter the electorate basis of FCs? Why does it not listen to public opinion as well? Perhaps public opinion will ultimately support the brilliant remarks just made by the Secretary.*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, after putting forward proposals for the 2004 Legislative Council elections, we will still listen to the views expressed by Members on direct elections and FCs, but I have noted that the 30 existing FCs accept and support the system that has been running for many years. Therefore, we think that it is appropriate to increase or delete certain bodies on the basis of the opinions we have received over the past few years. Putting it simply, we will continue to work according to the principles of the Basic Law.

PRESIDENT (in Cantonese): Question time ends here.

WRITTEN ANSWERS TO QUESTIONS

Broadcasting Television Programmes of CCTV in Hong Kong

7. **MR LEUNG FU-WAH** (in Chinese): *Madam President, China Central Television (CCTV) in the Mainland is the national television station and its channels can be watched in most areas in the Mainland. Up to the present, however, residents in the Hong Kong Special Administrative Region, which is part of the nation, fail to watch the respective CCTV channels. In this connection, will the Government inform this Council:*

- (a) *of the reasons for the failure of Hong Kong residents to watch the CCTV channels and whether it is related to the operation rights under the existing television licences; if so, whether the Administration will consider amending the relevant legislation so that Hong Kong residents may watch the television programmes of CCTV channels;*
- (b) *whether it has received any application or request from CCTV to broadcast its television programmes in Hong Kong; if so, whether the Administration has discussed the matter with the relevant authorities in the Mainland or CCTV, the details of the discussion and the results thereof; and*
- (c) *whether it will consider broadcasting television programmes of some of the CCTV's channels through Radio Television Hong Kong for*

viewing by Hong Kong people; if so, of the details; if not, the reasons for that?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President,

- (a) At present, Hong Kong viewers can receive CCTV programmes through different means. Under the existing "open sky" policy, Hong Kong residents can receive any free-to-air satellite television programmes available for reception by the public at their own discretion. Since CCTV channels 1, 2, 4, 7, 9, 10, 11 and 12 are free-to-air channels, Hong Kong residents can receive these channels through a satellite master antenna television system in a multi-storey building, or through a television receive only system (that is, a "dish" antenna for the use by a single household only). In addition, the pay cable television service provided by the Hong Kong Cable Television Limited includes CCTV channels 4 and 9. Regarding the domestic free television programme service, Asia Television Limited currently broadcast CCTV programmes on its Chinese channel on a regular basis.

Neither the Broadcasting Ordinance nor the television programme service licence has restrictions on a licensee regarding the broadcast of programmes of a particular television station or programme provider. As such, there is no need to amend relevant legislation or terms of the licence.

- (b) The Government has not received any application or request from CCTV to broadcast its television programmes in Hong Kong.
- (c) As Radio Television Hong Kong does not have its own television channels, it is not in a position to re-broadcast CCTV television programmes.

Development of Precast Concrete Structure Manufacturing Industry

8. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, in order to increase the employment opportunities of local construction workers and reduce*

construction waste, some people in the trade have suggested developing precast concrete structure manufacturing industry in Hong Kong. In this connection, will the Government inform this Council:

- (a) of the major places of origin of precast concrete structures used in public and private construction works at present;*
- (b) whether it has plans to provide tax and land concessions to attract enterprises to set up precast concrete structure production plants or casting yards in Hong Kong; if so, of the details; if not, the reasons for that; and*
- (c) whether it has plans to assist the trade in conducting research and testing on the production of precast concrete structures with recycled construction waste, so as to reduce production cost and construction waste; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT TRANSPORT AND WORKS

(in Chinese): Madam President,

- (a) At present, the major place of origin for precast concrete structures used in public and private construction works is Guangdong Province.
- (b) Hong Kong maintains a low, simple and predictable tax regime. The Government levies the same tax to all business sectors, providing a low-tax environment and a level playing field. At this stage, it has no plan to provide tax concession exclusively for precast concrete structures. In preparing the annual Budget, the Government will follow the established practice to review the various types of tax.

On land policy, the Government is committed to providing adequate land to meet market needs, support infrastructural development and facilitate the steady development of property market. The existing land grant arrangement provides a fair competition and open mechanism for attracting local and overseas investors to develop their business in Hong Kong.

If a plan proposes the production of precast concrete structures in Hong Kong in order to create employment opportunities, full justification must be given with regard to the particular circumstances of the individual proposal. The Government will study the feasibility of the proposal.

- (c) In order to facilitate and assist local enterprises in conducting research and promote future development projects, the Government set up the Innovation and Technology Fund in 1999 to fund such projects. As the funding is not restricted to a particular enterprise, applications may also be made for funding projects relating to construction industry and environmental protection. Since the establishment of the Fund, one application has been received for funding a project to produce precast concrete structures with recycled construction and demolition (C&D) waste. The project is a co-operation scheme between a university and an enterprise.

The Government is also committed to promoting wider use of recycled C&D materials in public works projects. In conjunction with the Hong Kong Polytechnic University, we are studying the feasibility of using recycled C&D materials in lieu of virgin aggregates in producing pre-cast concrete paving blocks. *In situ* tests are also being conducted to ascertain the long-term performance of such paving blocks. The study and the tests are scheduled for completion in June 2003. Subject to satisfactory results, such paving blocks will be more widely used in public works projects.

Development Project at Ngong Ping

9. **MISS CHOY SO-YUK** (in Chinese): *Madam President, the Po Lin Monastery (the Monastery) on Lantau Island, dissatisfied with the Government's tourism development project at Ngong Ping, had announced its plan to "seal off" the Monastery and the Big Buddha. It was only after negotiations between the Government and the Monastery that the plan was subsequently dropped. In this connection, will the Government inform this Council:*

- (a) *of the causes of the incident and whether an assessment has been made to find out who should be held responsible for the incident; if so, of the assessment results;*
- (b) *of the criteria used in striking a balance between developing tourism and protecting religious culture when formulating the development project in Ngong Ping; and*
- (c) *how it will improve the existing procedures for vetting and approving government development projects, so as to prevent the recurrence of similar incidents?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President,

- (a) The Monastery is concerned about whether their objections submitted to the Town Planning Board regarding the draft Ngong Ping Outline Zoning Plan (the draft OZP) would be taken into consideration. They are also concerned that any planning decision might affect land administration and management of the government land in front of the Monastery. The Government has been in dialogue with the Monastery on these issues. Both parties confirmed the objective to preserve the tranquility and religious setting of Ngong Ping, and have further agreed to continue the dialogue on issues regarding the management of the proposed piazza in front of the Monastery, access to the Monastery and emergency vehicular access.
- (b) Preservation of the natural environment of Ngong Ping and its religious setting is an important consideration as we take forward the development of the cable car project and tourism developments at Ngong Ping. Developments in the area, apart from having to meet relevant statutory requirements, must also complement the natural environment of the area in such aspects as land use, design, development density and building height.
- (c) In planning for the developments at Ngong Ping on Lantau, the Government has maintained a dialogue with relevant bodies and

local organizations, including the Monastery. We have taken into account the views expressed before drawing up the development framework for the cable car project and the complementary facilities. The preparation of the draft OZP will provide the statutory basis for the overall land use planning for the area. The Town Planning Board will hear the objections received in the next two months in accordance with the established procedures before coming to a decision. In taking forward various tourism development projects, the Administration will continue to maintain a dialogue with and listen to the views of relevant bodies to jointly promote tourism development in Hong Kong.

Non-emergency Ambulance Transfer Service of Hospital Authority

10. **MR MICHAEL MAK** (in Chinese): *Madam President, it has been reported that the 300 or so Hospital Authority (HA) staff who provide non-emergency ambulance transfer service (NEATS) work overtime for 20 000 hours a year. To compensate them for their overtime work, the HA pays out \$2 million a year rather than grants time-off to them. In this connection, will the Government inform this Council of:*

- (a) *the operational information of the NEATS of each public hospital, including the size of its fleet, the respective numbers and terms of employment of its full-time and part-time ambulance staff, as well as its management staff;*
- (b) *the existing remuneration levels of the full-time and part-time ambulance staff;*
- (c) *the maximum number of patients which an ambulance can carry per trip;*
- (d) *the reasons for the ambulance staff having to work 20 000 hours overtime a year; and*
- (e) *the demand for the NEATS over the past three years; and the monthly average number of patient trips made by such service last year?*

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

- (a) The NEATS of the HA mainly provides transfer service to those geriatric day hospital patients, specialist out-patient clinic patients, patients requiring transfers between public hospitals and patients discharged from public hospitals, who require special assistance and support during the transfers. The NEATS is operated on cluster basis. The number of NEATS vehicles and the staff mix in each of the seven clusters are shown below:

| Cluster | Full-time Staff | | | | Part-time Staff | |
|---------------------------------|--------------------------|--------------------------------|---|---|---------------------------------|---------------------------------|
| | Number of Vehicles | Senior Foreman [#] | Patient Transfer Assistant [#] | Patient Transfer Attendant [#] | Technical | General |
| | | | | | Services | Services |
| | | | | | Assistant (TSA) [#] | Assistant (GSA) [#] |
| Hong Kong West | 17 | 1 | 16 | 20 | 4 | 2 |
| Hong Kong East | 15 | 1 | 20 | 18 | 1 | 1 |
| Kowloon West | 9 | 1 | 12 | 16 | - | - |
| Kowloon Central | 15 | 1 | 14 | 19 | 4 | 3 |
| Kowloon East | 20 | 1 | 17 | 17 | 7 | 10 |
| New Territories East | 21 | 1 | 18 | 22 | - | - |
| New Territories North and South | 28 | 2 | 38 | 44 | - | - |
| Total | 125 | 8 | 135 | 156 | 16 | 16 |

Note [#] Senior Foremen are responsible for managing the day-to-day operation of the NEATS services for the respective clusters. The duties of Patient Transfer Assistants and TSA include driving the NEATS vehicles.

In general, the full-time staff of the NEATS are employed by the HA as permanent staff while the part-time staff are hired either on monthly or hourly rate basis. Full-time permanent staff of the HA are entitled to basic salary, monthly cash allowance, and other fringe benefits (such as provident fund, annual leave, free medical out-patient and hospitalization benefits and home loan interest subsidy) while part-time staff are entitled to basic salary and other statutory benefits, including provident fund.

- (b) The monthly basic salaries of Senior Foreman, Patient Transfer Assistant and Patient Transfer Attendant are \$17,220 to \$20,150, \$11,115 to \$13,530 and \$9,200 to \$11,230 respectively. Part-time TSA and GSA are either paid on a monthly or hourly basis. The salary range of part-time TSA is \$10,000 to \$15,000 per month or \$52 to \$76 per hour, while that of part-time GSA is \$6,000 to \$10,000 per month or \$32 to \$52 per hour.
- (c) Most of the NEATS vehicles are 12-seater vehicles. As two to three NEATS staff have to be stationed on a vehicle, on average each vehicle can transfer for each trip five to eight patients together with their accompanying family members. In this connection, there are a number of factors which limit the ability of the NEATS vehicles to operate at full capacity for each trip. Given the mismatch between patients' demand for the NEATS and the availability of the NEATS vehicles to meet such demand, there is a need to strike a balance between operating at full capacity as against prolonged waiting time for the service by patients and/or excessively long travelling time for patients using the service. Also the service has to be so operated to ensure that patients can make the medical appointment on a timely basis.
- (d) The HA has been adopting flexible and cost-effective measures to meet the operational needs of the NEATS, including employing part-time staff, adopting flexible shift arrangements for duty staff and improving operational flow. In general, the deployment of staff to work overtime is operationally more flexible than to employ additional part-time staff to cope with the fluctuating service demand. The HA management will, as far as possible, provide the staff concerned with compensation leave for their overtime work. Overtime allowance will only be granted when compensation leave cannot be arranged within a reasonable period of time because of operational reasons.

During October 2001 to September 2002, NEATS staff worked a total of about 20 000 hours overtime, amounting to about 3% of their total work hours in the 12-month period. About 50% of the overtime hours were compensated by overtime allowance and the total overtime allowance paid was about \$900,000. The main reasons for the NEATS staff to work overtime include:

- (i) unexpected increase in the number of patients discharged from hospitals or requiring transfer between hospitals who require the NEATS;
 - (ii) traffic congestion and other unexpected traffic conditions;
 - (iii) unanticipated leave or sick leave of duty staff;
 - (iv) unexpected delay in patients' return trips from specialist out-patient clinics and day hospitals; and
 - (v) long distance transfers, such as transfers to and from Lantau Island, the airport, or border restricted areas.
- (e) Over the years, the number of NEATS patients transferred per year has doubled since the transfer of the NEATS from the Fire Services Department to the HA in 1994. The number of patients transferred by the NEATS in the past three years is shown below:

| <i>Financial Year</i> | <i>Number of patients transferred</i> |
|-----------------------|---------------------------------------|
| 1999-2000 | 433 964 |
| 2000-01 | 440 792 |
| 2001-02 | 456 004 |

In 2001-02, the average number of NEATS patient trips per month was about 38 000.

Information on MTR Lines

11. **MR FREDERICK FUNG** (in Chinese): *Madam President, will the Government inform this Council whether it knows the respective operating costs per kilometre (km), daily fare revenue, average patronage per hour and maximum carrying capacity per hour of the MTR Island Line, Tsuen Wan Line, Kwun Tong Line, Tung Chung Line and the Airport Express over the past three years?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, as the MTR system is an integrated system operating five Urban Lines* and the Airport Express Line, the operational cost figures available are based on the system as a whole. In addition, as passengers can interchange between different Lines, the statistics on daily fare revenue and average patronage per hour can only be separated between the Urban Lines and the Airport Express Line.

The available information is as follows:

(i) Operating costs per km

| | 1999 | 2000 | 2001 |
|---|---------|---------|---------|
| Total car km operated (in thousands) | 114 098 | 111 756 | 116 209 |
| Railway operating costs (per car km operated) | \$27.3 | \$26.8 | \$24.5 |

(ii) Daily fare revenue

| <i>Rail Lines</i> | 1999 | 2000 (\$ million) | 2001 |
|----------------------|------|----------------------|------|
| MTR Lines | 14.2 | 14.1 | 14.1 |
| Airport Express Line | 1.2 | 1.5 | 1.5 |

(iii) Average patronage per hour

| <i>Rail Lines</i> | 1999 | 2000 (Number of passengers) | 2001 |
|----------------------|---------|--------------------------------|---------|
| MTR Lines | 120 211 | 117 895 | 117 421 |
| Airport Express Line | 1 526 | 1 474 | 1 316 |

* Before the commencement of operation of Tseung Kwan O Line in August 2002, there were four MTR Urban Lines which include Tsuen Wan Line, Kwun Tong Line, Island Line and Tung Chung Line.

(iv) Maximum carrying capacity per hour

The maximum carrying capacities of the various Lines remained unchanged during the past three years as follows:

| <i>Rail Lines</i> | <i>Maximum Carrying Capacity per hour per direction (Number of passengers)</i> |
|---|--|
| Tsuen Wan Line | 85 000 |
| Island Line | 85 000 |
| Kwun Tong Line | 85 000 |
| Tung Chung to Tsing Yi section of Tung Chung Line | 13 000 |
| Tsing Yi to Hong Kong section of Tung Chung Line | 26 000 |
| Airport Express Line | 2 300 |

Increasing Interconnection of Electricity Supply Systems of Two Power Companies

12. **MR FRED LI** (in Chinese): *Madam President, the technical study, commissioned in February 2001, on increasing the interconnection of the electricity supply systems of the two power companies was completed in mid-2002. In this connection, will the Government inform this Council:*

- (a) *of the reasons for not having released the results of the above study so far;*
- (b) *of the specific findings of the study; and*
- (c) *whether it has arrived at a conclusion on the feasibility of increasing the interconnection of the electricity supply systems; if so, of the conclusion; if the conclusion is that such interconnection is not*

feasible, of the justifications, and if no conclusion has been arrived yet, of the anticipated time when a conclusion may be reached?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, my reply to the three parts of the question raised by the Honourable Fred LI is as follows:

(a) and (b)

With regard to the technical feasibility of increasing interconnection of the electricity supply systems of the two power companies, the Director of Electrical and Mechanical Services has commissioned a consultancy to study, *inter alia*, increased interconnection transfer capacity, system stability, load flow, routing, timing and issues relating to reliability of electricity supply. The Electrical and Mechanical Services Department is checking the technical information and data contained in the draft report. Some of the information and data obtained from the power companies will also need to be verified. As the consultants premised their study on these data, the study can only be completed after the information and data are verified.

(c) The consultancy study is confined to examining the technical feasibility, the new infrastructure required and how the existing supply systems would need to be adapted to increase interconnection. We expect this technical study to be completed by early 2003. We will brief the Economic Services Panel of the Legislative Council of the conclusion of the study then. Furthermore, interconnection involves more than technical issues. We would also need to consider related business, legal, investment, financial, liability and regulatory issues which are important and complex.

Human Resources of Applied Science and Technology Research Institute

13. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, regarding the Applied Science and Technology Research Institute (ASTRI), will the Government inform this Council if it knows:*

- (a) *whether the ASTRI, in the recruitment of Research and Development (R&D) Directors and other posts such as technicians, will accord priority of employment to non-local talents or offer them more favourable remuneration and conditions of service, so as to attract overseas R&D professionals to take up these posts in Hong Kong;*
- (b) *of the respective numbers of local and non-local technological researchers who are working in the ASTRI, broken down by the following profiles: the institutions from which they last graduated and the countries in which these institutions are located; their education levels (such as bachelor's degree, taught or research master's and doctor's degrees); and their length of service in the field of technological research; and*
- (c) *whether the ASTRI will draw up measures and plans for nurturing local researchers to reach the international level, so as to support and promote long-term development of local technological researches?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President,

- (a) In recruiting R&D staff, the ASTRI will invite applications through recruitment advertisements placed in local and overseas newspapers as well as on its webpage. Selection is mainly based on the merits of the applicants' academic qualifications and research experience.

The ASTRI adopts a uniform remuneration plan for both local and overseas staff. No matter whether the appointment is offered to candidates abroad or not, the remuneration is determined in accordance with the established mechanism. The ASTRI does not accord priority of employment to overseas professionals or provide them with more favourable remuneration in order to attract them to take up the posts in Hong Kong.

- (b) There are 78 R&D staff working in the ASTRI. Among them, 76 are degree holders: 32 from local universities, five from universities

in the Mainland and the remaining 39 from overseas universities, including those of the United States like Stanford University, Massachusetts Institute of Technology and the University of California at Berkeley, the Cambridge University of the United Kingdom and the University of Toronto of Canada. 44% of the R&D staff hold the master's degree and 26% hold the doctor's degree.

About half of the ASTRI's R&D staff have at least six years of experience in technological research. Five of them have been engaging in technological research for more than 20 years.

The education level and research experience of both ASTRI's local and non-local R&D staff are set out in detail in the Annex.

- (c) The ASTRI has adopted the following measures to enhance the capability of local researchers and support the long-term development of local research activities:
 - (i) promoting team spirit to enable exchange of academic ideas and experience. Overseas professionals recruited to work in Hong Kong can thus share their experience with local R&D staff;
 - (ii) encouraging R&D staff to enhance themselves by participating in science and technology conferences held overseas;
 - (iii) organizing regular seminars and inviting senior university professors to speak on the latest development in science and technology or technological inventions or discoveries in other countries, so as to keep the staff updated ; and
 - (iv) providing local university students with training opportunities in technological research in summer vacation.

Annex

Education Background and
Research Experience of Existing R&D Staff in ASTRI

(A) Institution last attended by the R&D staff

| <i>Institution last attended</i> | <i>Number of staff</i> |
|--|------------------------|
| Hong Kong | |
| The University of Hong Kong | 4 |
| The Chinese University of Hong Kong | 13 |
| Hong Kong University of Science and Technology | 7 |
| City University of Hong Kong | 2 |
| Hong Kong Baptist University | 4 |
| The Hong Kong Polytechnic University | 2 |
| Non-degree holders | 2 (Note) |
| Total | 34 |

(B) Country of origin of the institution last attended by the R&D staff

| <i>Country</i> | <i>Number of staff</i> |
|------------------------------|------------------------|
| China | 5 |
| The United States of America | 25 |
| The United Kingdom | 6 |
| Canada | 6 |
| Sweden | 1 |
| Japan | 1 |
| Total | 44 |

(C) Education level

| <i>Education level</i> | <i>Graduated from local universities</i> | <i>Graduated from universities in the Mainland or overseas</i> | <i>Total</i> |
|------------------------|--|--|--------------|
| Non-degree | 2 (Note) | 0 | 2 |
| Bachelor's degree | 14 | 8 | 22 |
| Master's degree | 13 | 21 | 34 |
| Doctor's degree | 5 | 15 | 20 |
| | 34 | 44 | 78 |

(D) Years of engagement in technological research

| <i>Years of research experience</i> | <i>Number of staff</i> | | |
|---|---|--------------------------------------|--------------|
| | <i>Overseas research experience</i> | <i>Local research experience</i> | <i>Total</i> |
| 5 years or below | 10 | 30 | 40 |
| 6 to 10 years | 11 | 8 | 19 |
| 11 to 15 years | 2 | 6 | 8 |
| 16 to 20 years | 6 | 0 | 6 |
| over 20 years | 5 | 0 | 5 |
| | | | 78 |

Note: They have more than 10 years of working experience. One of them has been awarded the Mechanical Craftsmen Certificate by the Vocational Training Council.

Student Travel Subsidy Schemes

14. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the various student travel subsidy schemes, will the Government inform this Council whether:*

- (a) *in view of the current economic downturn, it plans to review the eligibility and computation formulae for various travel subsidies; if not, of the reasons for that;*

- (b) *it has reviewed the effectiveness of the various travel subsidy schemes in alleviating the financial burden on parents; if so, of the details; and*
- (c) *it will consider reviving the pre-1988 Student Travel Scheme which required no means tests, so as to replace the existing Student Travel Subsidy Scheme for primary and secondary school students; if not, of the reasons for that?*

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

- (a) Allowances are provided under the Travel Subsidy Schemes to needy full-time students who pass a means test, live beyond 10 minutes' walking distance from their schools and have not completed their first degree and in the case of primary students, aged below 12, attending public sector schools outside their residing Primary One Admission Net. Successful applicants receive, depending on their means, a full rate or half rate subsidy for home-school travel during the school term. The full rate subsidy is set at a level equivalent to the full average fare and, in the case of the Mass Transit Railway, the concessionary fare.

From the 2002-03 school year, we have improved the means test to ensure consistency in the assessment of eligibility for all student financial assistance schemes and the level of assistance to which eligible students may be entitled. These improvements were approved by the Finance Committee on 7 December 2001 [FCR(2001-02)43]. We envisage that these measures will benefit more needy students to obtain full rate or half rate subsidy which they may otherwise not be entitled. For example, a four-member family with two children attending junior secondary schools located beyond 10 minutes' walking distance from their residence and earning not more than \$8,500 per month would become eligible for full rate instead of half rate subsidy in 2002-03. The same family earning not more than \$22,700 per month would now obtain half rate subsidy instead of receiving no assistance. We consider that the income and other criteria covering the Travel Subsidy Schemes to be reasonable.

As regards the manner in which the travel allowance is determined, we use an average fare as the basis for providing the amount of the allowance as it is not practicable to determine the actual fares for each eligible student, whose mode of travel depends on the type and choice of transport available and the traffic conditions. We consider that the use of the average fare concept in the calculation of the allowance is appropriate and cost-effective.

- (b) The Student Travel Subsidy Scheme was last reviewed in 2000. As a result of this review, we uplifted the allowance payable to the neediest students from half rate to full rate subsidy with effect from the 2000-01 school year. This measure has relieved some 42 400 students in 2000-01 and 48 000 students in 2001-02 from having to meet the cost of their fares. The amounts disbursed for full rate allowances in 2000-01 and 2001-02 were \$124.3 million and \$140.4 million respectively or an average of about \$2,930 per student for both years. As regards other eligible students receiving half rate allowances, we expect such students who are less financially disadvantaged to meet the cost of part of their school travel expenses. Some 154 900 students in 2000-01 and 157 300 students in 2001-02 were assisted in meeting half the cost of their fares. On average they were provided with \$1,482 in travel allowances in 2000-01 and \$1,501 in 2001-02. The total amount disbursed on half rate allowances for both these years was \$229.5 million and \$236.1 million respectively.

As regards the Cross-net Travel Subsidy Scheme for primary students aged below 12, all eligible students are assisted to meet the cost of their concessionary half fares charged by public transport operators for children under the age of 12. In 2000-01 and 2001-02, the scheme disbursed \$31 million and \$37.9 million to some 23 800 and 28 800 students respectively. The average travel allowance paid was \$1,300 in 2000-01 and \$1,316 in 2001-02.

- (c) We have no plans to reinstate the former Student Travel Allowance Scheme (STAS). The STAS provided half rate travel allowances to students irrespective of their financial need. We do not consider that such an arrangement to be an appropriate use of public funds. Students of families who have the financial means should not rely on

public funds to bear part of the cost of their school-related travel. The Government's policy is to ensure that no eligible student is denied education because of lack of means. Accordingly, the existing travel subsidy schemes are need-based. Students who meet the means test and other criteria are assisted with their travel expenses to and from school through the provision of either full rate or half rate allowances, depending on their means.

Areas Lacking Statutory Plans

15. **MR ALBERT CHAN** (in Chinese): *Madam President, at present, some parts of Sai Kung and Cheung Chau are not included in any statutory plan such as Outline Zoning Plans (OZPs) and Development Permission Area Plans (DPAPs). In this connection, will the Government inform this Council:*

- (a) *of the areas which are not yet included in any OZPs or DPAPs and the reasons for that;*
- (b) *whether the Administration consults residents of the area when it prepares the statutory plans; if so, of the details; if not, the reasons for that; and*
- (c) *whether it has assessed if the lack of statutory plans for any area will hinder its new development and cause inconvenience to local residents; if it has made such an assessment and the conclusion is in the affirmative, of the measures the Administration will adopt to improve the situation; if the conclusion is in the negative, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President,

- (a) At present, areas which are not covered by any OZP or DPAP include country parks, the frontier closed area, sparsely populated and remote areas, and some outlying islands. For the areas within country parks, since their use is governed by the Country Parks Ordinance, there is no need to separately prepare statutory plans for

these areas. The rest are mainly remote areas with a small population. Our objective is to draw up statutory plans for these areas gradually. We are now preparing the OZPs for the Sai Kung Town Centre and Cheung Chau, the work of which is expected to complete next year.

- (b) In the process of preparing a statutory plan, we always consult residents of the district concerned. After preliminary consideration of a draft OZP by the Town Planning Board (TPB), we will consult the concerned District Council and Rural Committee for their initial comments. Their feedback will be submitted to the TPB for consideration before the plan is gazetted and exhibited for public inspection. Those who are affected by the plan, including local residents, may lodge objections during the exhibition period. In addition, we will explain in detail the contents of statutory plan to the District Council and other concerned residents' associations and listen to their views.
- (c) Apart from country park areas and the frontier closed area, areas not yet included in any statutory plan are mostly remote and scantily populated which have no pressing need for development. Moreover, most of these areas are covered by Outline Development Plans or Layout Plans. These government plans, having been examined by concerned government departments and approved by the relevant committees after public consultation, may serve as development control guidelines for individual development and redevelopment projects. It should therefore not hinder new development in the areas concerned or cause inconvenience to local residents.

Wastage of Fresh Water Due to Burst Water Pipes

16. **DR RAYMOND HO** (in Chinese): *Madam President, it was reported that in handling a report of water leakage from a burst fresh water pipe at the rear lane of a building on Bedford Road in Tai Kok Tsui, staff of the Water Supplies Department (WSD) stated that the water pipe was private property and only told the person responsible for the management of the building to arrange for repairs. However, a written application had to be made to the WSD for suspension of*

water supply before the repair works could be carried out. On the sixth day of the incident and upon receipt of the application, the WSD sent its staff to disconnect the water supply, but they found valve of the water mains not functioning and could not be closed. Subsequently, it took another some 10 days to have the malfunctioning valve repaired. The entire incident took more than 20 days to resolve, resulting in wastage of a large amount of fresh water. Regarding the wastage of fresh water due to the burst of water pipes, will the Government inform this Council whether:

- (a) the WSD will take any follow-up action on cases of minor water leakage from private fresh water pipes where the owners concerned have not applied for suspension of water supply for repairs to the water pipes; if so, of the details;*
- (b) there were incidents in the past three years in which the water supply could not be disconnected because of the malfunctioning valves of water mains; if so, the estimated quantity of fresh water wasted as a result; and*
- (c) regular inspections have been conducted on the water mains valves of the public water supply systems; if so, of the details?*

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

- (a) When a minor water leakage from a water pipe inside a private flat is discovered, the WSD will request the consumer concerned or his agent to arrange for repairs. If the leakage is not repaired within a specified period, the WSD may suspend water supply to the consumer so as to prevent excessive water wastage. Upon receipt of a repair notice from the WSD, the consumer or his agent should arrange for responsible persons to close the inlet valve inside the building to facilitate repair works. If there is a need for the WSD to disconnect water supply by closing the gate valve, the customer or his agent may apply to the Department for making the necessary arrangement. However, if there is a major water leakage or a burst of water pipes inside a private flat causing flooding or posing danger, the WSD will immediately disconnect the water supply and notify

the customer or his agent to carry out urgent repair works, regardless of whether they have made such an application.

- (b) Over the past three years, we have found only one incident in which the consumer had to arrange for repairing a burst water pipe inside a building and the water supply could not be disconnected because of the malfunctioning gate valve. However, the amount of water wasted as a result was only minimal.
- (c) The WSD conducts regular inspection and maintenance on major valves of trunk water mains. The major work in this respect includes cleansing valve chambers, applying lubricant and checking the operation of water main valves. The WSD will generally check the other valves when carrying out works on water pipes or inspecting water main valves. Should any damage be found in the valves, repair or replacement work will be arranged as soon as possible.

Financial Situation of Hong Kong Examinations and Assessment Authority

17. **MR SZETO WAH** (in Chinese): *Madam President, it is learnt that the Hong Kong Examinations and Assessment Authority (HKEAA) had a deficit of \$30 million in the last financial year; the estimated deficit for the current year would amount to \$17 million; and its accumulated surplus at the end of the year would only be about \$17 million. In this connection, will the Government inform this Council:*

- (a) *of the items of revenue and expenditure of the HKEAA and their respective amounts for the past three years and for the coming year and, among them, the new items of expenditure and their respective amounts as well as those items which were launched at the request of the Administration;*
- (b) *whether the HKEAA has taken any measures to curb its persistent financial deficit; if so, of the details; and*
- (c) *as the HKEAA is an administratively and financially independent statutory body, whether the Administration will give financial*

assistance to the HKEAA in case the latter has an accumulated financial deficit; if it will, of the details; if not, the reasons for that?

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

- (a) The income and expenditure items of the HKEAA and their respective amounts for the past three years and the coming year are listed as follows:

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 |
|---|----------------|----------------|--------------------|------------------|
| | <i>Audited</i> | <i>Audited</i> | <i>Provisional</i> | <i>Estimated</i> |
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Income | | | | |
| HKAL/HKCE Exams | 161,112 | 158,979 | 158,150 | 155,741 |
| Overseas and professional Exams | 28,334 | 28,853 | 27,835 | 28,557 |
| Language Proficiency Assessment for Teachers (LPAT) | 2,690 | 5,070 | 4,946 | 5,364 |
| Basic Competency Assessment (BCA) | - | 4,549 | 20,430 | 28,758 |
| Sale of publications | 14,631 | 13,849 | 14,735 | 14,960 |
| Bank interest | 9,266 | 7,786 | 2,466 | 2,851 |
| Other | 4,087 | 4,241 | 3,818 | 3,861 |
| Total income | 220,120 | 223,327 | 232,380 | 240,092 |
| Expenditure | | | | |
| Staff costs | 92,118 | 101,587 | 114,940 | 117,310 |
| Other personnel expenses | 83,010 | 80,556 | 87,833 | 86,829 |
| Admin/Operation | 31,399 | 34,250 | 45,220 | 46,740 |
| Total expenditure | 206,527 | 216,393 | 247,993 | 250,879 |
| Recurrent surplus (deficit) | 13,593 | 6,934 | (15,613) | (10,787) |
| Non-recurrent expenditure | 6,346 | 3,558 | 13,500 | 7,013 |
| Surplus (deficit) | 7,247 | 3,376 | (29,113) | (17,800) |
| Reserve | 60,936 | 64,312 | 35,199 | 17,399 |
| % of total annual income | 28% | 29% | 15% | 7% |

Notes:

- The financial year of the HKEAA is from 1 September to 31 August of the following year.
- The detailed supplementary schedules to the 1999-2000 and 2000-01 audited income and expenditure account were tabled at the Legislative Council in 2001 and 2002 respectively.

New expenditure items include the followings:

| | <i>1999-2000</i> | <i>2000-01</i> | <i>2001-02</i> | <i>2002-03</i> |
|--|------------------|----------------|--------------------|-------------------|
| | <i>Audited</i> | <i>Audited</i> | <i>Provisional</i> | <i>Estimated*</i> |
| | <i>(\$000)</i> | <i>(\$000)</i> | <i>(\$000)</i> | <i>(\$000)</i> |
| LPAT (excluding administration overhead) | 1,387 | 3,443 | 3,706 | 4,121 |
| BCA (excluding administration overhead) | | 4,368 | 24,014 | 28,758 |
| Establishment of Research and Communication Divisions | | 1,850 | 2,934 | 3,592 |
| Other additional staff | | 1,402 | 1,444 | 4,205 |
| Enhancing proofreading and assessment of question papers for HKCE/HKAL Exams | | 42 | 1,052 | 1,052 |
| Total | 1,387 | 11,105 | 33,150 | 41,728 |
| Non-recurrent expenditure | | | | |
| Renovation of building | 3,376 | 2,063 | 5,490 | 246 |
| Computer systems | 2,355 | 771 | 4,860 | 5,217 |
| Research projects | - | 154 | 1,000 | - |
| Consultancy service | 566 | 424 | 317 | 1,450 |
| Furniture and equipment | 49 | 146 | 1,833 | 100 |
| Total | 6,346 | 3,558 | 13,500 | 7,013 |

* After netting off savings from relevant measures to reduce costs.

In 1999 and 2000, the Government has commissioned the HKEAA to provide services for the LPAT and the BCA respectively, at a service charge.

- (b) The HKEAA appreciates the urgency to address the issue of financial deficit. It is now actively identifying ways to reduce expenses and to diversify sources of income.

On the former, apart from reducing pay level in line with civil service pay reduction, the HKEAA is also examining its expenditure item-by-item with a view to identifying scope for economy, including for instance, possible reduction in staff benefits and overtime pay, and reflection of deflation in various fees paid. Nevertheless, the HKEAA fully recognizes the need to ensure that any economy drive should not prejudice the quality of its services to the community.

On the revenue side, noting the current economic climate of Hong Kong, the HKEAA's preference is to diversify sources of income rather than resorting to the convenient option of raising fees for the HKCEE and HKALE. In respect of income diversification, apart from the LPAT and BCA, the HKEAA has assumed new income generating services. For instance, since 1999, it has undertaken over 30 new overseas and professional examinations and will continue to be proactive in identifying and running new examinations for which there is a local demand. Furthermore, the HKEAA is now working with the Administration to seek to have the law changed to enable the HKEAA to conduct examinations outside Hong Kong. Though the primary objective of this proposed legislative amendment is to facilitate the promotion of Hong Kong as an education centre, it is anticipated that the conduct of examinations outside Hong Kong will provide a new stream of income to the Authority. The HKEAA is also exploring schools' request for feedback on students' HKCEE and HKALE at a fee.

- (c) The HKEAA has been operating on a self-financing basis. The Administration notes that the HKEAA is now taking measures to address the problem of financial deficit and monitor the progress closely. At the moment, we do not envisage any need for subsidies from the Government.

Development Project at Ngong Ping

18. **MS EMILY LAU** (in Chinese): *Madam President, to develop tourism, the Administration is planning to carry out a development project at Ngong Ping, Lantau Island but the Po Lin Monastery (the Monastery) has recently expressed*

dissatisfaction with the project. In this connection, will the executive authorities inform this Council:

- (a) of the number of discussions the Administration has held with the Monastery over the issue, with a view to striking a balance between the need to protect religious culture and the need to develop Ngong Ping;*
- (b) of the respective proposals put forward by the Monastery which the Administration has accepted and rejected in the course of the discussions, and the reasons for rejecting some proposals;*
- (c) whether the Ngong Ping development project has been drawn up on the principle of sustainable development and preservation of the unique local culture and tradition; and*
- (d) whether, following the discussion on 24 October with the Monastery, the Administration will modify the contents of the Ngong Ping development project; if so, of the details of and reasons for the modifications?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President,

- (a) In planning for the development at Ngong Ping on Lantau, the Government has maintained dialogues with relevant bodies and local organizations, including the Islands District Council, relevant rural committee and the Monastery. Representatives of different government bureaux and departments have met with the representatives of the Monastery on various issues on no less than 10 occasions. We will continue our dialogues with the relevant organizations. When we developed the relevant plans, including the development framework for the cable car system and the development of tourist and complementary facilities at Ngong Ping, we have taken into account the views expressed. The draft Ngong Ping Outline Zoning Plan (the draft OZP) consolidates these proposals and views and will provide the statutory basis to define the overall land use planning for the area. The development concept

aims to preserve the natural and tranquil environment of the area and its religious setting. According to the requirements of the draft OZP, there are stringent restrictions on matters such as land use, development density and building height. The Monastery's concerns include the management of the proposed piazza in front of the Monastery, access to the Monastery and the proposed emergency vehicular access.

- (b) In the process of preparing the draft OZP by the Planning Department, the Monastery had submitted comments on various proposals. After considering these views, the Government had made amendments to certain proposals in the draft OZP, before seeking the Town Planning Board's (TPB) formal approval to gazette the draft OZP for public inspection. These include the permitted height for a proposed new building within the Monastery, the planning for the proposed Tourist Corridor, and changing the proposed zoning of a site from "Holiday Resort" use to "Recreation" use.

During the public inspection period of the draft OZP, the Monastery formally submitted an objection to the TPB. In accordance with the established procedures, the TPB will hear all objections in the next two months before coming to a decision.

- (c) In promoting tourism development at Ngong Ping and the cable car project, the Government acknowledges the need to preserve the cultural heritage of the area and to ensure that developments meet the objective of sustainable development. The principle observed is that the location and design of developments and facilities will not affect the natural environment and religious setting of the area. Developments, apart from having to meet relevant statutory requirements, must complement the environment of the area in matters such as land use, development density and building height.
- (d) Representatives of the Government met with representatives of the Monastery on 24 October 2002 to listen to their views on the draft OZP. The two sides have agreed to maintain a dialogue on questions like management of the proposed piazza in front of the Monastery, access to the Monastery and emergency vehicular access.

Budget Deficits of Hospital Authority

19. **MR MICHAEL MAK** (in Chinese): *Madam President, it has been reported that the Hospital Authority (HA) will be in huge deficit this financial year. In this connection, will the Government inform this Council whether it knows:*

- (a) *the current sources of the HA's income other than from public funds;*
- (b) *the respective numbers, total amounts and causes of the write-off cases of the HA in the past five years and to date this year; whether the Government will propose ways for the HA to tackle the problem of bad and doubtful debts; and*
- (c) *the HA's plans to create new sources of income and cut expenditure, for examples, by merging hospitals and increasing contracting-out jobs; the timetable for full implementation of such plans; and whether the Administration can ensure that the HA will adequately consult its staff before it carries out such plans?*

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

- (a) Apart from government subvention, income of the HA include income from fees and charges of its medical services, non-medical income such as interest income, rental income of quarters, kiosks, canteens and car parks, and donations.
- (b) The number of write-off cases and the corresponding write-off amounts for the years of 1999-2000, 2000-01 and 2001-02 are listed below. The write-off statistics for 1997-98 and 1998-99 are not readily available, and those for the current financial year are not yet available.

| | <i>Write-off cases</i> | <i>Write-off amount (\$000)</i> |
|-----------|------------------------|---------------------------------|
| 1999-2000 | 10 477 | 21,491 |
| 2000-01 | 18 256 | 23,465 |
| 2001-02 | 11 823 | 14,859 |

Public hospitals will need to write off outstanding patient fees if patients have deceased or cannot be located after discharge from hospitals, or the outstanding charges cannot be recovered notwithstanding execution of the debt recovery procedures outlined below.

At present, the HA requires private in-patients, persons not eligible for subsidized public medical service or persons who could not be established as an eligible person to pay a deposit (\$19,000 for non-eligible persons, and \$45,000 and \$30,000 for private inpatients in first class and second class private wards respectively) prior to or on admission into a public hospital.

If a patient fails to settle the medical bill, the HA will contact his next of kin for payment. The HA will also follow up with the defaulter by sending the final bill to the patient followed by subsequent reminders, and a final notice by registered mail, to urge the patient on early settlement of the medical bill. Follow-up telephone calls will also be made to the patient or his next of kin. Where appropriate, legal action may be instituted against defaulters, including submission of cases to the Small Claims Tribunal and execution of bailiff. For deceased patients, claims will be made with the Probate Office.

The HA's information system also generates on a weekly basis a defaulter report to keep track of those patients currently admitted into the HA hospitals but have not yet settled previous medical bills so as to facilitate the collection of the outstanding amounts from such patients.

- (c) To reduce cost and enhance productivity, the HA has been implementing various cost-saving initiatives on an ongoing basis. These initiatives include:
 - (i) implementation of a new cluster management structure to achieve further economies of scale through cluster-based services rationalization and management reorganization. In this connection, the HA has already appointed Cluster Chief Executives for its seven clusters, and is actively working

towards a mega-cluster structure where all public hospitals will ultimately be grouped under five mega-clusters in the next two to three years;

- (ii) administrative downsizing of the HA Head Office and hospitals, in line with the direction of the implementation of cluster-based management;
- (iii) re-engineering work processes, such as providing catering services for hospitals/institutions through central production units;
- (iv) streamlining administrative and management processes, such as setting up financial services centres to provide financial services for a group of hospitals;
- (v) centralization of procurement function and system to rationalize facilities, enhance inventory management and logistics, and maximize discounts/savings through bulk purchases;
- (vi) implementing "invest-to-save" projects such as energy conservation and automation projects; and
- (vii) developing various human resource cost-saving initiatives. In this connection, the HA will implement a Voluntary Early Retirement Scheme in December 2002 for all permanent full-time employees with at least 10 years' service in the HA.

Arising from the Government's decision to restructure fees and charges for public health care services, new fees for Accident & Emergency service, medication prescribed at specialist out-patient (SOP) clinics, and first admission to public inpatient wards and SOP clinics, and revised fees for general inpatient beds, SOP service and general out-patient service will be introduced. As HA is a statutory organization independent of the Government, the revenue collected accrues to the HA. The Government will ascertain how much resources will be needed by the HA to sustain its service to the

public in deciding on the amount derived from the additional revenue to be netted off from the Government's subvention to the HA.

It has been the HA's established practice to consult and communicate with the staff concerned when implementing initiatives that involves organizational changes.

Research Work of Applied Science and Technology Research Institute

20. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, regarding the research work of the Applied Science and Technology Research Institute (ASTRI), will the Government inform this Council whether it knows:*

- (a) *the universities with which the ASTRI has established co-operative partnership;*
- (b) *the universities the facilities of which will be used by the ASTRI for conducting its research projects before its own facilities are set up at the Hong Kong Science Park in 2005; whether the resources required will be research expenditures to be borne by the ASTRI or the universities concerned;*
- (c) *as the ASTRI has selected information technology, electronics, and biotechnology as its major research areas, whether the ASTRI has drawn up criteria for the selection of its major research areas and set up a mechanism for approving and regulating its research projects; if so, of the details; if not, the reasons for that;*
- (d) *the respective numbers of long-term and short-term research programmes drawn up by the ASTRI under the three major research areas mentioned in (c); and the amount of allocation and the progress of each programme; and*
- (e) *as the ASTRI will not initially perform contract research projects for industry, when the ASTRI will review the need to perform such projects and the criteria to be adopted in the review?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President,

- (a) The ASTRI collaborates with local universities in conducting research projects through the award of contracts. At present, such collaboration partnership has been established with the Hong Kong University of Science and Technology (HKUST), The Chinese University of Hong Kong (CUHK), The Hong Kong Polytechnic University (PolyU) and the City University of Hong Kong.
- (b) The ASTRI leases research facilities (such as laboratories and related equipment) from local universities, as appropriate, in conducting its research projects having regard to the projects' requirements. Currently, research facilities are leased from CUHK, the HKUST and PolyU for its research activities. The ASTRI pays rental to the relevant universities for the leased facilities.
- (c) The ASTRI has an established mechanism for determining its research and development (R&D) programme, and for approving and monitoring individual research projects. In working out its R&D programme, the ASTRI takes into consideration the following major factors:
 - (i) the research projects should have commercialization potential and market value;
 - (ii) the research projects should be relevant to the economic development of Hong Kong; and
 - (iii) research should be focused on a few selected areas so that resources could be deployed effectively and will not be spread too thin.

The ASTRI needs to submit the R&D programme to its Board of Directors for consideration and approval. It is only with the Board's approval that the ASTRI can develop individual research projects within the approved research areas. Currently, the ASTRI's research programme focuses on the areas of photonics,

wireless communications, integrated circuit design, Internet software and biotechnology. Separately, each research project has to be submitted to the Technology Committee set up under the Board of Directors for approval, upon which the ASTRI will put forward the projects to the Innovation and Technology Commission (ITC) to apply for funds.

Throughout the research period, the progress and expenditure of the projects are subject to supervision. The ASTRI is required to submit regular reports to the Technology Committee and the ITC, setting out in detail the progress and expenditure of the projects concerned.

- (d) At present, the ASTRI has carried out four research projects. The amount of allocation and progress of each project are as follows:
 - (i) for the research area of Internet software — one project has been carried out to develop a technology to enable interactive learning of spoken English on Internet. The amount of allocation is \$4.78 million; and
 - (ii) for the research area of photonics — three projects have been carried out respectively on the development of glass and polymer technology for optical subassembly and the silicon optical bench technologies, and the setting up of the pilot line for photonic packaging. The amounts of allocation are \$13.61 million, \$13.25 million and \$14.85 million respectively.

These four projects are progressing in accordance with the stated milestones. Separately, the ASTRI is also planning other research projects within the selected technology areas.

- (e) The ASTRI's mission is to upgrade the technological level of local industry and create new technology-based industries. To achieve this objective, the ASTRI will devote its efforts in conducting forward-looking research projects and expanding local technology-based industry. For the time being, it will not consider performing contract research projects for industry.

As the ASTRI is still in an early phase of operation, we will review the need to perform contract research projects for industry at a later stage.

STATEMENT

PRESIDENT (in Cantonese): Statement. The Secretary for Housing, Planning and Lands will make a statement on "Government's policy on housing". In accordance with the Rules of Procedure, no debate may arise on the statement but I may in my discretion allow short questions to be put to the Secretary for Housing, Planning and Lands for the purpose of elucidating it.

GOVERNMENT'S POLICY ON HOUSING

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, this is the first time I set out to this Council the direction, philosophy and principles that underpin the housing policy of the Hong Kong Special Administrative Region (SAR) since I assumed office in July. I hope my statement today will help rationalize the various housing targets, strategies and measures, and clarify what the Government's role should be. The objective is to let all stakeholders and the general public have a clear-eyed view on the general direction of our housing policy.

The property sector, closely interwoven with every single aspect of our daily life, has been a major pillar of our economy. Together with the construction industry, it accounted for an average of 14% of the Gross Domestic Product (GDP) over the past five years. To many people, buying properties has been a principal channel to garner in their wealth.

While we have to face up to the challenges thrown up by economic transformation and high unemployment in recent years, the fundamentals of our economy remain solid. The GDP is still growing for this year. That said, the unabated deflation, lackluster domestic consumption, along with other external uncertainties and the current state of over-supply of flats have posed immense pressure on the property market.

Against the peak in 1997, property prices have tumbled by over 60%. The volume of transactions also shows a marked decline. The plunging net asset values in the private residential market has inhibited economic recovery. Over the past few years, the properties kept by many owners have turned into negative equity. The Chief Executive is deeply concerned about the situation. To pump-prime the deflation-battered economy, he asked the Housing, Planning and Lands Bureau to undertake a root and branch review of the SAR Government's housing policy with a view to restoring the public's confidence in the property market.

In the past few months, my colleagues and I conducted a comprehensive review of all our housing, planning and lands policies, including the housing targets that the Government has hitherto been pursuing. We also consulted widely the stakeholders, academics, political parties, the Housing Authority (HA), the Housing Society (HS), representatives from various housing concern groups and resident groups. I thank them all for their views which are as valuable as they are inspirational. Here, I must express my gratitude to all sectors of the community.

We recognize that delivering the overarching objective of providing subsidized rental housing for families in need must continue to sit at the very heart of the Government's housing strategy, just as we recognize that the Government should withdraw from its role as property developer by halting the production and sale of subsidized flats and reduce radically its share in the overall housing production. The Government should also set in train highly focused measures to redress the current serious imbalance between supply and demand, and to restore the confidence of the public and investors in the property market.

Beyond all doubt, it is our society's consensus and common sense of purpose to provide affordable rental housing to low-income families. Thanks to continuous investment by the Government over the past five years, we have come a long way in reducing the number of families on the Waiting List from 150 000 in 1997 to around 90 000 as at present. The average waiting time for public rental housing (PRH) now is just less than three years, down from over six years in 1997. I wish to reassure you at this point that the Government will continue to provide subsidized rental accommodation to low-income families which are unable to afford private rental housing, and will endeavour to keep the average time for waiting PRH at three years.

It has been the Government's objective to promote a higher home ownership rate. Since 1997, some 260 000 families have become home owners through government assistance. The home ownership rate has increased from 50% in 1997 to 56% as of today. Indeed, it is as high as 75% in the private sector and stands at 36% in the public sector. The home ownership rate of Hong Kong compares favourably with that of other advanced countries and regions.

Both the economy and the property market have gone through great changes over the past five years. We realize that in the current circumstances, home ownership should be a matter of personal choice and affordability. It is, therefore, unnecessary for the Government to continue to hang on to the long-term target of achieving the 70% home ownership rate by end 2007.

Based on the forecast of the long-term housing needs, the Government pledged to provide 50 000 assisted housing opportunities annually. About half of these were in the form of new PRH flats and rental allowance, while the rest were made up of subsidized home ownership flats or loans.

In future, public housing programmes will be geared towards meeting the housing needs of low-income families. The annual production of PRH units will be predicated by actual demand and the need to keep the average waiting time at three years. As regards the quota for the Home Assistance Loan Scheme, it should also be adjusted constantly according to the actual demand and the HA's resources. In other words, the number of assisted housing opportunities provided by the Government could vary, either upwards or downwards, according to the actual demand. As long as we could achieve the above pledge, it is superfluous to pre-determine a numerical target for provision of assisted housing opportunities.

In a nutshell, we have to centre our work around the following three major areas:

- (a) the thrust of the Government's subsidized housing policy should be to assist low-income families which cannot afford private rental housing;
- (b) the Government's future role should principally focus on land supply and provision of rental assistance. It should also withdraw

as far as possible from other housing assistance programmes to minimize intervention in the market; and

- (c) the Government must maintain a fair and stable operating environment to enable a sustained and healthy development of the private property market. The Government should ensure an adequate supply of land together with the necessary supporting infrastructure to meet market demand. As regards the quantum of private housing production, this should be a matter for the market to decide.

Upon clarification of the positioning and direction of our housing policies, we have taken a critical and comprehensive look at the current situation and what should be done in future. To root out the problems, we have decided to introduce the following nine measures covering land supply, public housing development programme and the mode of housing subsidies.

(A) Land Supply

First, land supply. Apart from ensuring an adequate supply of land to meet market demand, we believe the Government should also adjust its land supply strategy flexibly when the market loses its equilibrium and is afflicted with a massive over-supply. At present, the number of private residential flats completed in the last few years which have yet been put up for sale amounts to some 20 000, whereas flats scheduled for completion in the next two years which have been issued with consent letters for the forward sale of uncompleted flats and which will be available for sale anytime amounts to some 30 000. However, statistics for the past few months showed that demand remained sluggish, with a marked slow-down in the take-up rate. To rectify the current serious supply and demand imbalance, the Government has decided to stop all scheduled land auctions and call off the two remaining land auctions in this financial year. In addition, the Application List will be suspended until end 2003. Thereafter, the supply of new land will only be triggered from the Application List.

We are weary that the above measures will be interpreted by some as being interventionist. However, given the current exceptional dire state of the property market, we believe there is an impending need for the Government to bring forward extraordinary measures in the coming year. Our aim is to restore public confidence in the property market as speedily and effectively as possible.

(B) Railway Land

As regards the residential developments of the two railway corporations, there have been criticisms that the two corporations should not participate in the property market and compete with private developers as mass transport providers. Some critics also believe that because of their sheer scale, railway property developments would have an impact on the property market.

It should be noted that the Government has already granted to the concerned railway corporation the development rights of those railway-related properties that are under construction. However, to ensure a sustained and healthy development of the property market, we will step up our liaison with the two railway corporations to better co-ordinate the pace and timing of tendering the concerned railway-related property developments. The Government will render assistance through appropriate measures to enable an orderly disposal of the properties according to actual demand. The Government and the two railway corporations have already forged a consensus whereby no railway property developments will be put up for tender in the coming year.

(C) PRH Construction Programme

To maintain the average waiting time for PRH at three years, it is estimated that over 20 000 PRH units will have to be built annually in the next few years. However, the actual quantum of production will depend on the housing demand of low-income families, turnover of PRH tenants and the general acceptability of the proposed rental allowance scheme. To deliver the Government's housing pledge for those in genuine need, we will watch the development of the relevant factors closely in order to put together a rolling PRH production programme that will be adjusted annually.

(D) Home Ownership Scheme

The major downward price adjustments in the private residential flats in recent years have brought about an overlap between the Home Ownership Scheme (HOS) and private residential market. The HA has already set in motion a series of measures over the years to adjust its HOS programme in response to these changes in market conditions. These included a major cutback in HOS flat production, conversion of excess HOS flats into PRH and implementation of a moratorium on the sale of HOS flats in 2000 and 2001.

The overlap between HOS and private residential market is getting more serious amidst a gross imbalance between supply and demand and vicious price competition in the private residential market. The advantages and value of the HOS are gradually diminishing, so are its role and attractiveness. The subscription rate of HOS has also hit a record low. We, therefore, believe the Government should withdraw as speedily as possible from the property market in order to redress the balance in the market. The Government will, therefore, recommend to the HA that, except for a small number of unsold and returned flats which will be sold to Green Form applicants, the production and sale of HOS flats will cease indefinitely from the end of 2003 onwards. For those HOS flats that are completed or under construction, these will be disposed of through market-friendly means.

(E) Home Assistance Loan Scheme

Following the cessation of the construction and sale of HOS flats, the HA will continue to offer loans to help eligible families to buy their own homes through the Home Assistance Loan Scheme. Apart from helping sitting PRH tenants improve their living conditions, the Scheme would maintain the mobility of PRH tenants and enable re-allocation of PRH flats so vacated to other needy families. Compared with the "bricks and mortar" approach, housing loans are more flexible. The HA can adjust the annual loan quota according to the actual demand, thereby avoiding any inability to allocate resources flexibly in response to any possible challenges posed by mismatch between demand and supply.

We do recognize that the provision of home ownership loans is, to a certain measure, a form of market intervention. Nonetheless, we believe it remains beneficial to maintain the loan scheme for the time being, but would revisit the issue in due course.

(F) Mixed Development Schemes

We have also reviewed the mixed development projects undertaken by the HS and the HA in collaboration with private developers. We have come to the view that if we are to realize the greatest economic gains of the developments for society as a whole, we have to accord sole development rights to the private developers. Hence, we will stop all the mixed development projects, including the Flat for Sale Scheme operated by the HS. We will also recommend to the HA to terminate the Private Sector Participation Scheme. The Government will

examine jointly with the HA and the HS the feasibility of converting the completed flats as well as those being constructed under these schemes to other uses.

(G) Tenants Purchase Scheme

In the five years since the launching of the Tenants Purchase Scheme (TPS), some 134 000 PRH units have been offered for sale. The scheme opens up a window of opportunity for PRH tenants, who would otherwise not be able to afford private housing, to become home owners. It also helps reduce the HA's operating costs. The irony of the TPS, however, is that as the Government keeps on rolling out the existing PRH stock for sale to sitting tenants, it has to continue to embark on a major PRH production programme to replenish its housing stock. Continuation with the TPS clearly flies in the face of the principle of rational utilization of public resources. Moreover, any massive disposal of low-priced TPS flats would have a knock-on impact on the property market, particularly the second-hand market.

All in all, in order to maintain an adequate number of PRH flats to meet the demand from eligible families in the long run, the Government will recommend to the HA that except for the flats that were already sold and Phase 6, which was announced to be implemented next year, the sale of PRH units under the TPS should be halted. This is also in line with the general policy direction of withdrawing gradually the Government's involvement in the property market. PRH tenants who wish to become home owners may make use of the HA's loan programme to buy flats in the private market, or to purchase HOS flats in the secondary market for which no payment of land premium is required.

(H) Tenancy Control

In the private rental market, the current ample supply has helped raise tenants' bargaining power. On the other hand, for those owners who wish to resume their flats for re-letting, they have to go through an extremely complicated process. Many of the provisions for protection of security of tenure under the Landlord and Tenant (Consolidation) Ordinance, which was enacted more than 20 years ago, are now outdated. We will undertake a thorough review of the Ordinance, with a view to resuming the free operation of the private rental market, giving owners the flexibility and autonomy they deserve, and mitigating the difficulties in recovering flats for re-letting. Our

objective is to relax all excessive protection of security of tenure and reduce intervention in private tenancies. Apart from revitalizing the rental market to make it more alluring to investors, the proposed relaxation of tenancy control will give us an additional leverage to promote the implementation of the rental allowance scheme by making available more choices of private rental flats. I hope to put the Landlord and Tenant (Consolidation) (Amendment) Bill to the Legislative Council for scrutiny next year.

(I) Anti-speculation Measures

Since early 1990s, in response to the rampant speculative activities in the property market on a wave of soaring prices, the Government introduced a set of anti-speculative measures to safeguard the interests of home buyers. Following adjustments in the property market in recent years, most of these measures have either been relaxed or withdrawn. Nevertheless, we have taken the opportunity to review the remaining measures. Apart from those consumer protection provisions, we recommend that the following two remaining anti-speculation measures be removed:

- (a) restriction on internal sale: after years of development of the property market, the restriction on internal sale of flats is no longer serving the original purpose. As flats reserved for internal sale by developers could also be sold to external buyers, the restriction no longer fits the circumstances of the day; and
- (b) the restriction that each purchaser can only buy one residential unit together with no more than two parking spaces.

These are the details of the nine measures. As we proceed to take forward the proposed new housing policies to mesh with other wider changes that are now taking place, it remains our firm belief that the overarching objective of our public housing policies should be to satisfy society's basic housing needs. Home ownership should be a matter for the market with which the Government should refrain from competing. A clear, comprehensive and coherent housing strategy is instrumental in restoring public confidence in the property market. Only in doing so can we enable the property market to operate smoothly and prosper, and add further momentum to Hong Kong's economic development.

Allow me to stress here that we do not expect that the above measures could root out all the problems immediately. We are, however, determined to take practical steps, and I wish to join up with you and call upon your support to tackle the greatest issues that face us in these testing times.

Thank you, Madam President.

PRESIDENT (in Cantonese): Members, you may now ask the Secretary to elucidate the contents of the statement made by him earlier. A number of Members have already pressed the button indicating their wish to seek elucidation. The first on the list is Mr CHAN Kam-lam.

MR CHAN KAM-LAM (in Cantonese): *Madam President, the Secretary said earlier that property developments on railway land would be put to a halt. I would like to know more about this point. Can the Secretary tell us clearly to what extent the fare levels will be affected if railway corporations cannot develop property above their stations?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I did not say that such property developments would come to a halt. I said it must be noted that the Government had already granted to the concerned railway corporations the development rights of those railway-related properties that were under construction. That is, such rights have been granted to them. But we have obtained the consent of the railway corporations to co-ordinate the pace and timing of launching their plans. After discussion, we have forged a consensus with the two railway corporations whereby the land concerned will not be put up for tender before end 2003. In other words, they will not put up any of its construction sites for tender during this period of time.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, I wish to ask the Secretary this: Earlier on when he mentioned the measure in paragraph (D), he said that there was an overlap between the HOS and the private market and the overlap was getting more serious and so, the value of the HOS was gradually*

diminishing. The Secretary said that he had consulted the views of many people, including people from various sectors of the community. On the HOS, I believe views may be diverse. But is there really overlap between the HOS and the private market? Now the Government has said that the production of HOS flats will cease indefinitely. However, many grassroots or sitting tenants of PRH flats do wish to buy a flat within their affordability and very often, their wish can be realized only through HOS flats, because it involves.....

PRESIDENT (in Cantonese): Miss CHAN, please state directly the parts on which you seek elucidation.

MISS CHAN YUEN-HAN (in Cantonese): *No. I wish to seek elucidation on this: The Secretary said earlier that he had listened to many different views and he thanked all parties concerned for this. Then when he came to HOS flats, he considered that there is overlap and that this overlap is worsening, and the value of the HOS is gradually diminishing. Regarding the views expressed by different people, how does he interpret these views?*

PRESIDENT (in Cantonese): Secretary, any further elucidation?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, we have indeed listened to many different views, and we have certainly got the message that some people would like the HOS policy to continue. But a large number of people have also told us that, for various reasons, they very much wish that this policy can be changed. I already explained earlier how we made the decision. Apart from the fact that an overlap exists, there are also loan schemes to help the needy. They can make use of these loan schemes to move up the public housing ladder and even make use of this opportunity to move away from public housing. We attach great importance to this, for this will produce the effect of a cycle, enabling the PRH flats constructed to be fully utilized in that a PRH flat vacated after the tenant has moved out can then be occupied by other people.

PRESIDENT (in Cantonese): Members, I should remind you that if you wish to debate on this policy, there will certainly be a chance for you to do so in the future. But today, please confine your questions to seeking elucidation on the contents of the statement.

MR FREDERICK FUNG (in Cantonese): *Madam President, when the Secretary mentioned earlier that work would be centred around three major areas, he stated the Government's intention to withdraw from housing assistance programmes to minimize intervention in the market. In fact, we all know that the Government has two tactics. The first is to "prop up" the property market by granting loans to the public for them to buy property; the other is to suppress the property market by, for example, constructing HOS flats and putting up PRH flats for sale. Now, from what the Secretary has said, a great majority of policies on suppression of the property market have already ceased. On the contrary, measures to boost the property market have been stepped up rather than pulled back. So, I would like the Secretary to elucidate this: By saying that the Government would withdraw from housing assistance programmes to minimize intervention in the market, does he mean minimizing intervention from the suppression measures only, whilst continuing with or even stepping up the policy of boosting the property market?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, certainly, that is Mr Frederick FUNG's interpretation. On this question, there are many different ways to define the effectiveness and objectives of our policy. However, we look at this policy in a different light. In this regard, the Government, of course, has a role to play, because the Government is the land supplier and so, we are playing a very important role in this respect. In the past, we also played the role of a developer, for we had constructed many buildings, directly competing with the private property market. For the reasons that I have just cited, and having considered all aspects of the question recently, we consider excessive government intervention in the market unwarranted. We hold that the demand and supply should be determined by the market on its own and services should be delivered in the most effective way and so, we have come up with these measures.

MR LAU KONG-WAH (in Cantonese): *Madam President, according to the Secretary, the objective of many measures is to facilitate a sustained and healthy development of the property market. Can the Secretary explain to us what "sustained and healthy development" means? Against the backdrop that the property market has tumbled by 60%, does the Government, in proposing these measures, aim to stabilize the property market or does it think that only when property prices go up gradually can the property market develop healthily?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): *Madam President, Mr LAU should have noted that I used the words "healthy development", rather than such words as "stable", "rising" or "counterbalance". This shows that we intend to introduce some measures, but the reaction of the market cannot be dictated by us. Rather, it should be decided by the market. Now we are only sending out a very clear message to the market, stating the role of the Government in this respect. Certainly, after meeting so many people and talking to them, I know that most of the people understand that we are suffering from deflation. In view of the sluggish economy currently, we all understand that if the property market could become a bit more thriving for whatever reason, it could still give impetus to the economy and substantially relieve the pain. For example, regarding the problem of negative equity, if the property prices could rise, the problem of negative equity would naturally be resolved. In the meantime, we also encourage consumption. So, we all hope to see these effects achieved. Certainly, I am not saying that this is the objective of the Government's policy. We only hope that these effects can be achieved with the market duly playing its role.*

MR LEE CHEUK-YAN (in Cantonese): *Madam President, for a time the Government had stated that 50 000 PRH flats or HOS flats would be allocated to people with low income, and these had later been changed into 50 000 assisted housing opportunities. Today, the Secretary for Housing, Planning and Lands said that rental allowance, PRH flats and subsidized home ownership loan schemes would be provided. What is the quota of each of these initiatives, how many flats would be provided each year, and will the total number fall short of 50 000 as undertaken previously?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I have actually explained this very clearly earlier. We do not have a predetermined target, and it will depend mainly on the demand. So, in this connection, I did mention that the number can vary, either upwards or downwards; it can be more than 50 000 and it can be less than 50 000. This, certainly, has to depend on the demand, and also the financial position of the HA. But in this regard, it is beyond doubt that our established objective is to help those people. However, we will not rigidly set a specific target for the reason that I have just stated.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, can I seek elucidation on the remarks made by the Secretary for Housing, Planning and Lands just now? He said that it had to depend on the financial position of the HA as well as the demand. Which factor will be given more weight?*

PRESIDENT (in Cantonese): Mr LEE, if I allow you to go on seeking elucidation, then the other 10-odd Members who are waiting will not have the opportunity to ask their questions. So, I hope you can let them ask their questions first.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, in describing the current situation of the property market the Secretary used the expression "exceptional dire state", but not such adjectives as "bad" or "grave". Why did the Secretary describe it as "exceptional"? What criteria does he base on in describing it as "exceptional"?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, as we all know, the Hong Kong economy is not doing too well and is hard hit by deflation, and the problem of fiscal deficit is also very serious. So, these have produced many cyclical effects. We hope to induce public confidence as a result of property prices. That is, if people consider the current policies unequivocal and if they consider that it is the right time now, they can make some decisions and hence revitalize the economy and make the property market prosper. This is what we wish to achieve. Therefore, under the circumstance, we hold that given the exceptional dire state of the market, the

situation would further deteriorate if we take no action. That is why I have described the current situation as an "exceptional dire state". The many measures adopted by us to impose moratoriums are also some exceptional measures.

MR ALBERT HO (in Cantonese): *Madam President, in explaining the measure in paragraph (G), the Secretary pointed out that no PRH flats would be put up for sale after the completion of Phase 6 of the TPS. This is mainly because any massive disposal of low-priced flats that would have a knock-on impact on the property market, particularly the second-hand market, is unacceptable. I suspect if the Secretary has conducted any analysis and I wonder if he is aware that these so-called low-priced flats actually cost a mere \$100,000 to \$200,000 each. If the public are not given the opportunity to purchase their own homes and instead, if they are driven to the private property market*

PRESIDENT (in Cantonese): Mr HO, if you wish to seek elucidation from the Secretary on the contents of his statement, please state the relevant paragraph of the statement.

MR ALBERT HO (in Cantonese): *Yes. Will the Secretary tell us what statistics support his statement that the sale of these low-priced flats would have a knock-on impact on the second-hand market? Those people who can afford these second-hand PRH flats in the market absolutely do not have the means to buy property in the private market because these PRH flats cost only \$100,000 to \$200,000 each. Has the Secretary conducted any study in this regard?*

PRESIDENT (in Cantonese): Secretary, please elucidate the relevant parts of your statement.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, these PRH flats obviously cost less, but it does not mean that the households or tenants buying these PRH flats only have such a low level of

financial capability. They may have a very high level of capability. So, if they are given the choice to buy PRH flats, they naturally would not buy property in the private market. We have conducted some surveys on this and this statement is made on the basis of our understanding of the findings.

MR ABRAHAM SHEK (in Cantonese): *Madam President, today, I am very happy to hear "SUEN's nine strokes" from Secretary Michael SUEN. I trust that the 1.2 million property owners will also be happy to hear these. The housing and land policies proposed by the Government now can be said as the clearest since 1997. However, other than residential flats, the commercial are also in an exceptional dire state, but today, Secretary Michael SUEN has not proposed measures to tackle this*

PRESIDENT (in Cantonese): On issues not mentioned in the Secretary's statement today, you cannot seek elucidation from the Secretary. *(Laughter)*

MR ABRAHAM SHEK (in Cantonese): *Madam President, I only wish to ask the Secretary if he had omitted commercial buildings. (Laughter)*

MS EMILY LAU (in Cantonese): *Madam President, a question on "the seventh stroke", that is, the sale of PRH flats. Now, the Government has announced that the TPS would cease after the completion of the latest phase of the scheme. Tenants of PRH flats had expected the continuation of this policy by the Government but now, the policy has been changed all of a sudden. Will the Secretary elucidate whether this will mean breaking the Government's promise made to the people?*

PRESIDENT (in Cantonese): Secretary, do you need to elucidate this?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, this is definitely not breaking our promise made to the people. We would be breaking our promise made to the people if we withdrew even

Phase 6 of the scheme, because in the undertaking made by us openly, we pledged to implement nothing more than Phase 6 of the scheme.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, from the statement of the Secretary, I understand that the Secretary was saying that the Government would impose a moratorium on land sale. What is the policy in respect of land exchange?*

PRESIDENT (in Cantonese): Mr SIN Chung-kai, on which part of the statement do you wish to seek elucidation from the Secretary? Land exchange is not mentioned in the statement. You can only seek elucidation from the Secretary on the contents of his statement, and you cannot ask him to elucidate on issues not mentioned in it.

MR SIN CHUNG-KAI (in Cantonese): *Will the Secretary please tell us whether the cessation of land sale also covers land exchange?*

PRESIDENT (in Cantonese): Mr SIN Chung-kai, you cannot ask your question this way. I am sorry. You have to face the same fate as that of Mr Abraham SHEK. *(Laughter)*

MR ALBERT CHAN (in Cantonese): *Madam President, the focus of my question is similar to that of Mr SIN Chung-kai's question. But I will try to ask the question in another way and see if I can seek elucidation from the Secretary. Madam President, in paragraph (A) of the measures mentioned by the Secretary in his statement, he said that all land auctions would stop and the Application List system would be suspended. But insofar as land supply in the past decade is concerned, over two thirds of the new buildings that come onto the market every year are constructed on land obtained by way of lease modifications and land exchanges. The cessation of land sale and suspension of the Application List policy proposed by the Secretary can only successfully control a small proportion of land supply for the construction of new buildings. However, a vast majority of land used for housing construction are still controlled by major property developers with land reserves. Can the Secretary elucidate whether it*

is impossible for the Government to control the supply of land by those means? With regard to land supply, can the Secretary elucidate whether these new measures, after implementation, can ensure that fewer new buildings will be supplied than in the past? How can the Government ensure that major property developers will not construct more new buildings by applying for land exchanges at low land premium?

PRESIDENT (in Cantonese): Mr Albert CHAN, the issue on which you have sought elucidation also concerns land exchange. Please try to phrase your question within the scope of the Secretary's statement.

MR ALBERT CHAN (in Cantonese): *Madam President, the Secretary mentioned in paragraph (A) of the measures that the market is in an exceptional dire state and it is, therefore, necessary to stop all land auctions and suspend the Application List arrangement, in order to control the supply of new buildings. My question is: Given that there are other ways to increase the supply of new buildings, can the Secretary explain whether the cessation of land sale and suspension of the Application List can successfully control the supply of new buildings?*

PRESIDENT (in Cantonese): Sorry, Mr Albert CHAN. Your question is still irrelevant to the contents of the statement. You can think about it for the time being, and if there is time later on, Mr Abraham SHEK, Mr SIN Chung-kai and Mr Albert CHAN may seek elucidation again later. *(Laughter)*

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary said earlier that the Government should not compete with the private market and thus concluded that the sale of PRH flats and HOS flats should stop. Will the Secretary elucidate whether the Government is telling the people today that it admits or honestly makes clear that its past practices were wrong and so, it has to rectify them and cease such practices? Besides, the Secretary stated his wish that the property market could have sustained and healthy development. I would like to ask the Secretary this: If "SUEN's nine strokes" can successfully*

make this healthy market thrive again or even to a state that is overly healthy, that is going over board, would the Government backtrack and reintroduce these policies, putting up PRH flats and HOS flats for sale again?

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, please sit down. I think the first part of your question sought elucidation from the Secretary, but the second part asked for the Secretary's opinion rather than seeking elucidation. Secretary, your elucidation please.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Regarding the first part of the question about whether we have to rectify past mistakes, my answer is there is no such question of rectifying mistakes. The problem that we faced back then must be tackled at the time. The situation then was completely different from the present situation. For example, the overlap between the HOS market and the private residential market mentioned by me earlier is an unprecedented phenomenon which emerges only recently; and the oversupply of residential flats, which also exists only now, has never occurred before. So, having examined the difficulties confronting us now, we consider that focused measures must be taken. Given that the circumstances have changed and things are different from the past, there is no direct relation between the present and the past and so, no direct comparison can be drawn.

MR IP KWOK-HIM (in Cantonese): *Madam President, in paragraph (D) of the measures Secretary Michael SUEN mentioned the cessation of the sale of HOS flats. Will the Secretary please elucidate again what arrangements will be made for the completed HOS flats and how these arrangements will be made?*

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): I have nothing much to add. I wish to say mainly that the Government will dispose of these HOS flats through market-friendly means. Certainly, we are still considering other details, but this principle is already cast.

MRS SELINA CHOW (in Cantonese): *Madam President, my question also concerns paragraph (D) of the measures. In fact, earlier when the Secretary mentioned the time when the production and sale of HOS flats would cease, it appeared he had mentioned the end of 2003. Can he clearly tell us: First, what is the immediate impact of this policy announced by the Government on the HOS policy? Second, how will it handle those completed HOS flats that have yet been put up for sale?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): I said that from 2003 onwards, that is, one month later, the production and sale of HOS flats will indefinitely cease. But we have to do something in this month first. As for HOS flats that are completed or under construction, I already said earlier in response to Mr IP's question that they will be disposed of in a market-friendly manner. For example, converting them into PRH flats will be an option. Or under special circumstances, we will consider allocating these flats to overcrowded households as relief. These are some of the options now under consideration.

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary said just now that the completed HOS flats would be converted for other purposes. My question is mainly this: For what purposes will they be converted? Moreover, how many completed HOS flats have so far been converted for the purposes specified by the Secretary?*

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): There are about 25 000 such HOS flats. As for the other purposes for which they will be converted, I have already given an account of them earlier.

MR MICHAEL MAK (in Cantonese): *I beg your pardon, Madam President. I was asking for what purposes those flats would be converted. For example, will they be converted into accommodation for civil servants or the overcrowded households? I hope the Secretary can tell us in more express terms.*

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, the two purposes mentioned by me earlier are some examples. But accommodation for civil servants will not be included.

PRESIDENT (in Cantonese): Mr SIN Chung-kai and Mr Albert CHAN, if you can think of the contents on which you would wish to seek elucidation, you may have another turn to ask your questions now, because all the 15 Members waiting in line have asked their questions.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I will try to ask the question in another way. Does the moratorium on land sale cover all types of land?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, the cessation of land sale mentioned by me earlier covers two types of land. The first is land that we normally put up for auction; the second is land on the "Application List". As for other applications, such as application for alteration of land use or lease modification, they can continue, because when a moratorium on land sale was imposed in 1998, these applications were also allowed to proceed.

MR ALBERT CHAN (in Cantonese): *Madam President, the Application List system means that a site on the list is marked and then land premium will be paid for it. There are actually many acts similar to the Application List arrangement, only that they are given different names. But the principles of these acts are similar to that of the Application List system. Can the Secretary elucidate the scope of the suspension of the Application List system, and will the Government consider including other similar acts in the suspension?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I hope Members will understand that land sale by the

Government means putting up crown land for sale, whereas the questions raised by Mr SIN Chung-kai and Mr Albert CHAN earlier deal with land in private ownership, which involves only the alteration of land use, and there is no question of the Government putting up such land for sale.

PRESIDENT (in Cantonese): The Secretary has answered Members' questions. The time so spent is more or less the same with that spent the Secretary on making the statement. The time for Statement ends here.

MOTION

PRESIDENT (in Cantonese): Motion. Proposed resolution under the Pharmacy and Poisons Ordinance to approve the Pharmacy and Poisons (Amendment) (No. 4) Regulation 2002 and the Poisons List (Amendment) (No. 4) Regulation 2002.

PROPOSED RESOLUTION UNDER THE PHARMACY AND POISONS ORDINANCE

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I move that the Poisons List (Amendment) (No. 4) Regulation 2002 and the Pharmacy and Poisons (Amendment) (No. 4) Regulation 2002 as set out under my name on the Agenda be approved.

Currently, we regulate the sale and supply of pharmaceutical products through a registration and inspection system set up in accordance with the Pharmacy and Poisons Ordinance. The Ordinance maintains a Poisons List under the Poisons List Regulations and several Schedules under the Pharmacy and Poisons Regulations. Pharmaceutical products put on different parts of the Poisons List and different Schedules are subject to different levels of control in regard to the conditions of sale and keeping of records.

For the protection of public health, some pharmaceutical products can only be sold in pharmacies under the supervision of registered pharmacists and in their presence. For certain pharmaceutical products, proper records of the particulars of the sale must be kept, including the date of sale, the name and

address of the purchaser, the name and quantity of the medicine and the purpose for which it is required. The sale of some pharmaceutical products must be authorized by prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

The Amendment Regulations now before Members seek to amend the Poisons List in the Poisons List Regulations and the Schedules to the Pharmacy and Poisons Regulations, for the purpose of imposing control on six new medicines.

The Pharmacy and Poisons Board proposes to add six new medicines to Part I of the Poisons List, and the First and Third Schedules to the Pharmacy and Poisons Regulations so that pharmaceutical products containing any of them must be sold in pharmacies under the supervision of registered pharmacists and in their presence, with the support of prescriptions.

The two Amendment Regulations are made by the Pharmacy and Poisons Board, which is a statutory authority established under section 3 of the Ordinance to regulate the registration and control of pharmaceutical products. The Board comprises members engaged in the pharmacy, medical and academic professions. The Board considers the proposed amendments necessary in view of the potency, toxicity and potential side effects of the medicines concerned.

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

The Secretary for Health, Welfare and Food moved the following motion:

"That:

- (a) the pharmacy and poisons (Amendment) (No. 4) Regulation 2002; and;
- (b) the poisons List (Amendment) (No. 4) Regulation 2002, made by pharmacy and poisons Board on 22 October 2002, be approved."

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

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

(No Member indicated a wish to speak)

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

(Member raised their hand)

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

(No hand raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. As Members are already familiar with the rules on the time limits on speeches, I will not repeat them here. I just wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Reducing electricity and gas tariffs.

REDUCING ELECTRICITY AND GAS TARIFFS

MR FRED LI (in Cantonese): Madam President, I move this motion today on behalf of the Democratic Party to urge the Government to expeditiously discuss with the two power companies and Towngas and encourage these three public utilities companies to take account of their respective operating conditions and

reduce their tariffs or offer concessions to users, thereby alleviating the burden on the public and the commercial and industrial sectors.

Some may ask, "Fred LI, did you not propose a similar motion in last November, which was passed unanimously in the Legislative Council? Why do you have to propose it again today?"

In fact, the answer is simple: It is because over the past year, the economy of Hong Kong has not improved and worse still, it has continued to deteriorate. The electricity and gas tariffs have not been reduced, and a power company even effected an increase in its tariffs. Under these circumstances, how can the Democratic Party not propose a motion again to ensure that the Government, the two power companies and Towngas listen to the aspirations of the people clearly?

On this day last year when I moved a similar motion, the unemployment rate was below 6%. However, the figure has climbed to 7.4% today, with the number of unemployed people increasing from some 200 000 at that time to 267 000 today.

In fact, since 1998, a deflation has prevailed in Hong Kong and the aggregate negative inflation rate has reached 12%. Nevertheless, electricity and gas tariffs, which are closely related to the people, have not seen any adjustment. The Hong Kong and China Gas Company Limited (Towngas) has only frozen its tariffs and offered concessions to some elderly in need since 1998. Also, the CLP Power Hong Kong Limited (CLP) has since 1998 frozen its tariffs and offered rebates to its users in a bid to address the issue over which we all have expressed concern.

But although the din of public dissatisfaction over the expensive electricity tariffs has never stopped, the Hongkong Electric Company Limited (HEC) has adjusted upwards its electricity tariffs twice in two years at an aggregate increase rate of 12%. If we take account of the negative inflation factor, the rate of increase in two years is as high as 17%. This has added to the burden of the public and the business sector.

The HEC has not only increased its tariffs, but also revised the method of calculating block rate tariffs in an attempt to increase its revenue. A progressive methodology has recently been adopted in the calculation of

electricity tariffs in Hong Kong, which is completely different from the degressive methodology in foreign countries. So, the more electricity consumed by the people, the more electricity tariffs they have to pay.

Recently, the HEC openly reputed that the increase in electricity tariffs in Hong Kong is actually far lower than inflation. It also added that electricity tariffs in Hong Kong are lower than those of many major cities, and even lower than those in Macao. These remarks are grossly misleading.

In fact, the two power companies of Hong Kong did substantially increase their electricity tariffs during late '70s and early '80s. Using the peak at 1983 as the basis for calculation is unreasonable. Besides, the HEC's calculation of the average tariffs based on an electricity consumption of 300 units is also questionable. As I said earlier, the more electricity consumed, the higher the electricity tariffs will be. If over 1 000 units of electricity are consumed, the average tariff for each unit already exceeds \$1, which is more expensive than many major cities, and is even more expensive than Macao.

Although the power companies have consistently stressed that electricity tariffs in Hong Kong are inexpensive, their arguments are hardly convincing.

Recently, seven major property developers in Hong Kong have exceptionally joined force to point out that the expensive electricity tariffs in Hong Kong have seriously affected their operating costs and weakened the local economy and competitiveness. The spokesman of The Wharf Group, for instance, stated in the press that the electricity tariffs payable by The Wharf Group for its shops and offices accounted for one third of its operating expenses. According to newspaper reports today, the person in charge of Hsin Kuang Restaurant (Holdings) Limited, Mr WOO Chu, also stated that despite reductions in rental, wages and food costs, electricity and gas tariffs still have not been reduced. For every \$100 business done by a catering establishment, \$6 will have to be spent on electricity tariffs, accounting for a very high proportion of the operating costs.

Also reported in the press is that even the academia has come forth to say something. I think Mr CHEUNG Man-kwong will speak on their behalf today. He did not intend to speak originally, but recently, even the education sector and the academia have to come out to say that electricity tariffs are so high that they account for a substantial proportion of school expenses.

Apart from proposing this motion, I have also written to 11 major property developers and four major chambers of business. Although some of them have not responded perhaps due to political or business considerations, some property developers and associations (including Nan Fung Properties, Kerry Properties Limited, the Federation of Hong Kong Industries and the Hong Kong Small and Medium Business Association) have contacted me and expressly given their support for my motion today. Moreover, although some have not expressed support, they agreed that in the long term, the level of electricity tariffs must be adjusted downwards and a greater degree of transparency must be built into them. This already reflects that the expensive electricity and gas tariffs have given cause for concern in the industrial and commercial sectors.

As a matter of fact, the world's second largest semi-conductor manufacturer, Motorola, decided earlier to withdraw most of its production lines from Hong Kong, resulting in 800 employees becoming unemployed. A major reason for their withdrawal, as openly stated by the company, is that the electricity tariffs in Hong Kong are too expensive. Over the years, there have only been increases but not decreases in electricity tariffs, and this has caused the costs of the company to rise.

From this we can see that expensive electricity and gas tariffs will not only affect the quality of living of individuals, but also create an adverse impact on the industrial and commercial sectors as well as the Hong Kong community at large.

Studies conducted by the Lehman Brothers, a foreign-funded securities company, also pointed out that in terms of electricity tariffs, Hong Kong is the third most expensive place in the world, just after Japan and Italy, and ranks second to Japan in Asia. Expensive electricity tariffs can actually attributed to the Scheme of Control Agreement (SCA) and the lack of effective competition in the market. Under the protection of the SCA, the two power companies can have a return of 13.5% of their net fixed assets. In the last 10 years, the profits of the two power companies have increased in tandem with the continued increases in their net fixed assets.

In 2000 and 2001, the CLP made a profit of \$24.16 billion and \$24.72 billion respectively under the SCA. After such deductions as the operating expenses and provision for the development fund, the net profit of electricity sales was \$6.92 billion and \$7.26 billion respectively. In the first half of this

year alone, electricity sales of the CLP already increased by 7%, far higher than the company's projection.

Indeed, the HEC, which has in effect monopolized the electricity market on Hong Kong island, also yielded very good returns. In the two years of 2000 and 2001, the total revenue from electricity sales was \$9.79 billion and \$10.23 billion respectively. After deducting expenses and the provision for the development fund, the net profit was \$5.05 billion and \$5.62 billion respectively. In the first six months of this year, the HEC's total revenue from electricity sales was \$5.15 billion, which was 5% more than the revenue during the corresponding period in the first half of last year.

As for Towngas, although it has not entered into any agreement with the Government, the company has a very large share of the gas market. Coupled with the fact that new buildings are mostly connected to the gas supply pipes of Towngas and so, members of the public do not have any choice at all, the profit of Towngas is therefore guaranteed indirectly. Last year, the total gas sales of Towngas was 6.5 billion megajoules, which was 2% more than the volume in 2000; and its business turnover totalled \$6.85 billion, which was 3% higher than 2000. Although Towngas has stressed that business this year is not as good as projected, the profit of Towngas is actually guaranteed indirectly given its advantage of virtually monopolizing the market.

The Democratic Party urges these three public utilities companies to reduce their tariffs or offer concessions not only on the ground that they have reaped generous profits. Nor is it because we are green with envy as they are rolling in money. In fact, a more important reason is that since the power companies and Towngas, being public utilities companies, already enjoy a special — I repeat special — and favourable business environment, they are obliged not only to take care of the interest of their shareholders, but also the needs of the general public.

I understand that the two power companies are entirely at liberty to continue to increase and adjust their tariffs in accordance with the SCA, as long as the increase so effected brings in profits below the ceiling of 13.5%, that will be entirely legitimate and will not have any problem. I also understand that Towngas, which is not subject to any specific regulatory control, can increase its tariffs freely. I also respect the contractual spirit and the legitimate right to do business.

However, the point in question today is whether this is reasonable and sensible. From the angle of "sense", when all kinds of prices and wages keep on falling, the tariffs charged by the power companies and Towngas, which are public utilities companies closely related to the people, have nonetheless remained unchanged and even increased in the past two years. What is more, these companies have been dropping hints this year that a further increase may be effected in 2003. Is this sensible by any standard?

Today, the Democratic Party urges colleagues of the Legislative Council, the industrial and commercial sectors and also members of the public to support the motion and join hands to make an appeal to the Government and the public utilities companies.

This motion is very reasonable, for it has taken account of the operational needs of various companies and respected the contractual spirit. I am very glad that this motion has aroused extensive debates in the community, encouraging many useful and constructive warm-up discussions on the future electricity market, particularly on the monitoring of and competition in the market after 2008. As for Mr NG Leung-sing's amendment, I will spend five minutes of my time to respond to it in detail. But here, I must thank him first, because he did discuss with me in detail before proposing his amendment. So, I must thank him here.

Moreover, Mr Andrew CHENG of the Democratic Party will further explain why we have proposed to reduce electricity and gas tariffs in particular. Dr YEUNG Sum will, on behalf of residents on Hong Kong Island, express dissatisfaction with the HEC's repeated tariff increases and refute the statements recently made by the HEC. Mr CHEUNG Man-kwong will speak on the exorbitant expenses on electricity tariffs borne by schools on behalf of the education sector in particular.

Madam President, I wish to conclude my speech with an editorial of *Ming Pao*, for I think it has spoken my mind. This editorial, published on 7 November, said: "We do not oppose the power companies going after profits. We only hope that these large enterprises, such as the CLP and the HEC, which possess colossal assets and the capacity for international operation, can fulfil a bit of the responsibilities required of good corporate citizens by exploring other ways to achieve profit growth, such as improving their operational efficiency and capitalizing on technological innovation, rather than neglecting the

conditions of society and solely relying on the SCA to dig into the pockets of Hong Kong people."

With these remarks, I beg to move.

Mr Fred LI moved the following motion: (Translation)

"That this Council urges the Government to expeditiously discuss with the two power companies and Towngas and encourage them to take account of their respective operating conditions and reduce their tariffs or offer concessions to users, thereby alleviating the burden on the public and the commercial and industrial sectors."

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

PRESIDENT (in Cantonese): Mr NG Leung-sing will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

I now call upon Mr NG Leung-sing to speak and move his amendment.

MR NG LEUNG-SING (in Cantonese): Madam President, I move that Mr Fred LI's motion be amended, as printed on the Agenda.

At present, the economy of Hong Kong and the people's livelihood are still undergoing a rather difficult period. The fees and charges of various public utilities which affect people's daily life and the operating costs of industries and businesses remain at a relatively high level, much to the concern of the various sectors of society. Under such special circumstances, the Legislative Council appeals to the relevant public utility operators to take account of their practical conditions and respond positively. An appeal like this is perfectly reasonable and sensible, and it also reflects the consensus among the various political parties and independent Members of this Council in striving for the cause of the people.

But I must point out that appeals of this kind, made on the basis of an "all-party consensus" without the benefit of any legal advice, are not meant so much to interfere with the operation and pricing policies of commercial organizations, but rather as sentimental appeals to encourage commercial organizations to respond positively under the very special times and circumstances. This can also be interpreted as the common basis of the relevant appeals made by Legislative Council Members. But despite the correct aim, from the perspective of contract spirit, these appeals will inevitably lead to some misunderstanding or false impression that the Legislative Council is trying to interfere with commercial operation and pricing through administrative means. It must be admitted that it would be most unfortunate should such a situation arise. In particular, when the motion on demanding public utility operators to reduce their fees and charges is moved in the Legislative Council every year, the wider community and even international investors may easily have the misunderstanding and false impression mentioned above. When I moved the motion on public transport fares earlier on, I was also beset with such contradictory considerations.

For this reason, I have decided to make use of this opportunity and amend the wording of Mr Fred LI's motion, so as to put across Members' consensus in the best possible manner. I hope also to point out more definitely and properly that all the things which the Legislative Council asks the Government to do, including encouraging public utility operators to reduce their tariffs or offer concessions, are premised on protecting the legitimate operation of investors and their pricing rights. It is hoped that society as a whole and also local and foreign investors can be told explicitly that while the Legislative Council is concerned about the people's livelihood and advocates such proposals in this context, it also respects the spirit of commercial contracts or established commercial arrangements and treasures the reputation that has taken Hong Kong so many years to build up.

My proposal that public utility operators should be encouraged to reduce their tariffs and offer concessions in the light of their business conditions, which is premised on safeguarding the legitimate operation of investors and their pricing rights, this is not at all a compromise that seeks to protect the interests of the commercial sector. The fact is that many utility charges are closely related to the costs of business operation, so the people's livelihood is not the only thing to be affected. The commercial sector has recently shown its concern and made some demands; this can prove my point that the scope involved is really very extensive. But the underlying principle should remain the same whether we are

talking about the people's livelihood and business operation: the overall interests of society must take precedence. Frankly speaking, the commercial sector is not asking the Government to unilaterally alter its agreements with the power companies; what it asks for is just an electricity adjustment mechanism more in line with the business environment. In other words, the Government is not asked to do anything to breach the established commercial arrangements or any contractual rights. The role of the Government should be a proactive market enabler, and as such, it should put in place various policies and measures to improve the conditions and operating mechanisms of the market and to promote competition, so as to ensure that utility charges are reasonable. But under no circumstances should the Government ignore established commercial arrangements and contracts, nor should it issue any executive orders to interfere with the market, to set market prices, either directly or indirectly.

Some utility operators in Hong Kong, such as the two power companies, are subject to regulation by SCA. Thus some people may perhaps argue that the electricity market is basically not an entirely free market, and that there has always been government intervention. But I would think that this should not constitute an excuse for any further intervention. I trust that when the Legislative Council asks the Government to negotiate with the relevant utility operators on tariff reductions and concessions, it is not resting on the above argument. The Government of course should not interfere with a totally free market, and even in a regulated one, its regulation should be effected in accordance with the agreed terms and conditions, including SCAs. The existence of regulation does not mean that the Government can thus go beyond the agreed scope of regulation at will and impose further "regulation" or intervention.

I believe that there should be no conflict between the premise of safeguarding the legitimate operation of investors and their pricing rights and the request that the Government should encourage the relevant operators to reduce tariffs and offer concessions taking account of their operating conditions. The two should be complementary, rather than contradictory. The mechanism for annual electricity tariff reviews under the SCAs, for example, gives the Government and the two power companies precisely an opportunity to do so. The safeguarding of investors' legitimate operation and pricing rights should in fact mean that relevant actions all should be conducted within the framework of the existing SCAs; the rights enjoyed by the relevant organizations under the SCAs should not be injured. Yesterday, I read from the papers that Mr Fred LI

had said that his motion was not intended to ask the Government to violate the spirit of contract, nor was it meant to urge the Government to interfere with the market. I trust that he did not have his tongue in his cheek when he said that. For this reason, I see no reason why Honourable colleagues should oppose my amendment.

Commercial organizations, especially public utility operators, should no doubt have commitment to society, for people do expect them to do so, but at the same time, we must not forget that the most important moral basis of market economy is respect for the spirit of contract and established commercial arrangements. Once this basis is damaged, the investment prospects and future of Hong Kong will be at stake. I am sure that under the prevailing circumstances, it will do us a lot of good in revitalizing the economy, creating jobs, relieving people's plight and maintaining social stability and prosperity, if we can adhere to our principles, maintain a sound business environment and foster investor confidence. Therefore, on topics relating to the economy and the people's livelihood, the Legislative Council and the Government should both adhere strictly to the principle of safeguarding legitimate business operation and pricing rights. This is most important, and we must not waver in any way. It is precisely based on this principle that I have moved an amendment stressing the rule of law today, and my feelings can be summed up by quoting the words of a famous medical doctor on the Mainland, "As cautious as one skating on thin ice or on the verge of an abyss. Just do the best and strive to achieve perfection." I hope Members can support my amendment.

Finally, with the best of all intentions, I wish to advise those colleagues who may consider opposing my amendment to carefully read the insertion contained in my amendment. They must not give the public any impression that they want only money, but not the rule of law.

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

Mr NG Leung-sing moved the following amendment: (Translation)

"To add ", under the premise of safeguarding the rights of investors to operate in compliance with the law and to determine prices," after "That this Council urges the Government".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr NG Leung-sing to Mr Fred LI's motion, be passed.

MRS SELINA CHOW (in Cantonese): Madam President, high electricity tariffs will impose a heavy burden on individual citizens, the commercial and industrial sector, the tourism industry, the retail sector and even society as a whole. Since the Liberal Party upholds the principles of free market, some may wonder why we would support the motion today, that is, why we can agree to urging the Government to negotiate promptly with the two power companies and Towngas with the aim of encouraging them to reduce tariffs and offer concessions. In fact, we totally respect the right of the two power companies and Towngas to pricing. But we also believe that a scrupulous enterprise should note the importance of balancing the interests of different business operators, instead of just focusing on maximizing profits all the time. This balance is essential to ensuring the sustained sound development and prosperity of society.

A couple of days ago, the HEC made a comparison of the electricity tariffs in 24 places all over the world, and the findings indicate that the level of tariffs in Hong Kong, averaging about \$0.83 per unit, ranks only the 13th in the comparison. But according to the analysis of Prof LAM Pun-lee of The Hong Kong Polytechnic University, while the comparison of the HEC is based on a monthly consumption of 300 units of electricity, the average monthly electricity consumption of Hong Kong households in summer will often exceed 500 units.

What is more, local electricity tariffs are computed on a progressive basis, but the opposite is the case in other countries, meaning that the smaller is the consumption, the higher are the charges. For this reason, the HEC's adoption of 300 units as the basis of comparison will necessarily yield the finding that electricity tariffs in Hong Kong are lower than those in other countries. Prof LAM Pun-lee is of the view that there is something tricky about the basis of computing electricity tariffs in the HEC's comparison.

Computed on the basis of average electricity consumption, the industrial and domestic electricity tariffs in Hong Kong are very high, second only to those in Japan, and well above those in Taiwan, Korea and Europe and America.

Besides, a research report of the Lehman Brothers, a large American securities dealer, also points out that in terms of Return on Equity, the returns of the CLP and the HEC are among the highest in the world. This shows that the power companies in Hong Kong do have the capacity to lower their tariffs.

Since the local economy slipped into a continuous decline, the retail businesses have sustained unprecedented blows. On the one hand, they are faced with deflation and shrinking turnover; and on the other, they are also burdened by high operating costs, and their marginal profits have continued to drop. But the case with electricity tariffs is just the opposite, for they have kept on rising and remained high. Some retail business operators have told me that electricity tariffs account for at least 10% of their gross profits, and because of high electricity tariffs, shopping centre management companies have repeatedly turned down their requests for lower management fees. It is small wonder that many retail business operators have joined the call for lower electricity tariffs.

The tourism industry is extremely important to the revitalization of the local economy. The night scene of Hong Kong is famous worldwide; even tourists who have seen its resplendence just once will never forget it for the rest of their life. Unfortunately, since electricity tariffs have not been reduced despite all sorts of business difficulties in recent years, the costs of lighting neon signs have become a heavy burden for shops and buildings. As a result, lights and neon signs will go out very early, and people notice that the night scene of Hong Kong is no longer as resplendent and glittering as before. I therefore think that the two power companies should offer some kind of concessions to shops and buildings which keep their neon signs on during the off-peak hours at night, so that that Pearl of the Orient called Hong Kong can remain radiant, so that its glittering night scene can continue to appear in publications all over the world, without any worry of being replaced by the neon signs of the bund and Nanjing Lu in Shanghai.

To the industrial sector, which consumes huge quantities of electricity, high electricity tariffs are especially a very heavy burden. Industrial users can generally avoid electricity consumption during the peak periods, meaning that they can avoid competing with shops and domestic users for electricity supply during the peak periods in the day and at night and can therefore avoid adding to the burden on generation. That is why the power companies should offer

concessions to off-peak users. The HEC does not offer such concessions at the moment. As for the CLP, although in the case of high-consumption users, there are separate scales of charges applicable to peak and off-peak periods, the actual concessions it offers are just very small when compared with those in other countries. When one compares the tariffs for the first 200 units consumed during peak and off-peak periods, one can see that the saving in tariffs is just about 17%. In contrast, in Singapore, the actual saving is well above 60%. And, in Australia, there can be a difference of some 160% between peak and off-peak tariffs for industrial users.

The SCAs signed between the Government and the two power companies will only expire in 2008. As a cosmopolitan city, Hong Kong must respect the spirit of contract and must not breach the agreements lightly, lest this may affect the confidence of investors. However, while we respect the spirit of contract, we must at the same time try to balance the interests of different categories of consumers. For very long periods in the past, Hong Kong was able to enjoy uninterrupted economic development and take-off, so the SCAs between the Government and the two power companies apparently cannot take account of the current economic downturn and restructuring. The Liberal Party thinks that since the Government and the two power companies will conduct interim reviews next year, there will be a good opportunity to make active efforts to balance the interests of all stakeholders. Lessons should be drawn from experience, and on the premise of maintaining investor confidence, consideration should be given, for example, to factoring deflation into the mechanism for determination of tariffs and offering better concessions to high-consumption users during off-peak periods. These measures will not only offer true benefits to all the people, but also give some breathing space to the industrial and commercial sector. Besides, the Government should also clearly define that "permitted return" should mean the maximum return permitted, not any "guaranteed return". This can prevent the power companies from increasing their tariffs by again saying that they have not attained their permitted rate of return.

Thank you, Madam President.

MR LAU CHIN-SHEK (in Cantonese): Madam President, in several local papers today, the HEC puts up a half-page advertisement which says that electricity tariffs have recorded the lowest cumulative rate of increase in the past

18 years when compared with other major living expenses. The management of HEC has also said recently that electricity tariffs account for just a very small proportion of household expenditure.

When it comes to the increase rates of electricity tariffs, I am sure HEC customers will probably remember that despite deflation, the HEC still increased its tariffs several times in the past few years, and the cumulative rate of increase for the past two years alone was already more than 10%. As for the statement that electricity tariffs account for just a very small proportion of household expenditure, I hope the power company can realize that while different options are available in respect of other daily necessities and even public transport, people never have any choice with electricity. For, if they do not use electric lamps, are they supposed to use kerosene lamps, candles or even make do with complete darkness? In summer, even if they do not switch on their air-conditioners, I believe they must at least use electric fans. If not, are they supposed to fan themselves cool?

Madam President, the root cause of high electricity tariffs today is very clear: the existence of the SCAs.

Actually, the demand for the revision or even abolition of the two power companies' respective SCAs is nothing new at all. Nearly two decades ago, in the early 1980s, during the campaign on "opposing the surge of public utility charges", a joint conference of people's organizations already argued that the SCAs were not conducive to the interests of customers. At that time, even Mr Allen LEE, then a Legislative Council Member, was not satisfied with the SCAs. The reason was that the Government and the two power companies were reluctant even to disclose the contents of the SCAs. So, the people were not only barred from determining the levels of "permitted return" and tariffs of the two power companies, but were also denied legitimate access to information. In the end, it was only after a series of struggles that the Government and the two power companies agreed to publicize the terms of the SCAs.

In 1991, when I first became a Member of the former Legislative Council, the first motion debate I moved in this Chamber was precisely about the SCAs. Since the Government was holding negotiations with the two power companies

on the extension of their respective SCAs, I decided to move a motion, demanding that the Government must consult the then Legislative Council and the public during its negotiations with public utility operators on the extension of SCAs. However, just the day before the motion debate, the then Executive Council suddenly endorsed the extension of the SCA with the CLP for 15 years. Then, the SCA of the HEC was also extended on the same terms for 15 years. As a result, the customers of the two power companies are still faced with the adverse consequences of the SCAs.

In my speech delivered in the motion debate mentioned above, I already warned that the extension of the SCAs would only serve to safeguard the unreasonably high profits and returns of the two power companies. And, I also pointed out that even if there was just a slight mistake on the part of the two power companies in projecting future electricity demand and economic growth, their customers would be forced to shoulder exorbitant electricity tariffs. Unfortunately, the developments over the past few years have proved precisely the truth of my warning then.

Under the existing SCAs, even when the power companies are severely criticized for poor services, even when erroneous development projects result in unreasonable assets expansion, even when the companies fail to exercise reasonable costs control, even when the economy declines, and even when the people are battered by severe hardships, customers are still forced to bear and guarantee the high profits and returns of the power companies year after year.

Customers have now become the cash dispensers of the two power companies, and they must guarantee that the companies are able to make excessive profits every year. Is this a fair and reasonable supervisory mechanism?

Computed on the basis of the shareholders' fund of the two power companies, the HEC's rate of return is more than 20%, and that of the CLP is also close to 20%. Given the economic conditions nowadays, I am sure it is very difficult to find any other enterprises which can yield a return, a guaranteed return, of nearly 20% every year. From this, it can be seen that the rate of return under the SCA is really unreasonably high.

In a word, any SCA which is marked by rigidity, by excessive returns and by unfairness to customers must be abolished as soon as possible and replaced instead by another supervisory mechanism which is fairer and more reasonable to the people.

The existing SCAs will expire in 2008, and the Government and the two power companies are going to conduct the interim reviews. I reiterate that the Government must seize this opportunity to lower the rate of permitted return in the short run, and abolish profits guarantee entirely in the long run.

Madam President, since the revenue of the power companies is derived from the tariffs levied on customers, the high levels of permitted return actually mean that the power companies must rely on the tariffs paid by their customers to attain the ever-increasing permitted returns resulting from assets expansion. The HEC, for example, earned a revenue of about \$10.9 billion from electricity sales last year, but at the same time, under its SCA, the net profit of the company after the deduction of all costs was as much as \$5.6 billion. In other words, some \$1 out of every \$2 paid by a customer actually went to the pockets of HEC shareholders. Such a high rate of net profit is really astounding.

With the existing financial conditions of the two power companies, if the HEC can accept a small profit reduction of \$1 billion and the CLP also a mild one of \$2 billion, then they can promptly reduce their charges by 10% (bearing in mind that even with the reductions, the profits of the HEC and the CLP Holdings will still be as much as \$5 billion each). It can thus be seen that the exorbitant electricity tariffs now are caused not so much by any lack of capacity for reductions, but rather by the reasonably high rate of return.

What the community of Hong Kong needs most are greater cohesion and more concerted efforts to tide over the current difficulties. I hope that the power companies and Towngas, which earn billions of dollars a year, can all respond positively to the aspiration of the people and this Council.

Thank you, Madam President.

DR PHILIP WONG (in Cantonese): Madam President, regarding the issue of adjusting the tariffs of the two power companies and Towngas, I think that while

the Government pays attention to the people's livelihood, it should also uphold the principles of free market.

I wish to say a few words on the two power companies. The two power companies in Hong Kong are both privately-owned enterprises engaged in a livelihood-related business. Under their respective SCAs, which will remain effective until 2008, they enjoy the lawful right of pricing. The original intent of the agreements is to provide a mechanism on checking any incessant price increases by public utility operators, and on encouraging investors to upgrade their equipment and enhance their service quality in times of inflation. However, in times of deflation, the agreements will become a "protective umbrella" safeguarding the reasonable profits of investors. This is precisely the very subtle delicacy of such agreements.

I am of the view that although the economic conditions have changed, the agreements are still legally binding and must therefore be adhered to. The Government should respect the spirit of commercial agreements and protect the legitimate rights and interests of investors, instead of interfering too much with their lawful rights under the agreements. If not, investors will not have the confidence to draw up any long-term development plan, and a series of lawsuits and claims may also result, thus dealing a blow to the free market principles, the very cornerstone of Hong Kong's prosperity. If the suppliers of people's daily necessities cannot safeguard their lawful profits, and if they even have to face frequent intervention of all kinds, then how can we convince investors that they should continue to invest in Hong Kong? I think that in the world today, integrity and strict adherence to established principles are of particular significance to fostering investor confidence, improving the business environment, bringing about economic recovery and maintaining social stability.

Frankly speaking, it is not actually necessary to adopt a "broad-brush" approach to the adjustments of electricity tariffs. According to government statistics, the Consumer Price Index of Hong Kong has risen by more than 150% over the past 18 years, but the cumulative rate of increase in electricity tariffs in the same period was just 30%, which averaged out to a mere 1.7% per annum. And, the wages, residential rents and transport fares during the same period all rose by 100% to 200%. This shows that the increase rates of electricity tariffs in Hong Kong have been far lower than those of other living expenses. Statistics also indicate that the reliability rate of local electricity supply is among

the highest in the world, being 99.99%. And, when compared with the electricity charges in metropolises like New York, London, Tokyo and Berlin, those in Hong Kong are undeniably low.

As for the Government, I think what it should explore as quickly as possible is how best it can appropriately deal with the expiry of the SCAs of the two power companies in 2008. The Government may consider the inclusion of deflation in the basis of computing electricity tariffs during the interim franchise review next year. It may consider the possibility of market liberalization and introduce competition. For example, in Guangdong, another nuclear power plant will inaugurate very soon; its costs are lower, and it may therefore sell its electricity to Hong Kong customers at lower prices. Customers of the power companies all wish to reduce their business operating costs, and to achieve this, they need to look into several aspects; they must make good use of resources, reduce consumption and enhance their economic efficiency. As for the two power companies, their investors and management should seek to understand the current economic situation in Hong Kong; after making lawful and reasonable profits, they should pay heed to the demand of their customers and the aspirations of society and help the people tide over the current difficulties. Actually, the two power companies did introduce some measures on costs reduction, customer concessions, freezing of tariffs, rebate, and so on. I hope that all stakeholders can understand one another and join hands in working out a scheme which is in line with both basic principles and the realities.

I must say this legislature can really discuss practically everything under the sun. It is basically a good thing to have a debate on the people's livelihood today. Unfortunately, a topic involving the mildest increases, the least effects on the people's livelihood but the gravest possible misunderstanding has been chosen. The motive indeed defies speculation.

Madam President, I so submit.

MR ANDREW CHENG (in Cantonese): Madam President, two weeks ago, when I moved a motion on behalf of the Democratic Party, demanding adjustments of public transport fares, the Breakfast Group and the Liberal Party lashed out at me, saying that in doing so, the Legislative Council would destroy

the principles of free economy. Mr NG Leung-sing's amendment today is also underlined by a similar way of thinking.

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

I very much wish to tell Mr NG Leung-sing and Members belonging to the Breakfast Group that if these public utility operators had any scruples and any sense of social obligation at all, and if they could volunteer to reduce their tariffs to ease the people's hardship, the Legislative Council would not have to spend time holding discussions. Unfortunately, while all sorts of price indexes are going down, electricity and town gas tariffs, like transport fares, are never reduced to ease the people's hardship. What have been offered are similar to the MTR Corporation Limited's "Ride 10 get 1 free" bonus scheme, rebates to customers or concessions for the elderly. All these are either temporary in nature or unable to benefit all customers.

Madam Deputy, apart from the operators' neglect of the people's needs and their failure to adjust their tariffs in line with prices, another reason, the main reason, why the Democratic Party has demanded a reduction of electricity and town gas tariffs this time around is that the three utility operators all enjoy an especially preferential business environment, or a monopolistic or almost monopolistic business environment. That is why they should not focus only on making profits as a private enterprise and forget their social obligation as a public utility operator. At a time when people are leading a difficult life, they should reduce their tariffs, so as to ease the people's plight.

That electricity tariffs in Hong Kong are expensive is almost the consensus of the entire community with the exception of the CLP and the HEC.

According to the analyses by the Lehman Brothers, the return on equity (ROE) of the HEC is 22% and that of the CLP is 18%, both being higher than those of their counterparts in other major cities in Europe, Japan and the United States.

In the final analysis, what have made it possible for the two power companies to earn such huge profits are the existing SCAs signed between them

and the Government, under which they can enjoy a maximum rate of return at 13.5% of their respective net fixed assets.

The original intent of the SCAs is to ensure that while the shareholders of the power companies can enjoy reasonable returns, the interests of the general public can be given maximum protection at the same time. Very unfortunately, however, the SCAs have become some sort of profit guarantee schemes, and the two power companies seldom earn returns at a rate lower than 13%. The only time when the HEC did not earn profits at the maximum rate of 13% was in 1979, that is, more than 20 years ago.

Madam Deputy, the Democratic Party has repeatedly raised the demand for lower public utility charges because it hopes that these public utility operators can think in the way the people think and sense their urgency. However, it has turned out that just the people are boiling in a state of urgency and the utility operators are not. That is why we feel all the more obligated to voice the aspiration for reduction of charges. The community has become increasingly vocal about the fact that electricity and town gas tariffs are much too high now. Just last week, the Democratic Party conducted a survey, during which 686 people were interviewed. The findings indicate that more than 70% of the respondents considered that the electricity and town gas tariffs in Hong Kong now are too high, and only slightly more than 10% of them said that the tariffs are reasonable. The proportion of those who thought that electricity and town gas tariffs are too low are extremely small, being just 1.3% and 0.6% respectively.

Residents on Hong Kong Island feel about high electricity tariffs especially strongly. Of all the HEC customers interviewed, as many as 83.5% thought that electricity tariffs are too high, a rate much higher than the corresponding percentage for the CLP.

On the adjustments of electricity and town gas tariffs next year, 70% of the respondents hoped that they could be reduced. 10% of them hoped that the power companies could offer rebates to lighten their burden at least temporarily. Only 0.7% of them agreed that electricity and town gas tariffs should be increased.

(THE PRESIDENT resumed the Chair)

Madam President, the Democratic Party and the people are not alone in making the demand this time around. Seven major property developers have recently taken the unprecedented move of forming a concern group on electricity tariffs. I used to think that this kind of concern groups would most likely be formed by grassroots. But this time around, the seven property developers have formed one and written to the Government, urging it to step up its supervision of the power companies in the future. Although the demands of the property developers are slightly different from those of the Democratic Party as enunciated in the motion today, the long-term objective of both is the same. They all view that the existing levels of electricity tariffs are too high, and there is a need to put in place a more effective supervisory system to assess the operation, efficiency and capital investments of the power companies.

Madam President, as I said during the motion debate on the demand for reduction of transport fares, the adoption of the ROE as the basis of adjusting transport fares may easily induce the bus companies to engage in excessive capitalization, thus leading to the inevitable result of fare increases. Therefore, for the same reason, the Democratic Party hopes that the Government can put in place a more comprehensive mechanism for supervision of the power companies after 2008. At the same time, it also hopes that the electricity market can be liberalized to introduce effective competition and give more options to consumers.

As we all know, people simply cannot choose the power companies from which they get electricity. Those living in Kowloon or the New Territories have to buy electricity from the CLP, and those living on Hong Kong Island have to patronize the HEC, no matter how high the tariffs are. If not, people will have only two alternatives: move their homes or return to the life of the primitive times, kindling fire from wood and hence obviating the need to rely on the power companies.

In the case of Towngas, it likewise has a major share of the heating and cooking gas market. Besides, since most newly completed residential buildings are installed with town gas pipes, people simply cannot choose their gas suppliers unless they use kerosene or LPG cylinders.

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

MR KENNETH TING (in Cantonese): Madam President, deflation has prevailed in Hong Kong for 47 months and the Consumer Price Index has dropped as much as 12% in aggregate. Today, I wish to focus on the high electricity tariffs. At present, expenses on electricity have, oddly enough, increased rather than decreased compared with those four years ago. This is largely the result of the SCAs signed by the Government with the two power companies, under which the two power companies can continuously increase their assets in order to yield a maximum permitted return of 13.5% of their assets. This is why the power companies could still effect an accumulated tariff increase of over 10% for two years in a row despite the prevalence of deflation.

A consistently high level of electricity tariffs will obviously result in our competitiveness being further undermined. Take the industrial sector which I represent as an example. Earlier, an American semi-conductor manufacturer has, on the ground that electricity tariffs in Hong Kong are too high, relocated their production base in Hong Kong to the Mainland where electricity tariffs cost only about one third of those in Hong Kong on average. In Shenzhen, for example, where electricity is the most expensive in the Mainland, the electricity tariffs have recently been adjusted downwards by 4%, making a difference of at least 10% in electricity tariffs between Hong Kong and Shenzhen. Factory closures will naturally cause unemployment, and also deal a blow to consumer confidence and the market, which is not conducive to economic recovery.

Indeed, the local electricity tariffs are so high that they rank the third highest in the world. Economic analysts of international investment banks or scholars can produce statistics to show that it is hardly convincing to say that electricity tariffs in Hong Kong are not particularly high compared with other cities. While the HEC has drawn comparisons between its electricity tariffs and various price indices since 1983, in an attempt to show that the growth in electricity tariffs was not particularly high compared to the growth in various price indices, it has neglected the fact that this period was the zenith of economic growth in Hong Kong and so, it appeared that the HEC had resorted to trickery to serve its own purpose.

According to international practice, power companies will offer special tariff concessions to industrial and business undertakings with high electricity consumption. But as many people in the community have pointed out, there is indeed plenty of room for improvement to be made in this regard by the two

power companies, particularly the HEC as it has not offered any concession to heavy users during non-peak hours. While the CLP has offered such concessions, these are just "petty favours" by the standards in other parts of the world and cannot be considered a genuine relief to the operational pressure of industries and businesses.

Being a member of the industrial sector, I am certainly aware of the importance of upholding the contractual spirit. So, I support that the rights and interest of the two power companies under the law must be protected. However, I hope that the two power companies, while making huge profits, can have regard for the plights of various trades and the people. I hope they will not only refrain from further effecting tariff increases, but also find ways to offer concessions to all users, big or small. It is certainly most desirable if the tariffs can be reduced directly. They must not be willing only to share the wealth with the people, but not to weather the hard times with them.

The crux of the matter is the lack of transparency in the existing regulatory laws and in the mechanisms whereby tariffs are charged by the two power companies. For example, the two power companies can overestimate electricity consumption without having regard for cost-effectiveness, so as to increase the value of their assets and thus maximize their benefits. Besides, when acquiring generation units, the two power companies can purchase costly equipment without having to give it detailed consideration, because if savings are achieved in the cost, it would result in smaller profits for the two power companies. As a result, the public and various trades and industries are made to bear the cost of exorbitant electricity tariffs.

Moreover, while we are making every effort to improve the business environment, we must at the same time ensure that competition exists in the local electricity market. The Government will conduct an interim review with the two power companies next year. We very much hope the Government can, in consultation with the two power companies, put in place a more reasonable charging mechanism. For example, deflation should at least be factored into the pricing. In the long term, the Government should consider ways to open up the local electricity market to facilitate competition, and also ways to actively promote interconnection, so that electricity tariffs in Hong Kong could be brought down to a more reasonable level for the benefit of the general public as well as various trades and industries.

With these remarks, Madam President, I support today's motion and amendment.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, today, I speak on behalf of the education sector in support of Mr Fred LI's motion, which urges the two power companies to reduce the electricity tariffs of schools or offer them concessions.

Schools are not commercial entities and most of them rely on government funding. After the salaries of teachers are deducted from the funds, only a lump sum for operating expenditure is left. As our Consumer Price Index recorded a deflation in the last two years, the operating expenditure of schools has been cut by 1.1% and 1.65% respectively, that is, 2.75% in total, within two years. It can be anticipated that as long as deflation prevails, the operating expenditure of schools will continue to be cut, cut even increasingly deeper.

The operating expenditure of schools is used to pay the salaries of school janitors and clerks, administrative and miscellaneous expenses and for funding student activities. Among such expenses, the salaries of school janitors and clerks cannot be easily reduced for the level of their salaries has been stipulated in their employment contracts. Over the past two years, some schools have already drawn down their reserves to make up for the shortfall, in order to allow the salaries of janitors and clerks to remain frozen. But the reserves of schools are being depleted as a result of this, and their financial position is increasingly dire, so much so that they could hardly make ends meet.

What remains from the fund is only a pittance that is used as fees for school administration, miscellaneous expenses and student activities, out of which electricity tariff is the most costly item. This morning, I conducted a most timely survey on electricity tariffs among 23 secondary schools and 23 primary schools. These secondary and primary schools scatter throughout Hong Kong, Kowloon and the New Territories, and are very representative for they cover schools of different scales — big, medium and small, as well as both old and new schools. For the 23 secondary schools, after deducting the salaries of janitors and clerks and other necessary expenses, only about \$750,000 of the disposable funds is left on average, but it has to be used to foot the electricity bill that amounts to an average of about \$360,000 annually. That means electricity

tariffs account for about 48.3% of the disposable funds of secondary schools. Similarly, for the 23 primary schools, after all staff emoluments have been deducted, about \$610,000 of the disposable funds is left for each school on average, while their electricity tariffs alone amount to about \$270,000 on average. That means electricity tariffs also account for as much as 45% of the primary schools' disposable funds. This expenditure ratio is very alarming and the situation is becoming more and more alarming, with the electricity tariffs eating into the disposable funds of the schools. It can be said that, "any movements in electricity tariffs will leave the schools in dire straits".

Madam President, when secondary schools and primary schools have to spend an average of 48% and 45% respectively of their disposable funds on paying the increasingly expensive electricity tariffs each year, it means that expenditure on student activities and counselling will have to be reduced continually in great detriment to the interest of students.

This is a case of "raining throughout the night with the roof leaking". While the schools are faced with cuts in government funding, its funds are also being "eaten" by the power companies, so they are forced to cut the funding for student activities. This will in turn deprive poor students of their opportunities to participate in extra-curricular activities, picnics and visits. I believe the power companies must have never imagined that high electricity tariffs would have an adverse impact on students for they could never envisage that electricity tariffs would account for such a high percentage of the schools' expenditure.

Madam President, I earnestly hope that the power companies can reduce electricity tariffs and cut down on their exorbitant profits for the benefit of the citizens of Hong Kong and the business sector so that they could catch some breath. At least, as the first step in responding to the demand of the community and repaying the community, could the power companies reduce the electricity tariffs of secondary and primary schools that do not have any earning power for the benefit of schools and students?

Madam President, to the schools, the two power companies are big tigers with an enormous appetite, because they have eaten up almost half of the disposable fund of the schools. I hope that the request for reducing electricity tariffs or offering a 10% concession for schools will not be like asking a tiger for

its skin. But rather it is a piece of advice for the tiger to go on a slimming exercise by eating one less piece of meat. Then, it will be most beneficent of the power companies.

I support Mr Fred LI's motion in calling upon the power companies to reduce their electricity tariffs for the benefit of students and the public.

Thank you, Madam President.

MR LAU WONG-FAT (in Cantonese): Madam President, recently, China Telecom abruptly announced a significant increase in the connection fees for international direct dialling (IDD), then things were set right after a public outcry had been aroused. This fiasco is strong evidence that can illustrate that nowadays, no matter how strong the backing of a business or how sweeping its monopoly is, the interests of the consumers should never be ignored. Although being arbitrary in everything a company does is not an offence, it is still an unreasonable charging measure to the consumers.

One may say that public utilities in Hong Kong are endowed with intrinsic advantages. Over the years, they have steadily accumulated substantial profits in this densely populated and highly developed society, and they are making persistent proceeds as long as they wish to do the business here. They are exceedingly envied by their industry counterparts all over the world. The CLP, HEC and Towngas are among the most remarkable ones. The two power companies are franchised public utilities. Although the Towngas does not operate as a franchise, its operation is not far from such in reality.

All along, the general public and the Government never disagree the fact that businesses have to make money, but it is our general belief that all companies, operating under the umbrella of certain forms of protection almost as monopolies and when they are closely related to the livelihood of the public, should not lay emphasis only on making profits; they should also fulfil their social obligations. In other words, they should not just pursue the highest returns to the neglect of the general public good.

Just as many people have pointed out, the economy of Hong Kong in recent years has been in dire straits, business is slack in all trades, people are

stricken by unemployment and depreciation in assets, and the Consumer Price Index has registered an accumulated drop of 12% in four years. However, the HEC has increased its tariffs for two consecutive years. The two power companies and the Towngas are making the best of their unique position as their profits have been increasing over the last few years, yielding profits to the tune of billions of dollars annually.

Comparatively speaking, the CLP is more responsive to the call for tiding over the difficulties. The general public earnestly expects the CLP to take the lead of setting a good example to all public utilities and do something more constructive in this respect in addition to offering tariff concessions to its customers at the beginning of this year.

Recently, the voice of the people demanding the two power companies and the Towngas to reduce tariffs has intensified as real estate developers, the Federation of Hong Kong Industries and the Chinese Manufacturers' Association of Hong Kong jointly called for a tariff reduction. Anyway, since the two power companies and the Towngas are the only companies enjoying hefty profits, they should have much room for a tariff reduction. Of course, legally speaking, these companies, especially the two power companies under the umbrella of the SCAs, may well ignore the voice of the people and put profit before everything else. However, company executives with vision should know that it is just like undermining the long-term interests of the company, for it certainly will cause a rebound and increase the pressure of the public's call for market liberalization. If the public utilities concerned hold fast to their stubborn position by seeking a tariff increase instead of reduction, then the new leadership of the SAR Government, which claims that it thinks in the way the people think and senses their urgency, should do something concrete.

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

MR ABRAHAM SHEK: Madam President, in Hong Kong, the two power companies and Towngas have always had an enviable business track record. Even in the current difficult economic climate, their stock value has remained consistent, outperforming most other companies and, again this year, generating healthy profits for shareholders. They are very successful.

The phenomenal success of the three utility companies can be partially attributed to the concerted efforts of their management and staff. But they have benefited greatly from the exclusive privilege and protected competitive environment that comes with being public utilities. Thus, the community has a right to expect them to share the economic hardships that the user public suffers during a recession. The most obvious way, of course, is to offer tariff cuts or concessions.

Personally, I believe that the two power companies and Towngas, after considering the conditions of their respective operations, should respond to public demand and pursue some appropriate actions. I truly believe that they had and they will, for they are caring corporations with social conscience. But that does not mean that I support government intervention in the tariff policy of utility companies. I have made my position clear during the debate on the Scheme of Control Agreement (SCA) at a Council meeting in January this year. The Government should never, and I repeat, never, because of political pressure or social sentiments, impose its will on the commercial decisions of public utilities. Such direct intervention is undesirable because it will set bad precedents, and it will undermine investors' interests and dampen public confidence in public utilities.

It is unlikely that the Honourable Fred LI would agree with my points. He may argue that the motion today is only meant to encourage public utilities to discuss tariff reductions with the Government. They are not being forced into cutting tariffs. But is that really the truth? The Government may easily be construed to exert undue direct influence if it is involved in the utility companies' tariff adjustment exercises.

In my humble view, the issue is best left to the interim review of the SCA in 2003. It will be perfectly acceptable for the Government to negotiate rate reductions with the two power companies and Towngas at that time. If we are to respect the rule of law in Hong Kong, contracts must be respected and honoured. This is one of the cornerstones of Hong Kong's success. The proposal to raise tariffs, therefore, should be made in accordance with the provisions of the SCA and must be agreed by the two power companies. Even if the Government could succeed in pressing for a tariff reduction before the mid-term review, it would only convey a negative signal to international investors that the Government is prepared to succumb to public pressure and

interfere in the market. If our Government does not respect contracts, how could we attract investors in the future?

Madam President, I am aware that within the commercial sector, people have been lobbying the two power companies for tariff reductions. For their own commercial consideration, these companies in the private sector are trying to cut cost and sustain themselves during the economic downturn. Whether they succeed or not would depend on their own market influence and negotiation. This kind of bartering and bargaining is what an open market should be all about — to be conducted outside the supervision and interference of the Government. Thus, it would be totally wrong for the Government to be involved and interfere in these private commercial matters.

Madam President, I also notice that many utility companies have taken the initiative to offer tariff reductions and concessions on their own. Obviously, many in the public think that it is not enough. I share the view that there are inadequacies in tariff adjustment mechanisms and further improvement could be made to relief public burden. However, I firmly believe that any improvement should be made strictly within and in accordance with the provisions of existing contracts. We must not ruin our reputation as a city with a sound legal system and a law-abiding community. In other words, the rule of law must be our rule and our law.

With these words, I support the Honourable NG Leung-sing's amendment. Thank you.

MR TOMMY CHEUNG (in Cantonese): Madam President, I have voiced the grievances of the catering industry for quite a number of years. However, the business of the industry has not seen any improvement. This year, some restaurants adopt the pricing strategy of "369", that is, the three main categories of dim sum are sold at \$3, \$6 and \$9 each respectively. I believe the pricing strategy of "258" will be introduced soon. Last year, a restaurant sold its dim sum at 80 cents per serving. Unfortunately, despite such special offer, the restaurant had to close a few months later.

Of course, dim sum sold at the price of 80 cents per serving is quite an extreme example. However, I would like to point out that the mainstream

pricing of the catering industry in Hong Kong has gone back to the level in the '80s.

The expenses on water, electricity and gas account for 12% of the turnover, I repeat, the turnover, of the catering industry, in which gas tariff accounts for about 3% to 4%, electricity tariff 4.5% to 5.5% and water charges 4% to 5%, which include sewage charges and trade effluent surcharge. Apart from these tariffs and charges, restaurants operating in a shopping mall have to pay fees for air-conditioning and management services as well. Sometimes, these fees cost over \$10 per sq ft. If the shopping mall is located near a Mass Transit Railway station, the rental even pitches at \$14 per sq ft.

Although the volume of water consumption can be adjusted according to the business situation, electricity and gas tariffs are fixed costs. Irrespective of the business situation, the lighting, the steamer and the oven have to be switched on in a restaurant. Dim sum cannot be steamed and pork chop with rice cannot be put into the oven only when customers place the orders.

In recent years, the rental, wages and price of food paid by the catering industry have dropped considerably, especially the price of food. This year, we have been granted a relief on water charges, sewage charges and trade effluent surcharge. I would like to thank the Financial Secretary again on announcing a series of relief measures in the last Budget despite a huge budget deficit of over \$10 billion. I hope the Financial Secretary will keep up the effort next year and continue to implement these relief measures.

However, all along, the electricity and gas tariffs have not seen any downward adjustment. Moreover, there is a surcharge in the gas tariff, which is affected by the price fluctuations of naphtha in the international market. With every \$1 rise in the price of naphtha, the gas tariff will increase by 0.004 cents per megajoule. If war should break out in the Middle East in the next few months, the price of naphtha will certainly rise. The catering industry will then be under greater pressure and their budget will certainly be upset.

In addition, given the persistently high electricity tariffs, the catering industry has tried its best, since the economic downturn in 1998, to conserve energy without compromising the hygiene condition and service quality in order

to reduce costs in a painless way. Therefore, even if the two power companies and Towngas reduce their tariffs now, no wastage of energy will arise.

It is tantamount to killing the hen to get its eggs when the two power companies and Towngas continue to demand world-class energy tariffs from the commercial sector which is now struggling for survival. The commercial and industrial sector consumes over 70% of the power supply and it is the major customer of the two power companies, whereas the catering industry is the biggest customer of Towngas in terms of one single trade. If these customers shrink in number or relocate northwards because of operational difficulties, resulting in an excess of generating capacity, can these companies demand a raise in tariff on the grounds that their business has dropped and they have to maintain the permitted return?

At present, the difference between the actual return and the permitted return of the two power companies has to go to the Development Fund. If the actual return is less than the permitted return, the shortfall can be drawn from the Development Fund. Take the CLP as an example, the balance of its Development Fund this year amounts to \$3.18 billion.

Early this year, the CLP drew \$500 million out of its Development Fund to offer a rebate of \$220 to each of its customers, as well as to reduce tariff by 0.3 cents per unit, bringing about an average tariff reduction of 2.2%. However, the Business Relief Rebate given to non-residential customers only offers a reduction of 0.2 cents per unit.

The CLP's offer of a rebate in an across-the-board manner undoubtedly put itself and the commercial sector as well as the catering industry in an opposing position. The CLP offered a rebate of \$220, which was all drawn from the Development Fund, to residential customers with an electricity consumption of a few hundred dollars as well as customers from the catering industry whose electricity bills amount to hundreds of thousand dollars. Is the CLP not being generous at the expense of the catering industry? If the CLP does not earn enough money in some future days, will it ask for a tariff raise? I fully support the CLP to hand out money to win the support of the general public. However, it should hand out the shareholders' money instead of distributing the excess tariff received from the commercial sector to the residential customers. This is unfair to the business operators. Why could the CLP not offer the rebate in proportion to the amount of tariff paid by customers?

As to the Towngas, it seems there is competition because it is a private company. However, the licensing regime requires the fuel used by restaurants be either town gas or liquefied petroleum gas, and the layout design of some shopping malls and commercial premises will invariably dictate the fuel can only be town gas. Therefore, many business operators have no choice but to use town gas. Moreover, the Towngas takes up a very big market share. Strictly speaking, the gas market is not a completely open market.

Nevertheless, the Towngas has been very positive in rendering assistance to the catering industry. For example, it organizes courses on environmental protection, giving the industry an introduction on energy conservation and town gas saving, as well as subsidizing the industry to acquire energy-efficient stoves, and so on. Since the Towngas renders so much assistance to the industry and maintains such a close relationship with the industry, it should fully understand the plights of the industry which will not make any unreasonable demand. Although the Towngas has frozen its tariffs since January 1998, its profit has increased progressively. Last year, its net profit was over \$3.1 billion. I hope the Towngas will help the industry further in terms of gas tariffs.

I believe nobody will have a better understanding of the value of spirit of contract than Hong Kong people, nor anyone will respect more than we do the significance of the spirit of contract to free economy. Despite the projected budget deficit of over \$10 billion this year, the Government announced concessions on various fees and charges. Why are the two power companies and Towngas not willing to reduce tariffs when these three companies have recorded a total profit of over \$10 billion, and the balance of the Development Fund of the two power companies amounts to several billion dollars?

These three companies may think that today we are asking the Government to force them into cutting tariffs. However, I have spoken only to encourage them to sympathize with the difficult operation of the trade and the financial hardships faced by the general public, no matter they are treating us as business partners or just showing mercy on us.

I hope these three companies will understand that, without their support and their energy supply to Hong Kong, the commercial sector might not have such a flourish development. However, without the commercial sector, how can these companies make so much money? I hope that at this most difficult time, these companies will extend a helping hand to the catering industry, the

hotel industry, the commercial sector, the various trades and the general public and refrain from slaughtering this flock of geese that lay the golden eggs.

With these words, Madam President, I support the original motion and the amendment.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, electricity tariffs are one of the principal operating costs of small and medium enterprises (SMEs). As a member of SMEs, I certainly hope that the HEC and the CLP will not increase their electricity tariffs, and will even reduce them. However, at the same time, I also understand that from the business point of view, since the two power companies are allowed to make a permitted return of 13.5% each year based on their average net fixed assets under the SCA, the Government certainly has to act in accordance with the agreement. Even though some Honourable colleagues of this Council consider the agreement to be unfair to the public and the commercial and industrial sectors in view of the persistent deflation these days, they cannot ask the Government to disregard the spirit of contract just because of a tariff increase of several percentage points. Lest I am afraid this will call into question Hong Kong's status as a place that upholds the rule of law and as a commercial centre and affect the confidence of investors. In fact, the steady profits of the two power companies have always attracted large amounts of capital.

Of course, what I wish to see most is that the two power companies will understand that their relationship with the public and the industrial and commercial sectors is one of close interdependence. So if freezing an increase in tariffs will not significantly impact on their profits, then they should not effect the increases lightly, otherwise it will be tantamount to killing the goose that lays the golden eggs. Ultimately, they will lose more than they gain.

In fact, for many years, the profits of the two power companies have been substantial. The CLP has frozen its tariffs for three consecutive years during 1999 to 2001, when its profits fell from \$8.1 billion in 1998 to \$6.6 billion in 1999, and further down to \$5.8 billion in 2000. Although the tariffs remained frozen in 2001, its profit rebounded to nearly \$7.3 billion. This year, not only did the CLP refrain from increasing its tariffs, it even made a 2.2% rebate to its customers and its interim profit has even exceeded \$3.4 billion. It is projected

that its profit this year will be even higher than those in 1999 and 2000 when the tariffs were frozen. It can be thus seen that an increase in tariffs is not a decisive factor to the profit position.

The prospect of the HEC is even better than the CLP. Although the HEC froze its tariffs in 1999 and 2000, it increased its tariffs in 1997, 1998 and 2001 and the cumulative increase is now as much as 18.2%.

In hoping that the two power companies will reduce their tariffs, I mean not to penalize large enterprises making handsome profits. Rather, I hope that the two power companies will understand that they cannot transfer their investments in Hong Kong elsewhere and that their existence is in fact closely tied to Hong Kong's fortunes. Therefore, if the two power companies can continue to dilute the impact of the economic recession on their profits by cutting costs and reduce the tariffs in consideration of the sentiments of their customers, it will enhance their image in eyes of the public, that they are prepared to tide over difficult times together with them. The positive publicity so achieved will definitely better than spending large amounts of money on advertisements.

Moreover, if the two power companies want to continue to make profits from their investments, they should try all means possible to encourage their customers to consume more power. I am afraid an increase in tariffs will achieve the adverse effect of suppressing the public's desire to consume electricity. In fact, even though Hong Kong has been bogged down in deflation for four years, the business costs (such as wages, transportation costs, rent, water, electricity tariffs, and so on) are still higher than those of the neighbouring competitors. As public utilities based in Hong Kong for the long term, a tariff reduction by the two power companies should be able to set an example and encourage other public utilities to join hands in reducing the business costs in Hong Kong, so that the economy of Hong Kong can turn the corner earlier, and they will then share the fruits of economic recovery.

Certainly, under the SCAs, the decisions of the two power companies to reduce or freeze their tariffs should be voluntary. Similarly, the decision of the accountable Directors of Bureaux, who have contractual relationships with the Government, to accept the proposal of the Hong Kong Progressive Alliance to reduce their salaries by 11% should also be voluntary. If the two power companies can really understand the moral of close interdependence and that of

not killing the goose that lays the golden eggs, they will definitely be willing to shoulder their social responsibilities and make the right decision. Meanwhile, since the SCAs reached with the two power companies will expire in 2008, I hope the Government will consider as early as possible whether it should abolish the SCAs or revise them substantially so as to attract new operators to the electricity market, as well as ensuring that the new operators will introduce competition or operate in a level playing field. Only in this way can the power supply market in Hong Kong attract more corporate investments and the greatest protection be afforded to consumer interests.

Madam President, I so submit.

DR YEUNG SUM (in Cantonese): Madam President, first of all, I would like to declare my interest. I live on Hong Kong Island, and I am a customer of the HEC. Nevertheless, as a Legislative Council Member return by a Hong Kong Island constituency, I cannot help expressing on behalf of the residents of Hong Kong Island discontent to the HEC.

With effect from 1 January this year, the HEC has again increased its tariffs by 5.3%; and increase rate for commercial users is however 5.7%. Together with the special allowance which the HEC will not be offering its users this year, the average rate of increase stands at 7%. If we factor in the 4.87% increase for 2001, the accumulated increase in HEC tariffs in two years is 12%. If we start the computation from 1998, the accumulated increase is even as high as 17%, after three tariff increases. And if we factor in deflation, the electricity expenditure for HEC users has increased by almost 30%.

Apart from tariff increase, this year, the HEC has even changed its block rate for the number of units consumed. To put it nicely, the purpose of this is to reduce the number of users affected by the tariff increase, but in fact, its aim is to increase revenue.

Under the new method, the number of blocks is increased. The charging for the 400 units originally belonging to the third block is split into two, with the tariff for the first 200 units remaining unchanged, but the tariff for the next 200 units will see a drastic increase of 14%. As a result, the burden of those users who are using a relatively larger amount of electricity will be increased.

With the increase in tariff by the HEC, the electricity bills for HEC users will be heavier than those for the users of the CLP by over 10%. For example, if a household uses 700 units, the bill to be paid by an HEC user is \$656 whereas a CLP user will have to pay \$618 only. In other words, an HEC user has to pay 6.8% more than a CLP user. For commercial users, since the amount of electricity consumed is larger, the difference is also bigger. For a user who runs a shop or an office on Hong Kong Island, if he consumes 10 000 units each month, his monthly bill will be \$9,600. This is more than 10% of what a CLP user consuming the same amount of electricity has to pay. Since a progressive block rate billing method is adopted in Hong Kong, and since the HEC has more blocks than the CLP, it follows that the higher the electricity consumption, the larger the average expenditure for each unit, and the bigger the difference.

I must emphasize I am not saying that the tariff charged by the CLP is cheap; I just want to show that the HEC charging rate is particularly exorbitant. Why can the difference in tariff in such a small place like Hong Kong be so big? Has the Government exerted its utmost to supervise the HEC?

What worries me most is that the HEC is now pushing ahead with the \$27 billion extension project for its power plant on Lamma Island, and this investment will be reflected in the HEC's fixed assets only in the next few years. When the river swells, the boat rises. I am worried that the HEC will be making repeated demands for tariff increases. Recently, the newspapers have been speculating that the HEC may increase its tariffs by 3.5%. At times when there are no signs that the economy is changing for the better, such news is really worrying.

The Democratic Party has always questioned if there is a need for the HEC extension. In fact, the annual reports of the two power companies last year indicate that the number of HEC users and the amount of electricity consumed is only one third that of the CLP, but its fixed assets is 72% of the CLP, which is disproportionate to its electricity sales. The greater the net fixed assets, the result is an ever-rising permitted return for the HEC, the users of which will have to pay a more expensive electricity bill. No wonder the tariff level of the HEC is much higher than that of the CLP.

Recently, the Deputy Chairman of the HEC, Mr FOK Kin-ning, emphasized that the HEC had not sought to make exorbitant profits. Rather, it was the developers who sought to do so. The HEC has also made releases that since 1983, the increases in tariff have been much lower than those of inflation and transportation fees, and that the tariff level in Hong Kong was by comparison lower than that in other cities.

I would like to dispute these comments *seriatim*.

First, let me talk about the point that increases in tariff fell short of inflation. Why did the HEC choose the year 1983 and not earlier? The answer is simple. It is because the two power companies increased their tariff drastically before 1983. According to the research findings of Associate Prof LAM Pun-lee of The Hong Kong Polytechnic University, the average unit price for the two power companies has increased from \$0.20 in 1978 to the range of \$0.55 to \$0.60 in 1983, which had more than doubled. Information of the Census and Statistics Department shows that from 1983 to 2001, tariff in Hong Kong has seen an accumulated increase of 30%. However, if we start the computation from 1978, the accumulated increase is 223.6%. Thus, the HEC has picked a high level as a starting point to back up its point that the increase in tariff has not been great. It is in fact cheating the people on purpose.

Second, the HEC has said that, with the exception of the United Kingdom and the United States, the tariff level in Hong Kong is low, even lower than that of Macao. Nevertheless, the basis adopted by the HEC is the average tariff for an average monthly consumption of 300 units of electricity. Just as I said just now, Hong Kong uses the progressive block rate billing method to calculate tariff, which is different from the method employed in overseas countries. The more electricity Hong Kong people consume, the higher the average unit price. Since the HEC has based its calculation on the average tariff of an extremely low electricity consumption scenario, the result of course indicates that our tariff is cheap. If a high electricity consumption scenario is employed, I can assert that the tariff level of Hong Kong will be among the most expensive worldwide.

As regards Mr FOK's analogy to the developers, emphasizing that the HEC is not an unscrupulous company, it is a bit weird for this analogy to come out of Mr FOK's mouth. It appears he does not know who his boss is. Anyway, let me continue to use this analogy. I would like to point out that the choice rests with the people when it comes to buying properties and renting shops;

that is, if they think that the developers are selling their properties at exorbitant prices or asking for expensive rents, they can refrain from buying and renting. However, they have no right to choose their power company. I also do not have the right to choose not to patronize the HEC.

I hope that the HEC will refrain from mixing the fictitious with the genuine! I also hope that the people can see the fact clearly and the Government can understand the truth, thereby stepping up the monitoring of tariffs and make them drop to a reasonable level. The Democratic Party supports the rule of law. However, if there is something unfair in the contract, we are duty-bound to point it out. Thank you, Madam President.

DR TANG SIU-TONG (in Cantonese): Madam President, I have read from a newspaper that the Corporate Strategy and Planning Manager of a power company once said in an interview that electricity tariffs accounted for only around 1.7% of the expenses of a family and the level of electricity tariffs did not have significant effect on families in general. I am really disappointed and even indignant at such a remark made by a staff member of the power company, for it has disregarded the hardships of the people. If electricity tariffs really have negligible effects on our daily life, why would there be voices demanding tariff reductions by the power companies? Certainly, for the middle- and high-income families, the burden of electricity tariffs may be relatively light, but for the grass-roots and poor families, their expenditures on electricity tariffs are definitely heavy. People have in recent years been tortured by layoffs and wage reductions and their income has substantially decreased. Yet, the basic living expenses of families such as their expenses on electricity and gas tariffs have not decreased, and these have put a heavier burden on these families.

I certainly understand that the power companies are entitled to applying for tariff increases under the SCA until they have attained the permitted return. Although the respect for the spirit of contract is one of the underpinnings for the success of Hong Kong and we must continue to stick to it, the general public hope that the public utilities companies making enormous profits can understand and sympathize with their hardships and reduce electricity tariffs or offer concessions to users so as to alleviate their difficulties. The power companies, being major enterprises in Hong Kong, should bear social responsibilities rather than hitting people when they are down. In the past four years, commodity prices have dropped about 12% but the accumulated increase in electricity tariffs

by the HEC this year and the last is over 10%. How will the people be convinced if the HEC increases electricity tariffs again next year contrary to the market situation?

Madam President, high electricity tariffs affect the people's livelihood, the business environment and the competitiveness of Hong Kong. Hong Kong is one of the places in the Asian Region where electricity tariffs are exorbitant, second only to Japan. Some comments have also pointed out that the 13.5% guaranteed profit rate of Hong Kong is higher than the rate of 10% generally adopted in Europe and America. The research report of an international investment company also points out that, calculated on the basis of the rate of return on equity, the CLP and the HEC have far higher rates of return than power companies in Europe, the United States and Japan. Compared to the poor economic performance of Hong Kong in these past few years, the performance of the two power companies in the same period has improved contrary to the market situation. For instance, the profits of the HEC have steadily increased from \$4.7 billion in 1997 to \$6.1 billion last year. The profits of the CLP were \$7.2 billion last year, though lower than its highest profits of \$8.1 billion in 1998, were still \$1.5 billion more than the profits of \$5.7 billion in 1997. Information shows that although the economy is in the doldrums, there has been an overall increase in the total volume of electricity sold by the two power companies. In other words, the income and financial position of the power companies are still quite steady and the Development Fund of the CLP even has a surplus of more than \$3 billion. But as the total assets of the HEC has increased with the development of a new power station on Lamma Island, the HEC may still have the right to increase electricity tariffs next year after an increase this year.

Madam President, the crux of the problem is that the SCA has always been a magic tool for the power companies to make profits. While the mechanism can give investors confidence in making long-term investments in public utilities, it will also induce operators to continuously increase their assets regardless of the relation between market supply and demand in order to maximize profits. The people are disappointed because the Government has failed to urge the power companies to effectively control investment and operating costs to avoid shifting onto consumers the losses of investment, for example, the cost of over-estimated power consumption. The Black Point Power Station of the CLP and the development of another power station by the HEC on Lamma are examples

proving that the Government has failed to effectively monitor the investments made by the two power companies. To avoid over-estimation of power consumption by the power companies when they apply for investments in fixed assets and the reduction of estimated power consumption when they apply for tariff increases in pursuit of higher rates of increase, I suggest that the Administration as the supervisory authority should seek the advice and support of independent experts when necessary to enhance its supervisory abilities.

Moreover, there are loopholes in the composition and method of calculating electricity tariffs and the Government should make improvements and effect stricter supervision on the tariff structure to avoid excessive tariff payment by users unknowingly. Dr YEUNG Sum has just mentioned that the unilateral adjustment to the tariff composition by the HEC has covertly caused customers to owe the HEC enormous debts and paved the way for tariff increases by the HEC in the future.

Madam President, various phenomena have fully demonstrated that the existing SCA is out of keeping with the times. It fails to promote market competition and makes it difficult for the power companies to save costs and has conversely become a spell used by large companies to seek assured profits. The interconnection of the power companies and the gradual liberalization of the electricity market is a general trend and the Government should step up its efforts in this respect. Interconnection can reduce reserve capacity, but it is a pity that the progress in interconnection of the two power companies has so far been all thunder but no rain. I hope the Government can expeditiously implement interconnection and make use of the market forces to adjust electricity tariffs to a reasonable level. I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, I remember that this Council held motion debates on reducing public utilities charges and the returns of the two power companies respectively at the end of last year and at the beginning of this. We revisit the matter again today after a year, but it seems that the remarks made by many Members and the arguments that I am going to give are not particularly new. I also reckon that the two power companies may still not be swayed after this debate, therefore, we think that it may be more realistic for us to practically think of ways to promote competition in the electricity market. We also hope that the two power companies can be more

far-sighted in business operation. The CLP has operated in Hong Kong for more than 100 years. We hope that the two power companies can really tide over the difficulties with the people and help people in the same boat, to better realize their commitment to Hong Kong. Today, we ask the two power companies and the Towngas again to re-determine prices and reduce tariffs. Of course, we can only resort to reason under the principle of respect for free business operation and without prejudice to the agreement.

Madam President, the two power companies are only granted the right to supply power. But there is no franchise *per se* in power supply business in Hong Kong. Besides, the SCAs have not specified the regional restriction for power supply by the two power companies in Hong Kong. Therefore, many people do not understand why residents on Hong Kong Island can only use electricity supplied by the HEC and conversely, the users in Kowloon and the New Territories cannot choose the services of the HEC. In our view, there may evidently be an undisclosed tacit understanding that "river water shall not encroach on well water" behind the SCAs executed during the time of the British Hong Kong Administration. In other words, the two power companies can have their respective mountain-strongholds and shares of the market. Actually, the SCAs under discussion should actually be called the "profit protection agreement".

In recent years, there has been a common aspiration in society for the interconnection of the two power companies and the Democratic Alliance for Betterment of Hong Kong (DAB) supports in principle the interconnection of the two power companies. However, after the interconnection of the CLP and the HEC, there may emerge a phenomenon that the two power companies will jointly monopolize the electricity market in no time. In fact, interconnection will certainly bring advantages, but the cost-effectiveness thus brought to consumers may be transient. Thus, the DAB thinks that, in the long run, the Government should consider introducing electricity at lower tariffs from places such as northwest China and revoking the existing SCAs after 2008 to really open up the market. We think that the Government can implement interconnection or cross-net power supply.

Actually, technical gearing-in is not required for cross-net power supply because the two power companies already have power supply facilities. Therefore, the additional investment to be incurred for the CLP to supply

electricity to Hong Kong Island or the HEC to supply electricity to Kowloon and the New Territories will actually be very small, and it can be done so long as the transmission network is extended to the other side of the Victoria harbour. The costs of building a new network is actually minimal. Conversely, we think that competition between the two companies can enhance the efficiency of power supply and reduce the cost of power generation, and active improvements will thus be made to services so that all three parties will be benefitted.

The DAB also thinks that the Government should put forward a proposal to reduce the rate of return when it conducts an interim review in 2003. For instance, it should propose reducing the rate from 13.5% to 10% or 11%. It should also amend the volume of reserve capacity to prevent calculating profits on the basis of excessive investments. The DAB considers that this measure is the fastest and most effective solution. We certainly understand that the consent of both parties must be obtained before amending any agreement, but the DAB thinks that this is a reasonable request. We hope that the two power companies can judge the hour and size up the situation and carefully consider our opinions when an interim review is conducted in 2003.

Madam President, the DAB urges the Government to expeditiously publish the research report on interconnection and cross-net power supply so that genuine competition can be introduced into the electricity market.

Thank you, Madam President.

MR LAU PING-CHEUNG (in Cantonese): Madam President, following the criticisms made by seven large property developers on high electricity tariffs in Hong Kong last week and the establishment of a tariff concern group, the Secretary for Economic Development and Labour has confirmed that the Administration has received the financial reports submitted by the two power companies, meaning that the two power companies may adjust electricity tariffs.

Nowadays, electricity has become an indispensable element of daily life, so, an increase in electricity tariffs will inevitably have effects on the community as a whole, including the business sector and the daily life of people. Under the SCAs, the profits of the two power companies are fixed at 13.5% of their fixed assets; in other words, the investments made by the two power companies are assured of profits.

As I said when we debated another motion moved by Mr Fred LI early this year, when the two power companies negotiated with the Government over the SCAs between 1991 and 1992, they might not have foreseen that deflation would last four consecutive years. Therefore, that the two power companies can maintain a profit rate of 13.5% every year, as opposed to the loss incurred small and medium companies, is a subject of envy and hate. They envy and hate such performance even more because it is founded on their business difficulties.

Undeniably, electricity tariffs in Hong Kong are higher than those in our neighbouring regions, and they have injured our competitiveness. I note that the Chief Executive Officer of the Hong Kong Science and Technology Parks Corporation has said on a public occasion that the level of electricity tariffs in Hong Kong is second only to Japan in Asia and electricity tariffs account for over 20% of the costs of the Corporation. Therefore, it is not at all difficult to understand why many manufacturing industries are unwilling to return to Hong Kong from the Mainland.

The SCAs executed between the Government and the two power companies will expire in 2008 and the last interim review will be conducted next year. Profit control under the existing schemes is actually profit assurance. Although the profits of the two power companies can be up to 13.5% of their fixed assets, if the two power companies, as members of the Hong Kong community, are willing to take into account the difficulties currently faced by Hong Kong people and exercise self-restraint to reduce the level of profits to a more reasonable level, it will be pretty good for the power companies in the prevailing deflation. The power companies can turn the reduced profits into electricity tariff reductions or various concessions and this will give Hong Kong people a good impression, thus creating favourable conditions for the renewal of the agreement in 2008.

Therefore, I support the Government lobbying the two power companies to reduce electricity tariffs. Let me quote the remark recently made by Secretary Mr IP, that "the two companies can be more far-sighted and consider the wishes of Hong Kong people." But if the two power companies are unwilling to reduce electricity tariffs, we cannot force them to do so due to the principle of respecting contracts in Hong Kong. However, when the Government starts considering in 2006 or 2007 the arrangements for the electricity market after the expiry of the franchise agreements, it should more prudently consider the commitments to be made by future operators to Hong Kong.

Concerning the Towngas as mentioned in Mr LI's motion, I think that the operating condition of the Towngas is different from those of the two power companies. The Towngas does not have a franchise and there is no question of monopolization, so it seems there is not any ground for the Government to negotiate a tariff reduction with the Towngas. I think the only criticism we can make is the Government has not created a gas fuel market that is conducive to competition, thereby denying the market forces full play.

In fact, the Towngas is also facing competition from electricity and liquefied petroleum gas (LPG) companies, but the Towngas has only occupied the market and laid a network of pipes earlier. To turn around this situation and give other operators a chance to enter the market, the Government can consider specifying that there will only be a single gas contractor for the gas supply services in some newly developed areas and invite public tender for it. Then, the market will be attractive and operators will be interested in tendering and investing. For some private housing estates, the Government can also consider imposing conditions in the land grant to specify that an independent gas fuel tank farm be set up so that LPG suppliers will have the conditions to participate in competition.

With these remarks, I support the original motion and the amendment.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, the most controversial of all issues related to public utilities charges of late should be the monopolizing public utilities companies protected under a SCA. The two power companies, that is, the HEC and the CLP have become the targets of public criticism.

At present, under the profit control mechanism of the two power companies, their permitted returns are calculated at a rate of 13.5% on the basis of their statutory business and net fixed asset. If the two power companies fail to make profits at the permitted rate after costs have been deducted from their income from electricity sales in a certain year, they have the right to ask the Government for approval of tariff increases or to make provisions from the Development Fund accumulated over the years into their profits. Whether the Government approves of a tariff increase by the two power companies mainly

depends on whether they have made the investments specified in the financial plans and achieved the performance targets of power supply. The SCAs of the two power companies are contracts with legal effect, the Government cannot unilaterally violate the contractual spirit, lest legal proceedings and claims will be initiated against it. Nevertheless, Hong Kong people are now living frugally and everybody thinks that certain living expenses such as transport fares, electricity and gas tariffs are excessively high. They have all along discussed these essential daily expenses. Under such circumstances, it will certainly be helpful to the people if these charges can be reduced by even a small rate.

Actually, the SCAs are now out of keeping with the times. They cannot encourage market competition, nor can they induce companies to save costs. When the franchises of the two power companies expire in 2008, the Government should open up the electricity market and introduce competition. But since the SCAs will be revoked and a new electricity policy implemented only in 2008, I think the Government should expeditiously consider the suitable methods such as conducting feasibility studies on the interconnection of the two power companies and interconnection with the Mainland. At present, the CLP and the HEC have reviewed the electricity tariffs for the coming year and submitted the result to the Government. News has also been spread that the HEC will propose a 3.5% increase in tariffs to maintain the rate of return at the highest rate of 13.5% as specified under the SCA. I find that public utilities in Hong Kong have all along enjoyed absolute profit protection and their profits are not linked up with inflation, therefore, I think that there are irrationalities here.

As far as I understand it (these figures have been widely reported in newspapers), the HEC had a net profit of \$6.57 billion last year, of which \$5.62 billion came from business subject to profit control; the CLP had a net profit of \$7.25 billion last year, with \$5.4 billion of which coming from business subject to profit control. Therefore, we can see that the two power companies actually have room for a tariff reduction. With continued deflation in Hong Kong, even though the two power companies do not increase tariffs, their actual profits are already increasing.

Nevertheless, I really do not understand why the HEC has recently responded so very strongly. Since the HEC has made certain profits, why can it not give consideration in this respect? We find that the HEC has already recorded profits in the first half of this year just because its total net assets have

increased as a result of the development of a new power station on Lamma. This evidently reflects that the Government has not adequately monitored the development projects of the power companies so that they can apply for tariff increases under the SCAs.

Summing up, the prevailing high electricity and gas tariffs have not only imposed a heavier burden on small and medium enterprises but also become an obstacle to the return of Hong Kong industries. In the past, we heard industrialists who continued to operate in Hong Kong commented that electricity tariffs were expensive. Therefore, if the electricity tariffs could be brought down to a reasonable level, it would have significant meaning to the development of the relevant industries and Hong Kong. I hope that the Government will consider these factors when it re-examines the relevant system including the interim review and the recent negotiations with these organizations.

Moreover, there is another point I would like to make about the public organizations. When we say that there is a demand in the community for a tariff reduction, for them to tide over difficulties together, we hope that they will think about their social responsibilities. When quite a few private organizations that have made considerable profits treat their employees unfairly and take actions that are damaging to the community, the community will criticize them and expect them to bear social responsibilities, let alone these public organizations. We hope that they can also uphold this spirit. In doing so, they can not only give publicity to their services, the public will also be happier when using their services. Hence, it is very important and I hope that the relevant public organizations will indicate whether they will tide over the difficulties with the public when everybody ask them to state their position on tariffs.

I so submit. Thank you, Madam President.

DR RAYMOND HO (in Cantonese): Madam President, people's spending power has become weaker and business has become increasingly difficult under the continued deflation and a high rate of unemployment. In face of the grim economic situation, people will generally try to reduce living expenses and business operators have to reduce operating costs. Some public utilities companies have naturally become the major targets of demands for reduction of charges.

As a member of the community, I am certainly pleased to see reductions of charges by public utilities, but I do not wish to see the Government making direct intervention in the levels of utility charges as a result of public pressure. It is because such actions will definitely affect investor confidence in investing in public utilities, in particular, when we often suggest that the Government should consider adopting private funding initiatives and try its best to promote the participation by private resources in public utilities such as large infrastructural projects.

One of the main reasons for the public demand for reductions of public utilities charges is that public utilities companies have made considerable profits, in particular, despite the prevailing adverse economic circumstances. However, we cannot ask for a reduction of charges by public utilities companies because a company or public utility company has made profits, regardless of other related factors such as the SCAs. Just like other commercial organizations, public utilities companies have to consider their returns and profits.

When we consider whether the levels of charges of some public utilities are excessively high, we cannot merely base our consideration on one or two recent increases in electricity tariffs. Instead, we should make a comparison with the rates of increases in various items of spending of the people over a longer period of time. Moreover, we should not ask a public utility company to reduce charges just because it has made considerable profits because it is apparently inconsistent with the persistent commercial spirit upheld in Hong Kong. For example, if we look up the records of the past 18 years, we will find that have wages increased around 2.5 times on average, transport fares two to three times, residential rental 1.8 times, gas tariffs 100%, telephone charges 45% and electricity tariffs 30%.

Moreover, we should consider the quality of the services provided by public utilities operators, and in this respect, the performance of the power companies and Towngas mentioned in the motion today is quite satisfactory. It should be noted in particular that the two power companies in Hong Kong have maintained a very reliable power supply which is very important to the development of Hong Kong in the past and in the future. Therefore, while asking public utilities operators to reduce charges, we should also carefully consider whether the service quality of these companies will be affected as a result, thereby impacting on the livelihood of the people and the operation of business operators.

Madam President, through colleagues' discussions about the motion today, I hope that we can draw the attention of the relevant authorities, power companies and the Towngas to the public concern about the levels of electricity and gas tariffs and that the Government can encourage the companies concerned to consider the possibility of and room for tariff reduction in the light of their respective operating conditions through negotiations instead of direct intervention. Madam President, I so submit. Thank you.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, over the last few days, we have seen in the media the HEC and various large property developers criticizing one another for reaping colossal profits. While it gave people an impression that they were just like "the pot calling the kettle black", I felt as if Hong Kong had returned to the period of the Warring States more than 2 000 years ago. As the Zhou royal house was persistently weak at that time, separatist regimes were set up and the states fought vigorously for their own interests while the government remained indifferent and aloft, not daring to intervene. The motion debate today is just like what happened when the six states contended against one another at that time. The six states formed an alliance against the state of Qin with SU Qin as the prime minister, similar to that of an alliance formed by property developers against the HEC today, and of course, Mr Fred LI is modern-day SU Qin. Nevertheless, regardless of whether history repeats itself with the state of Qin unifying China or the six states conversely conquered the state of Qin at the end, two things will remain unchanged after all. Firstly, such fights for interests will not benefit the ordinary masses; secondly, separatist regimes are set up because the ruler has looked on with folded arms.

History tells us that ordinary people were very often the victims of wars. Similarly, regardless of the result of the dispute among large consortia, it is unlikely that the ordinary people will be benefitted. Let us imagine this. If property developers succeed in their fight for a reduction of electricity tariffs for the shopping arcades owned by them by the two power companies, will they reduce the rents charged on their tenants? I think the chances are minimal, because these property developers have demanded a tariff reduction only for their business interests, but not because they have noticed the difficulties of the petty masses. For instance, while the Sun Hung Kai Properties Limited has

demanded the power companies for a tariff reduction, has it, as a shareholder of the Kowloon Motor Bus, reduced the fares charged on the general public?

Of course, it will be even more disadvantageous to the people if the two power companies and the Towngas managed to turn down this tariff reduction demand. Electricity and gas have now become the daily necessities of the people, for no matter how frugal a life they lead, they still have to use electricity and gas. Can we refrain from using air-conditioners and electric fans in the boiling summer? Can we take a bath without hot water in the chilling winter just like what we did before? Do the operators of the two power companies and the Towngas want us to live like that again in order to alleviate the burden of living? Actually, Mr LI Ka-shing, the principal shareholder of the HEC, has queried the business environment of Hong Kong and Hong Kong people if they want him to invest more or less. I think Hong Kong people should conversely ask Mr LI how much more colossal profits he would like to make. All along, I have requested public utilities companies to tide over the difficulties with people as a matter of social conscience and to fulfil their social responsibilities. Today, I no longer have the extravagant hope that large consortia will reflect on their conscience. However, if these consortia continue to squeeze every ounce of juice out of the petty masses, what good will they do to the community? What benefits will this bring to society? Mr Canning FOK has said that he hopes everybody can be more far-sighted rather than just focussing on immediate interests. Why has he not put what he has preached into action?

High fuel tariffs will not only affect the livelihood of ordinary people direct, but also increase production costs. Many small and medium enterprises have found it difficult to remain in business, and they have either closed down or moved out of Hong Kong. For this reason, the number of unemployed people has continuously increased and it is even harder for ordinary people to earn a living. So while we seek to lower production costs to enhance the competitiveness of Hong Kong, we must also pursue a reduction of fuel tariffs and rents. While consortia criticize one another, they are actually shirking responsibilities for they do not want to bear these responsibilities or to earn less.

In fact, the disputes among property developers, the two power companies and the Towngas are only means employed by them in the scramble for

commercial interests. They are not linked with the people's fight for reductions in charges. It requires intervention by the Government to change the existing unreasonable situation before a genuine tariff reduction can come into fruition. It is a pity that the Government was biased towards one or two large consortia or used the SCA as a shield, without any intention of looking after the interests of the petty masses. In the final analysis, given that the SAR Government does not enjoy a popular mandate and it only relies on the support of big bosses, naturally, it dares not act against their wishes. It is only too miserable to note that government officials have to "make use of open statements" every year to piteously implore public utilities companies not to increase charges. If the Government has the support of public opinion, it can negotiate plausibly with large consortia how best to improve the "unequal treaty" and introduce more competition to induce a reduction of charges.

The unreasonable SCAs and the monopolization of the fuel market have actually become intolerable. Under the present economic circumstances, quite a number of small and medium enterprises have continuously incurred losses and endured all sorts of sufferings. The petty masses have to tighten their belts and face the straitened circumstances. The two power companies, despite making billions of dollars of net profits under the SCAs, are not satisfied and continuously make investments to create excuses for tariff increases. The HEC is the best example. Originally, investments can be reduced with the interconnection of the two power companies, but the HEC invested \$17 billion in the development of a power station on Lamma to increase its assets. As a result of this, the HEC fails to reach the return cap under the SCA and it can continuously increase tariffs, with a possible increase of 3% next year. It is not only unreasonable, but also a wastage of resources.

The problem also lies in the monopolization of the market. Fair competition must be introduced to reduce prices but unfortunately the Government is not willing to introduce a fair competition law and it has not actively introduced competition into individual areas, with the gas market being a good example. If the Government does not introduce new pipework technologies to give other investors opportunities to enter the gas market, the Towngas will continue to monopolize the market and hold the public to its mercy.

Mr Simon MURRAY, a former director of the Hutchison Whampoa Limited, said that the Government was particularly willing to listen to the views of consortia because they made especially loud noises but it disregarded the views of ordinary people. The Government should make drastic changes to unreasonable systems through extensive discussions and with reference to public opinion. Mr TUNG has pledged to build up a strong and powerful government, but I wish to ask him in which aspect the Government is strong. Is it being tough towards the petty masses without power and influence, reducing welfare as it desires, but timid in the face of large consortia?

Madam President, with the fuel tariffs maintaining at a high level today, I hope the Government can address the problem seriously. I so submit.

MR JAMES TIEN (in Cantonese): Madam President, the wording used in Mr Fred LI's original motion is "encourage them to take account of their respective operating conditions and reduce their tariffs or offer concessions to users, thereby alleviating the burden of the public and the commercial and industrial sectors". In an attempt to make the proposals in the motion clearer, Mr NG Leung-sing added the following words before the paragraph to the same effect: "under the premise of safeguarding the rights of investors to operate in compliance with the law and to determine prices". The Liberal Party has heard a few Honourable Members say the same thing earlier. As a matter of fact, we think that the objective of the original motion and the amendment is consistent. Mr Fred LI has never said that the Democratic Party thinks that it is not necessary to protect the right of investors to operate in compliance with the law. However, Mr NG Leung-sing thinks that it would be better if the wording is given greater clarity. I hope the two Honourable Members would support the motion they have proposed and prevent the message as contained in the motion from producing an effect to the regret of other Honourable Members.

Madam President, some Honourable colleagues from the Liberal Party have spoken earlier and they think that under the premise of safeguarding the spirit of contract and business operation, both contracting parties in the business sector nowadays often resort to negotiations. For example, on the collection of rents, at present, many tenants cannot afford to pay the rent, but the lease agreement is still there (of course, Mr LEUNG Yiu-chung may not have encountered such things), some landlords will take the initiative to discuss with

their tenants about reducing the rent. It is because collecting part of the rent is much better than not collecting any at all. Things would be much worse if the company concerned closes down or goes bankrupt. Tenants in other businesses, such as in the export business, may encounter difficulties under a lot of circumstances. This is because many of their clients may also have run into difficulties. When this is added to the sluggish economy in other countries, so when their clients get the goods, they may propose to these tenants that they are not going to cancel the order for the next shipment, but they would like to have the price reduced by a little bit. So I think that while it is important to uphold the contractual spirit, it is also vital that negotiations are open in doing business.

On this issue of power supply, the stand of the Liberal Party is that the permitted return should be no cause of complaints because when the permitted returns were laid down in the 1980s, our economy was booming, the economic growth rate was high, the unemployment rate was low, the interest rates were high, the costs of financing were expensive and the inflation rate was also high. At that time, the Government set the rate of permitted return at 13.5%, which is excessively high in the present-day context. Of course, 25 years are a long time and nowadays, especially during the last few years, we are in a deflation. So has the meaning of permitted return changed to guaranteed return?

I think that when the Government conducts the interim review, that is, in the middle of next year, it should really discuss this matter with the two power companies. During the 1980s, the inflation rate was close to 10%, the interest rate stood at about 10% and so when an inflation rate of 8% to 10% was subtracted from the permitted return of 13.5%, the profit in real terms for the two power companies was only 5% to 6%. However, given the prevailing deflation and negative growth, the permitted rate of 13.5% when added to the real profit mentioned earlier, would amount to 18% to 19%. Such a rate of return is extremely high. If we look at the profits made by the two power companies from business subject to profit control, we would find that, the CLP made a profit of \$4.7 billion in 1997 and the profit now is \$5.4 billion. The HEC made a profit of \$4 billion in 1997 and its profit now is \$5.6 million. Such are very good rates of return, or it can be said to be fast-growing rates. Such rates of return are quite unattainable from other businesses under the present economic circumstances for business operators or the general public who pay the tariffs.

However, we should of course be fair to the two power companies. The efforts made by the power companies have maintained a stable power supply that we now enjoy and made our economic growth and the safety in our homes possible. We have asked the Government whether it is necessary to maintain a capacity reserve as much as 40% to 50% that has caused us to pay for it now. I think this issue should come under review.

Figures from the Census and Statistics Department show that the increase in real terms of the electricity tariffs over the past 18 years is 30% and it is less than other items such as transport expenses which rose 250% over the past 18 years and rentals which rose 180% and wages which rose 250%. Of course, from the perspective of the two power companies, an increase of 30% over 18 years is not at all substantial. Then why should we review it now? It is because the people are leading a hard life and they do not care whether or not the increase in power tariffs over the past 18 years is on the low side or not. They are concerned that they are having a hard time and that the power companies should do something to help them.

We can look at a comparison of rentals and air-conditioning fees. Mr LEUNG Yiu-chung mentioned earlier that many of the grade B offices would fetch a rental of \$7 to \$8 per sq ft, but the air-conditioning fees will be in the region of \$2.5 to \$3 per sq ft. In the past, the rent for premium offices was about \$50 to \$60 per sq ft and so an air-conditioning fee of \$2.5 to \$3 would not matter so much. But what we find in the present circumstances is that from shopping malls to most of the small and medium enterprises, factories, restaurants, and so on mentioned by a few Members earlier, the power expenses would account as much as 10% of the total operation costs of these businesses. These companies are not big developers, and they have to make this very substantial expenditure on electricity. At the same time, their profits may be just 1% to 3%. So the high electricity tariffs would indeed impact on them very enormously.

I think the most important point about today's motion is that the two power companies should read carefully the wordings of the motion. In fact, the wording is very mild, especially in the motion proposed by the Democratic Party. It looks as if it is not a motion from the Democratic Party. For example, only words like "encourage" and "operating" are used. In circumstances as these, I hope that the two power companies and the Towngas would give serious thoughts

to the motion and I hope that the two Members who have proposed the motion and the amendment would support each other. Thank you, Madam President.

DR LUI MING-WAH (in Cantonese): Madam President, the high costs of business and the sluggish economy are making all trades and industries struggle for survival. Their only way out and indeed also the same for our economy is to lower the operating costs and to raise the competitiveness. Unfortunately, the electricity tariffs which yield one of the highest rates of return in the world to the two power companies will pose an obstacle to the economic recovery of Hong Kong.

All along the CLP and the HEC have claimed that the increase in power tariffs has been lower than the inflation rate, while stressing time and again that power tariffs here are not expensive. However, from the table distributed to Honourable Members earlier, a survey done by the Meyer Aluminium Limited of Hong Kong in January 2000 on the electricity tariffs paid by users in 34 cities of 25 countries or regions of the world shows that the electricity tariffs in Hong Kong are the third highest. At the time of the survey, the tariff in Hong Kong was \$0.8 per unit, that for Tokyo was \$1.17 and \$0.9 for Vietnam. When compared to the rates in Shanghai and Toronto which were the least expensive, our electricity tariffs were higher than these cities by as much as 83% and 79% respectively. Compared to Singapore, Taiwan and Korea, our electricity tariffs were higher than theirs by 12%, 18% and 22%. A gentlemen called me earlier and said that the prevailing power tariff in Taiwan was \$0.34 per unit, as opposed to \$0.9 per unit in Hong Kong. Hence, the power tariff in Taiwan is only one third of that in Hong Kong. Such exorbitant tariffs have made these two power companies rank the highest in the world in terms of their rates of return. Members have already mentioned this point earlier. According to a research report compiled by a large American securities firm, the Lehman Brothers, the rate of return on equity of the HEC is as high as 22%, while that of the CLP is 18%, far higher than 11.1% of European power companies, 9% of power companies in the United States and 7% or so of Japanese power companies.

As listed companies, it is only natural that the two power companies would try to maximize the rate of return under the framework of the existing SCAs. However, I would like to point out that there is a difference in the nature of

public organizations and other commercial organizations. Public organizations are set up not just to maximize profits, but also to meet the demand for public services. This is the mission of these public organizations and the reason why the Government grants an assurance of profits in order to prevent them from being exposed to any risks in operation.

At this time when the economy of Hong Kong is in adversity and when every sector of the economy is having a rough time, public organizations have managed to make profits year after year and earning the maximum profits under the blessing of the SCAs. The public has long expressed strong concern and even discontent about this. If at hard times like these, the power companies do not take the initiative to show the social responsibility and commitment that they should assume and reduce the power tariffs substantially in order to ride out the storm together with the people and all sectors in society, it would certainly trigger off strong reactions and complaints. In the end, that will be damaging to the organizations concerned, our business environment and even harmony in society.

As a representative from the industrial sector, I would like to point out in particular that the amount of electricity used by general industries and the manufacturing sector are more than that used by households and commercial establishments, but the tariffs paid by the former are much more than the latter. High electricity tariffs will add greatly to the operating costs of factory owners and hence their burden. They will also erode the business environment and competitive edge of Hong Kong, making economic recovery more difficult. As a matter of fact, a factory which I know and which consumes a lot of electricity has planned to relocate its production to another place in the near future.

I admit that given the protection during the period when the relevant contract and the SCAs are in force, the Government is devoid of any statutory power to make the power companies lower their tariffs. However, speaking from law, reason and sense, the Government is both empowered and obliged to urge the power companies to exercise self-restraint in their charges and to rectify the unreasonable situation of high electricity tariffs. The SCAs were drawn up by the Government many years ago to encourage investments in power plants and to ensure a stable power supply. Now that the conditions have changed, it is absolutely necessary for the Government to re-open negotiations with the power companies and fulfil its supervisory role. Besides, the reason why

electricity tariffs have remained so high is largely due to the miscalculations made by the power companies in their projections of growth in power consumption, hence causing a great expansion in their fixed assets. That is not of the public's making. Fortunately, the SCAs will expire in 2008 and an interim review will be made next year. The Government may then talk with the two power companies on such issues as deflation, permitted returns and the mechanism for tariff adjustments, and so on, so that the companies can be urged in a legal manner to reduce their tariffs.

In the long run, if Hong Kong is to get a stable power supply at a low price, there must be interconnection of electricity supply systems. At present, the two power companies in Hong Kong are franchised companies operating independently and each has a great amount of reserve capacity, that is, reserve facilities. If interconnection is implemented, resources can be definitely saved for the benefit of consumers. In addition, the mainland power plants are beginning to have surplus power supply and since their costs are lower, the Government should actively promote the interconnection of the local electricity supply systems with those on the Mainland. The two power companies have always stressed that there are tremendous difficulties, but interconnection between the power systems of two places is very common in other countries. I believe the most important thing is to reach a consensus first and then solve other technical problems gradually. Also, the Government should actively consider liberalizing the electricity market and introduce competition. For only in a competitive environment can power tariffs be truly reduced to a reasonable level, can the interest of consumers be protected and the power companies be able to reap reasonable profits. Thank you.

MR ERIC LI (in Cantonese): Madam President, the Hong Kong economy is now in the doldrums and the costs including electricity and gas tariffs are on the high side. Investors are finding many neighbouring cities to Hong Kong attractive. The present situation is, however, many investors, especially international investors, still insist on staying in Hong Kong. That is not due to the fact that Hong Kong has a lot more infrastructure than other cities or that these investors favour Hong Kong more, it is due to the fact that the business environment here is carefully protected over a long period of time. Our business environment is stable, of low risk and capable of bringing a reasonable return to investors. That is really our intangible asset. Even though our market is more expensive, saturated and affording low growth, other people still

choose to invest in Hong Kong which is packed with competitors. It can therefore be seen that respect for the rule of law and the spirit of contract is really the cornerstone of our business environment. Though it is not something which the people can see or touch, this is the foundation upon which big investors and major international funds such as the Heritage Foundation which made some comments yesterday have built their confidence in Hong Kong. I trust this is also the spirit underlining the amendment proposed by Mr NG Leung-sing.

Initially, I was very worried that Honourable colleagues would not discuss the two power companies and the Towngas separately. However, Mr LAU Ping-cheung has said earlier that the Towngas does not have any privileges, agreements or relation with the Government in this regard. He says that we are doing this without any convincing justification. I think that when the Government discusses the contents of this motion with the Towngas, extra caution and prudence must be exercised.

We know that the two power companies have signed SCAs and these were signed in 1963 which was a long time ago. The SCAs were renewed in 1992 for a very long effective period, which is 15 years. It is because huge investment is involved. Such important investment projects like the building of power plants and the formulation of financial plans have to be submitted to the Government for vetting and approval. So it can be seen that the operations of the two power companies are subject to close supervision by the Government. And so the two companies can now maintain a high level of profits under the agreements, and that is perfectly legal. The Government has a certain degree of responsibility in this, for it made some over-optimistic projections on power demand and hence the problem of surplus power arises.

In fact, the Public Accounts Committee made a detailed account of this problem in its Report No. 32 released in March 1999. Some very useful recommendations were made. At that time, Mr Fred LI was in the Committee and he should know this very well. We were very careful at that time, and we demanded that when discussions were to be made in the next five years or 10 years later, the two power companies should make some very positive response to these issues. We also respected very much the spirit of contract and made some very careful considerations. The CLP made some rectifications and positive responses in the supplementary agreement. I think that the Government did also discuss these. All this was welcomed by the Public

Accounts Committee. Moreover, I pointed out then that the Government was duty-bound to the people and so it should conduct the future interim review in a prudent manner.

I have recapitulated the case to show that we have not been keeping no interest in the power tariffs charged by the two power companies. The demand of the seven major developers is consistent with our request. They hope that the Government would make more efforts in supervision, increase the transparency and review the mechanism. This is very close to our thinking. However, there are two invisible bottomlines to their proposals, namely, respect for the spirit of contract and respect for the review of the agreement. These are obviously important considerations. Though this idea is not stated in the original motion, I notice that all Honourable Members who have spoken on the motion do not oppose it.

I support the amendment moved by Mr NG Leung-sing. As Mr James TIEN has said, when we rise to speak, our motives may not necessarily be different and the contents of our speech may not differ greatly. It is only that there is some difference in our way of expression. When we ask the Government to intervene, I think that we should be unequivocal about it in that we should give the public the impression that the Legislative Council values these intangible assets very much and is very concerned about safeguarding them. I support the motion which uses a very mild wording. I feel that it is a bottomline. When we want the Government to intervene in the market, we must be highly vigilant. For when after such market intervention, the rating which the Heritage Foundation gives us would be very low and would not be high at all.

The Secretary for Housing, Planning and Lands, Mr SUEN said this afternoon that he would make a "great turn" in housing policy. That makes me feel that the Government does not want to do anything to affect the market, but do the big international investors get this message? I think the most important thing is that we need to know that many of our neighbours are competing with us and they are offering very high rates of return to investors. If we do not try our best to attract the investors, our neighbours will seize this opportunity. Therefore, we should be open to the big investors and we must never do anything unilaterally to dampen their confidence. In economic policies, the approach we should take is to aim at getting more financial return instead of getting into unnecessary disputes. We cannot afford to undermine their confidence in us. In particular when we are plagued with the problem of a huge deficit, if the Government is to carry out some long-term investment, we must forge a cordial

partnership relationship with them. It would be very hard to send our partners a correct message if we give a carrot in housing policy but a stick to public utilities like the two power companies and the Towngas.

I do not know how the Secretary will explain to the organizations concerned in future, for even if the motion is carried today, it would present some difficulty to the Secretary. On this question of approving of a tariff increase or otherwise, the Government has to face some very great pressure. For if the Government raises its fees and charges but bars others from doing so, then how can people be convinced? In terms of lowering the costs, the approach taken by the Government is not at all smart, so it would be hard for the Government to ask others to reduce their costs. As the Government is itself a party to the agreement, how can it ask the other party not to make any profits? If the Government asks the other party to act according to its intention in these circumstances, then the whole thing would become a political intervention. If the Government eats the humble pie and begs the other party to accede to its request, then it would be like what Mr LEUNG Yiu-chung has said, a most tragic thing.

I hope that the approach to be taken is practical. The Government can handle this issue with good business sense. Even if no approval is given today to the two power companies to increase their tariffs, they may not necessarily not have the chance to recoup the shortfall from their permitted returns as specified in the agreement. I hope the Council would agree to that if the issue is brought up then. As for the wording of the motion, I agree with Mr James TIEN that it is very mild and lacks any specific demand and binding effect. We in the Breakfast Group would agree that a major principle is the contractual spirit must be respected. That must be made clear and insisted upon for it is sensible. In times of an economic downturn, I would think that this point should be made particularly clear.

Thank you, Madam President.

MS EMILY LAU (in Cantonese): Madam President, I rise to speak in full support of the motion moved by Mr Fred LI.

As many Honourable colleagues have indeed said a lot about this motion and since another motion debate is scheduled to follow very soon, I would not

repeat what they have said. However, there are some things that must be made clear, especially since I am representing my constituents to express their views. Many of my constituents think that the electricity tariffs are too expensive. I have told them that Mr Fred LI has proposed a motion debate on that this evening and that I would give it my support.

I understand that since there are agreements in place, I do not believe any Member of this Council, including Mr LEUNG Yiu-chung, would ask the Government to breach the terms of the agreement. When I was sitting in this Chamber listening to the speech made by Mr LEUNG Yiu-chung earlier, I felt that he was not begging for anything. Those who know Mr LEUNG Yiu-chung would know very well that he would not beg for anything. All he would do is to make severe criticisms, so please do not pin on him things that he would not do. I do not, however, agree with all the points made by Mr LEUNG Yiu-chung because those major developers may have other reasons in demanding a reduction of the electricity tariffs. On the other hand, I agree with most of what Dr LUI Ming-wah has said earlier.

Madam President, we hope that everyone here would listen carefully to the following point. Most of the Members of this Council are very clear about the message that is to be struck home. The Members I am referring to have come from various political parties, backgrounds, some are from the business sector through functional constituencies and some are directly elected. I might have to single out the Breakfast Group, though. I do not know what Members from that Group are doing. At first we had an eight-party coalition. Now there are only seven parties. The message is clear. We all agree that the contractual spirit should be respected. Earlier on almost every Member mentioned the big American securities firm, Lehman Brothers — I really do not want to be the ninth Member mentioning it. I think they must be having a twinge in their eyes — for they have never thought that Members are going to mention them. The most important thing they have said is that the power companies are making excessive profits while some people are on the verge of becoming beggars in the streets. So the people are utterly shocked to know that some companies are assured of such great profits.

Mr James TIEN has also mentioned earlier that the Government would undertake a interim review with the two power companies next year. I think the Secretary would tell us later how this message is to be struck home to the two companies. I am the last one in the world to try to affect the business

environment, and I know that we should provide foreign investors with a favourable business environment before they can consider coming here to invest, before the people here can get more jobs. If companies can make such good returns, I do not think that we should worry about no one is willing to do such a business. And since we are gentlemen and ladies, how can we scare them away? Some people think that the Secretary may not know how to send this message across to them, but I fail to see how the Secretary will not know how to do it. I hope the Secretary can tell us right away how he would send this message across on behalf of the public, the business sector and the grassroots.

As to the amendment moved by Mr NG Leung-sing, I do not know if this would be a blessing or a disaster if Mr NG's amendment is carried. Madam President, I heard that some Members would not support this amendment. Or perhaps I should say a few words on why I would not support it. His amendment talks about "safeguarding the rights of investors to operate in compliance with the law", and that is fine. But the following words, "and to determine prices" would pose a great problem. It is because all along we have hoped to induce fair competition. But now the two power companies are monopolies. Therefore, I support the motion moved by Mr Fred LI. I also support the idea put forward by a number of Members earlier, that the market should be liberalized to bring in more competition as soon as possible.

Lastly, many Members have talked about the interconnection of electricity supply systems. Madam President, the Secretary is in fact having a hard time today, for he has to answer a lot of oral questions, like the 12th one raised by Mr Fred LI on the technical study of the interconnection of the electricity supply systems. The study began last February and was completed in the middle of this year. So Mr LI asked when the Government would make the research findings public. The Secretary replied that a number of problems had to be considered and he also mentioned some technical and other problems. All in all, he said that the research findings would only be available at the beginning of next year. This is only a technical study, and the Secretary has also many other problems to consider, such as those related to business, law, investment, finance, division of responsibilities and supervision, and so on. All these are important and complicated issues.

I think the Government really has to consider these issues as soon as possible. This evening we would like to send a message across to the Secretary and that is, something should be done to draw up some fair arrangements, that

there should be interconnection and competition. We are glad that the two power companies have performed very well in providing a stable supply of electricity. For we do not want to see incidents which happened in California happen here. If the incidents in California happen in Hong Kong, then I am afraid the Secretary should be asked to step down. Of course, what the Secretary should do is to examine how public opinion can be conveyed to the power companies and see to it that interconnection and market liberalization is implemented as soon as possible. These would prevent the people from sizzling in the hot pan as they are doing now, and obviate the need for all quarters to face all sorts of mounting pressure.

With these remarks, I support the original motion and oppose the amendment.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr Fred LI, you may now speak on the amendment moved by Mr NG Leung-sing. The time limit is five minutes.

MR FRED LI (in Cantonese): Madam President, let me thank Mr NG Leung-sing once again, for he talked with me about his amendment quite a long time ago and we had talked over that many times. However, owing to the following reasons, I am unable to lend him my support. Mr NG's amendment has sought to add only one sentence to the original motion and that is, "under the premise of safeguarding the rights of investors to operate in compliance with the law and to determine prices".

Let me first talk about "to operate in compliance with the law". Our motion focuses on the following: First, to urge the Government to expeditiously discuss with the three companies, and to discuss means to negotiate; second, the motion takes into account the "respective operating conditions" of the companies, and we are setting some conditions here on the companies to examine how they are operating; and third, the motion only mentions "encourage". For this reason, Mr James TIEN asked why the Democratic Party was proposing a

motion with such weak wording. I recall Mr CHAN Kam-lam criticized in a radio programme yesterday that the motion proposed by me this time was too mild and "lame". However, I think if the amendment is added to the motion, then the motion is not only "lame", but really a lame duck. In fact, the motion encompasses many things, why do we still want to make them so explicit?

Furthermore, the two power companies have been operating all through the past 15 years under SCAs made according to law. Some Honourable colleagues said earlier that the current SCA is already the third one. All these are based on the law and so the investments are made in compliance with the law. How could this be otherwise? We think that since the companies are subject to restraints as the investments are made in compliance with the law, there would not be a need to mention it, just as we would not say someone's mother is a woman. This is entirely senseless to mention this over and over again. If this is mentioned in the motion, that would be simply redundant.

As to the question of the right to "determine prices". Looking at it from another perspective, the two power companies do not enjoy full freedom in pricing. Why? It is because at about this time every year, the power companies would have to submit financial plans to the Government stating the electricity tariffs for the coming year. Such tariffs are not purely determined at the whims of the two power companies. It is because the SCAs provide that returns should be capped at 13.5%. So the power companies cannot say that they want to make a profit of 18% and so the tariffs will be raised to meet this percentage. The power companies do not have such a right, for the terms in the agreements have put a restraint on them. Therefore, if the words "under the premise of safeguarding the rights to determine prices" are highlighted and added to the motion, some conflicts would be produced and that is also somewhat consistent with the current situation. That is how I look at the matter and I hope that Members would understand it.

On the question of the contractual spirit again, Mr NG Leung-sing, Mr Eric LI and many Members of the Breakfast Group and other Honourable colleagues have mentioned this point. Mr James TIEN has in fact helped me, for he has said something which I have written down to be brought up later. I do not know if this is called telepathy. We know that, for example, a lease agreement for a premise in a shopping mall embodies this spirit of contract. If someone who rents a place in a mall and runs a shop and he runs into financial difficulty, he may talk with the landlord and say that after running the business

for one and a half years, he can no longer afford to pay the rent. He may ask the landlord to reduce the rent or allow him to pay the rent later. All these requests can be made during the period when the contract is in force. Has the Housing Department not acceded to the requests of the tenants and made a full-scale review during the period specified in the lease agreement of the rents of premises in its shopping malls? Has anyone said that the Housing Department has breached the contractual spirit? No. No harm is done to the contractual spirit if problems arise during the contract period and the parties to the contract talk about them. Furthermore, my motion has not mentioned anything about making a review of the SCAs, or anything about rescinding it or adding any new terms to it. I have only mentioned "discuss", "encourage" and "take account of their respective operating conditions". I would think that by doing so adequate room of manoeuvre is provided to the Government and the three companies concerned.

I understand perfectly well that the Towngas is not subject to any such agreement. Then why is it included in the motion? It is because some sort of agreement also exists between the Towngas and the Government. That is to say, when the Towngas wants to raise its tariffs, it will have to submit a proposal to the Government and brief the Panel on Economic Services of this Council. Such is the gentlemen's agreement between the Government and the Towngas, and it is not merely an oral agreement. So with respect to raising or reducing tariffs, the Towngas is indirectly linked to the Government. I hope Honourable colleagues can see that such a relationship does exist although the Towngas is somewhat different from the two power companies.

Lastly, I hope Members will understand that the case of power companies is different from that of companies selling wines, in that the former are subject to regulation and power supply is a necessity on which the people have no choice. Madam President, irrespective of whether the amendment exists or not, it has no effect whatsoever on the original motion. But since I have proposed the original motion, I of course hope that it can be carried.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, Mr Fred LI mentioned the words "lame duck" just now to describe the motion. These are his words, but I do not think they are a true description of the motion. I think these words can be very positive. I also encourage my son to be thriftier and not to ask me for pocket money so

often. (*Laughter*) Sometimes he would take my words, so it is also useful to "encourage" people. Having said that, I am not trying to draw an analogy between my son and the power companies, not at all.

Many Honourable Members have said that they do not know how I am going to "encourage" the power companies. Ms Emily LAU said that she was friendly and good at words. Given this, I think she is indeed the best person to "encourage" these companies.

Madam President, in the face of the prevailing economic and employment situation, we are all very concerned about the people's living, the business environment and related problems like electricity and gas tariffs. We hope that the burden of living and doing business can be alleviated. Members have presented their views earlier on the motion, and I believe the two power companies and the Towngas must have heard Members' comments and they would consider their views and the people's expectations.

I hope Members will understand that the SCAs signed between the two power companies and the Government stipulate a mechanism for the determination of electricity tariffs every year. The relevant terms are the basis for any adjustment to electricity tariffs. The Government has to consider the grounds for tariff adjustment as presented by the power companies according to these terms in the agreements. We understand fully the importance of compliance with the contract terms to maintaining the spirit of the rule of law and the business environment in Hong Kong. Of course, the Government may not act in breach of the law and we must respect the spirit of contract. Nor should we intervene in commercial operations. Having said that, however, we also hope the two power companies will understand that electricity is a necessity to the public and so they can take into account their respective operating conditions, the current high unemployment rate and persistent deflation and be sympathetic to the people's hardship and expectations. We are not saying that the power companies should not make any money, but when they do so, they should make some positive response to see how the burden of the public and all sectors can be alleviated.

I would like to point out that the existing SCAs between the Government and the two power companies was signed at a time of high inflation in the past. With persistent deflation over the past four years, do the power companies need

to maximize the permitted return under the SCAs? Can some measures be taken in account of the economic and employment conditions to relieve the burden of the public when they seek to adjust their tariffs? Like every Member, I hope that the power companies can give us a positive and affirmative response.

An efficient, stable and safe supply of electricity is the driving force of our economic growth. Therefore, in order that to protect the interest of users, the Government has entered into SCAs with the two power companies and drawn up a mechanism with them to scrutinize their proposed investment projects to examine if they are necessary. We have also a mechanism in place to ensure that the public will not have to bear part of the investment costs of surplus power generation units. This will reduce the pressure for an increase in electricity tariffs. Recently, the two power companies have submitted their annual report on the review of tariffs in accordance with the established mechanism. We are studying the data set out in the reports and discussions with the companies are ongoing. When we discuss next year's electricity tariffs with the companies, we will consider a number of factors, such as the demand and sale of electricity, operating costs, investment projects, shareholders' return, measures for cost control and productivity enhancement, the latest position of the accrued moneys in the Development Fund and the affordability of users, and so on. While we strive to adhere to the contractual spirit and uphold a free economy, we will also take active steps to convey the aspirations of Members and the demand of the public as well as the business and industrial sectors. We will encourage the power companies to be good corporate citizens and to respond actively and positively in the light of the prevailing economic conditions.

Madam President, we will make use of the opportunity of the interim review of the SCAs with the two power companies next year to propose a review and revision of some of the terms to reflect the prevailing deflation. I would like to stress that under the SCAs, any revisions must be agreed by both parties before implementation. The Government cannot make any unilateral changes. We will definitely observe the contractual spirit, but still I hope the two power companies can adopt a sensible and sympathetic attitude and give serious thoughts to the revisions that we would propose to some of the terms.

The SCAs currently in force will expire in 2008. Members have discussed issues like interconnection of power supply systems, market

liberalization and the introduction of competition, and so on. As to the technical feasibility of interconnection, we have commissioned a consultancy to study in details aspects like transmission capacity, system stability, the flow of electric charge, interconnection routes, the time required for cabling and the reliability of power supply, and so on, as required by enhanced interconnection. The Electrical and Mechanical Services Department is presently deliberating on the technical information and data of the draft consultancy report. This study is crucial to our determination of the way forward after 2008. We are also working on the major direction of development for power supply after 2008 and we will consider the issues mentioned by Members, such as interconnection, liberalization of the power generation and transmission markets, and promotion of competition. One of the factors which we will also consider is the current and future commitment of the two power companies to society. I hope that they will not exploit every opportunity to make money, but look farther and wider instead. For this will be to both their own advantage and that of the community.

As regards the Towngas, the Government has signed an Information and Consultative Agreement with it to increase the transparency with respect to the adjustment of tariffs. However, as Members are aware, the tariffs collected by the Towngas are not subject to any regulation by the Government. The Towngas has frozen its standard tariffs and monthly maintenance charge since 1999, and it has also stated publicly that it does not intend to raise the gas tariffs next year. If the company can give more thoughts to the aspirations of the public and reduce their burden in terms of gas tariffs, I believe the company would be more popular among the people.

Energy supply is the linchpin of our economic development and under the premise of upholding the spirit of contract, respecting commercial operation and maintaining a stable supply of power and gas, we will continue to encourage the two power companies and the Towngas to take account of their respective operating conditions, be sympathetic to the hardship of the people and their aspirations, exert more control on their operation costs, improve their operation and take positive measures to reduce the burden of the public with regard to electricity and gas tariffs.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr NG Leung-sing to Mr Fred LI's motion be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr NG Leung-sing rose to claim a division.

PRESIDENT (in Cantonese): Mr NG Leung-sing has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Mr Eric LI, Dr David LI, Dr LUI Ming-wah, Mrs Selina CHOW, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Mr Henry WU, Dr LO Wing-lok and Mr IP Kwok-him voted for the amendment.

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Dr LAW Chi-kwong and Mr Michael MAK voted against the amendment.

Ms LI Fung-ying abstained.

Geographical Constituencies and Election Committee:

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr NG Leung-sing and Mr YEUNG Yiu-chung voted for the amendment.

Ms Cyd HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr WONG Sing-chi and Mr Frederick FUNG voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 19 were in favour of the amendment, four against it and one abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, nine were in favour of the amendment and 12 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr Fred LI, you may now speak in reply. You still have four minutes 28 seconds.

MR FRED LI (in Cantonese): Madam President, I would like to raise only a few points. First, Mr Eric LI wants the Government to intervene, but I do not think that is right. I have said earlier that at this time every year, there will be an annual review of the electricity tariffs. The reason for me proposing this motion is to match the time of the review. If this motion is proposed in January or February next year, it will be too late. My motion does not call for the Government to intervene, but to ask the two power companies to lower their tariffs. And as it is time for review, I would like to ask the Government to consider the applications made by the two power companies on the tariffs next year. I would like to clarify once again that I am not asking the Government to intervene in this matter.

Also, Dr Philip WONG queried the motive behind my motion and he implicated conspiracies. I am a user of the CLP Power Hong Kong Limited (CLP), but I am not moving this motion for the sake of my electricity bill. As a matter of fact, I have not anticipated such strong reactions from the business sector as it is vastly different from the situation last year. Since the economic situation has deteriorated, much worse than the case last year, people have been thinking of ways to save more. Mr Tommy CHEUNG has talked about the problems faced by the catering industry, and I have cited his example purely because of the actual economic conditions. In addition, my motion is not meant to challenge the SCAs, nor asking the Government to revise them. I was very glad to hear the Secretary say earlier that he hoped to bring up the issue of deflation in the interim review and that some revisions could be made. However, it would be useless if the two power companies do not agree, for a consent from both parties to an agreement has to be obtained. I am well aware of the problem as I have been a member of the Panel on Economic Services for many years and I have followed up the issue of electricity tariffs for many years. Therefore, I have not asked in my motion to add any terms to the SCAs. Unless I propose to raise the highest permitted rate of return from 13.5% to 18%, I do not think the power companies would agree. It would be choosing the wrong audience if I want them to make less profits.

I have said to my colleagues that during these many years, there was only one year, that is, way back in the 1970s, when the cap of the permitted rate of return under the SCAs was not reached. The two power companies have managed to reach the permitted 13.5% every year. Actually, I am not challenging the SCAs, not trying to do anything in breach of the spirit of contract. I am just trying to present the hardship which the industrial and commercial sectors and the general public are facing. The newspaper headlines which I saw were rather pleasing to the eye. I think the Secretary should have read these himself, and these are things that he has said and I am just quoting the newspapers. I hope that the Hongkong Electric Company Limited (HEC) should really refrain from raising the tariffs. I am making this appeal from the bottom of my heart, for the HEC has raised its tariffs over the past two years. The users who consume electricity most on Hong Kong Island are business operators. Although the company has about half a million users, its major source of income does not come from the domestic users, but from offices and shopping malls. I hope the HEC can be sympathetic to these users and refrain

from raising its tariffs this year by all means. As for the CLP, it should give as much rebate to its users as possible. I hope that these companies can take account of their respective operating conditions and do the best they can to make a "multi-win" scenario possible.

Madam President, I hope Members can support my original motion.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Fred LI rose to claim a division.

PRESIDENT(in Cantonese): Mr Fred LI has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr

SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Henry WU, Mr Michael MAK and Mr IP Kwok-him voted for the motion.

Mr Eric LI, Dr David LI, Dr LUI Ming-wah, Mr Bernard CHAN, Dr Philip WONG, Mr Abraham SHEK and Dr LO Wing-lok voted against the motion.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr LEE Cheuk-yan, Mr Fred LI, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kwong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU and Mr YEUNG Yiu-chung voted for the motion.

Mr NG Leung-sing voted against the motion.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 18 were in favour of the motion and seven against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 23 were present, 21 were in favour of the motion and one against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was carried.

PRESIDENT (in Cantonese): Second motion: Ageing of the population.

AGEING OF THE POPULATION

MR TAM YIU-CHUNG (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

The 18th of November is the International Day for the Elderly. The well-being of the senior citizens is the common concern of everyone. In the past, we focused on the various kinds of welfare and financial assistance for elderly people. Today, the theme of this motion moved by me is, apart from solving the livelihood security issues of the elderly people, enabling them to live more meaningfully — to enjoy what we call the golden age and a rich life. Therefore, we would like to urge the Government to actively formulate policies to create a favourable social environment for present and future senior citizens to keep on giving full play to their abilities.

(THE PRESIDENT'S DEPUTY, MR FRED LI, took the Chair)

This discussion is not on identifying solutions to existing problems only. More importantly, it is meant to stimulate our thinking on the long-term social development in the hope that it can draw the attention of the whole community, thereby everyone of us can take part in reshaping the concept of ageing and facilitate reforming of our social institutions.

According to the latest population projections released by the Census and Statistics Department this year, the population of Hong Kong will reach 8.72 million in 30 years, and the trend of ageing of the population will continue. Presently, the average life span of men in Hong Kong is 78.4 years, whereas the corresponding figure for women is 84.6 years. By the year 2031, the population ratio of people aged 65 or above will increase from 11% in 2001 to 24%. In other words, one in every four people in Hong Kong will fall into the existing definition of "elderly people".

With the increase in life expectancy and the decrease in the birth rate, the ageing of the population is an irreversible social change. However, the prevailing concept in society of "old age" is still very backward. The mainstream view in society is still that elderly people are an unproductive, frail group. The community of Hong Kong in general is respectful to the elderly

people. However, some of the media portray elderly people as bent, holding a walking-cane, doing nothing, long-winded and grumbling all the time. So the overall impression an elderly person gives is rather "pessimistic". In our social system, the prevailing retirement age of 65 was originated from a standard adopted by Germany in 1889, basing on the fact that the average life span then was 55 and it has been in use since. Compulsory retirement at a certain age will waste a lot of talents. For example, each university in Hong Kong witnesses the retirement of four professors annually, so altogether there are over 30 people with working abilities becoming idle in a year. Moreover, even if the elderly people would like to pursue further studies, be it for the purpose of enhancing their skills for career development or just for interests or for gaining greater exposure, it would be difficult for them to obtain sufficient support or find channels. All along, the Government has ignored the provision of continuing education for the elderly people — no policies, but a lot of constraints. For example, once you reach the age threshold of 60, you are no longer eligible for applying for the Continuing Education Fund. And there are only four hours in each of the information and technology courses offered by the Social Welfare Department for the elderly people.

On the daily life level, as town planning fails to dovetail with the needs of the elderly, it is difficult for them to find quality small residential flats. The designs of public facilities seldom take their needs into consideration. For example, the elderly do not like so much to travel on escalators, but places like large shopping centres and Mass Transit Railway stations are all installed with escalators as the major features. The areas of public housing flats are small, so if two single beds are put side by side in a two-person flat, no more space will be left to accommodate other furniture. So elderly people are forced to climb onto the upper part of the bunk bed every night. When they go shopping, they will find that most of the products cater to the tastes of the young people, whereas choices for the elderly are very limited.

All the above examples serve to illustrate that our social environment and institutions cannot cope with the rapid demographic changes in Hong Kong, thereby making it difficult for the elderly people to give full play to their abilities. As a result, the ageing of the population is seen as a problem and a social burden. However, according to research analyses undertaken by academics, the quality of the elderly population will in fact upgrade every five years. Great changes will take place in their patterns of education, savings, income, spending, leisure

seeking, health and housing. Presently, over 90% of the elderly people are in good health, and most of them are independent, active, rich in experience and capabilities. They are able and willing to continue making contribution to society. Therefore, the SAR Government should, in the light of demographic changes, modify the various public policies with due regard to the needs and views of the elderly so as to establish a social environment which has no age barrier and is suitable for people of all ages. This would enable our senior citizens to continue giving full play to their abilities on personal, social and economic levels. Such improvements should start from the six areas as follows.

First, to actively promote the correct concept of old age. In demography, elderly people can be divided into three categories: people aged between 60 and 64 are called "Young Old", and they may continue working; people aged between 65 and 74 are called "Middle Old", and they may undertake work that requires less physical strength; and people aged between 75 and 84 are called "Old Old", and they may undertake limited work under care. Elderly people are able and willing to continue to make contribution to society. Therefore, the Government should step up its civic education and promotion initiatives so as to highlight the healthy and vigorous aspect of the elderly people. The positive and proactive outlook of the elderly people should be portrayed to avoid social labelling of the elderly. The Government may work with the mass media, through demonstration projects, to bring out the elderly people's positive, healthy and creative faces in various spheres like culture, performing arts, sports, and so on.

Secondly, public and private organizations should be encouraged to make good use of the knowledge and experience of the elderly people. Presently, the Government promotes activities related to "a feeling of health and worthiness among the elderly", and they are centred mainly around voluntary work in the social welfare sector. To encourage public and private organizations to make good use of the knowledge and experience of the elderly people, the Government should formulate policies to extend the service areas to other sectors. The high seniority of the elderly people means that they are rich in experience, which in itself is a valuable social asset. They do not have to stop working completely. They may pursue work of a consultative, counselling and voluntary nature. The Government should encourage public and private organizations to provide support to elderly employees in such areas as lifelong learning, simplified work

processes, flexible working hours, and so on. As for the Government, it should facilitate the work by formulating relevant policies. For example, it should study whether it is necessary to draw up policies on elderly employees, eliminate age discrimination and handle the issue of retirement age with flexibility including the adoption of a phasing-out retirement arrangement or a flexible retirement age system, thereby enabling elderly employees to continue giving full play to their abilities.

Of course, this ideal must have sufficient support initiatives in society before it can be realized. Such initiatives include financial resources, a welfare system and the recognition and support of the general public. Moreover, these are not absolutely impossible. In the United States, more and more retired persons are beginning to continue working. The United States Department of Labor estimated that, during the past 15 years, one fifth of the growth in the workforce had come from part-time retired workers. The second largest chain drugstore, CVS, has implemented such policies as flexible working hours and 20% staff discount on medicines and health plans in a bid to recruit elderly employees. It has so far successfully recruited 17 200 elderly employees, accounting for 16% of its staff.

Thirdly, to promote lifelong learning for elderly people. A knowledge-based society advocates lifelong learning. Elderly people have the same strong demand for continuing education as do people of other age groups. In a survey conducted by the Open University last year, it is revealed that over 90% of the elderly respondents agree to the saying that "keep on learning as you are growing old", and over 70% of the elderly people hope that they can have the chance to receive a second education. In another survey jointly conducted by the Hong Kong Society for the Aged and the Baptist University, it is also discovered that after pursuing further education, elderly people feel a stronger sense of dignity and social satisfaction. This demonstrates that elderly people can achieve a quality life by pursuing continuing education.

The Government should therefore promote lifelong learning for the elderly people. It should expeditiously formulate a policy on continuing education for the elderly people, remove the age restriction of 60 in the application for the Continuing Education Fund and increase the duration of information and technology courses for the elderly. Besides, the Government should, by way of such preferential measures as the provision of land and loans, facilitate cross-sector co-operation and encourage the various organizations and tertiary

institutions to organize all kinds of continuing education courses for the elderly, so as to enable the elderly people to keep abreast of the time and lead a fuller life.

Fourthly, town planning, public facilities and housing designs should be improved to create a "barrier-free" environment. The Government should take the demographic changes into consideration in town planning, so that the housing units for the elderly should not be concentrated in remote areas which would undermine the cross-generation integration. The Government should provide explicit planning directions to developers to advocate that property development projects should include housing units for the elderly people, and encourage developers to provide sufficient facilities for the elderly in property development projects. On public facilities and housing designs, the Government should expeditiously draw up some common designs for the elderly people and barrier-free planning design guidelines, and the construction industry should be encouraged to adopt the concept of the common designs, so that suitable changes could be made to the various facilities according to the ages of the residents to address their needs. In the process, the elderly people should be allowed to participate, so that their views could be reflected directly, thereby creating a barrier-free environment to facilitate integration of people of different ages and physical conditions. This would enable the elderly people to maintain their vigour in life.

Fifthly, the Government should improve primary health care services and promote a positive lifestyle. The Government must adjust its health care strategy, that is, switching from focusing on treatment to stepping up the control and prevention of chronic and degenerative diseases, and reduce the morbidity rate. Illnesses common among the elderly people in Hong Kong, such as rheumatism, arthritis, pains, hypertension and diabetic, are all chronic diseases. But these diseases can be prevented by changing certain habits in our daily life. Therefore, health maintenance systems should be repositioned to strengthen the provision of primary health care, so as to achieve the objective of providing primary health care from childhood to adulthood for the people. Specific measures include enhancing the family doctor service, strengthening training in geriatrics, setting up small community hospitals, promoting the concept of "community elderly care", providing training and support for people devoted to protecting the elderly, promoting extensively preventive and primary health care education, and advocating that elderly people should do exercise more frequently, and so on.

Sixthly, the commercial sector should be urged to establish an "elderly-friendly" service culture. In future, the "silvery hair market" will become increasingly important. In view of the increase in elderly customers, the commercial sector will find it necessary to change their business practice by providing the services and products required by the elderly people so as to enhance their competitiveness. The Government should step up its promotional initiatives, for example, making reference to the national scheme of "Senior Friendly" in Canada. It may create a "elderly-friendly" label, conduct a outstanding shops poll, and organize workshops and training courses to assist commercial organizations in improving their services for elderly customers, thereby promoting a better understanding of the elderly among people of the community, making the various commercial organizations foster an elderly-friendly service culture and increasing the social participation of the elderly and improving the health and quality of their living.

Mr Deputy, in the International Old Age Conference convened by the United Nations in April this year, participating countries and territories have jointly drafted an International Old Age Action Plan 2002. Through the implementation of the Action Plan, it is hoped that three objectives could be achieved, namely, enabling the elderly to give full play to their abilities, promoting the good health of the elderly and establishing suitable environments for them. I hope today's motion could arouse our concern and discussion on long-term policies for the elderly, and remove any practices that reject or discriminate against the elderly people, thereby enabling present and future senior citizens to keep on making contribution to society. Lastly, I would like to express my gratitude to the many organizations that have shown so much concern over the welfare of the elderly. They have provided a lot of valuable opinions, and they will continue to follow up some issues not included in this motion.

With these remarks, I beg to move.

Mr TAM Yiu-chung moved the following motion: (Translation)

"That, in view of the ageing of the population in Hong Kong, this Council urges the Government to respond to the changes in the population profile and actively take the lead in promoting a proper perspective on ageing; encourage the public and private sectors to make the best use of the knowledge and experience of senior citizens; promote "lifelong learning"

among the elderly; improve town planning and the design of public facilities and housing to create a "barrier-free" environment; provide sound primary health care services; promote a positive and healthy lifestyle; as well as encourage the commercial sector to establish an "elderly-friendly" service culture, thereby creating a favourable social environment for present and future senior citizens to keep on giving full play to their abilities."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr TAM Yiu-chung be passed.

DEPUTY PRESIDENT (in Cantonese): Mr Frederick FUNG and Mr LEUNG Yiu-chung will move amendments to this motion. Their amendments have been printed on the Agenda. The motion and the two amendments will now be debated together in a joint debate.

I now call upon Mr Frederick FUNG to speak first, to be followed by Mr LEUNG Yiu-chung; but no amendments will be moved at this stage.

MR FREDERICK FUNG (in Cantonese): Mr Deputy, the local population keeps on ageing. According to the population projection released by the Census and Statistics Department, the ratio of people aged 65 and above in the local population will increase substantially from 11.1% to 24.4%. It is therefore evident that the problem of ageing of the population cannot be ignored.

In order to address the problem of ageing of the population, the Government should make efforts from different perspectives. The motion moved by Mr TAM Yiu-chung today has identified several major directions, namely, promoting correct concepts in society towards the elderly people, facilitating lifelong learning and encouraging the public and private sectors to make good use of the knowledge and experience of the elderly people, improving town planning and public facilities, providing primary health care and establishing a service culture that supports the elderly people in the commercial sector. The motion of Mr TAM Yiu-chung has played a positive role in improving the quality of living of the elderly people. The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I support these

proposals. However, we think that Mr TAM's motion has overlooked the issue of protection for their retirement life — an issue of enormous concern to the elderly people and even the community, an issue that Hong Kong could not evade when the problem of ageing of the population is worsening. Therefore, I will be moving an amendment to Mr TAM's motion, to further request the Government to actively study — I mean to "study" the implementation of an old age pension scheme to protect the livelihood of the elderly people after retirement. I believe Mr TAM would recall that there were three small parties fighting for an old age pension system in 1993 and 1994, and they were Mr TAM, Mr LAU Chin-shek and me. We hope that this amendment would have the support of Mr TAM and his party, the Democratic Alliance for Betterment of Hong Kong (DAB).

Presently, retired elderly people will rely mainly on the five following sources for their living, namely, retirement benefits provided by employers, personal savings, financial support from their own children, the old age allowance (commonly known as "fruit grant") and Comprehensive Social Security Assistance (CSSA). Of the five sources, the first one is provided by employers, the second one is shouldered by the person himself, the third one is financed by one's relatives, and the fourth and the fifth ones are provided by the Government. Currently, we face the problem of ageing of the population, do these five sources suffice in providing for the elderly people in retirement?

As employees' salaries and benefits account for a substantial proportion of the total cost of production, businessmen will reduce the salaries and work benefits of workers in order to strengthen their own competitiveness. This has a major impact on workers with lower education and skills, undermining their livelihood security after retirement. Some workers even do not have any retirement benefits at all. As for the Mandatory Provident Fund (MPF) schemes implemented during the last two years, it has to take twenty or thirty years before its results can be seen. So, it cannot offer any assistance to the elderly people now.

Let us discuss the second source, that is, personal savings and investments. Many people would plan for their own retirement by making investments or taking out insurance policies. However, those people who only earn a mediocre income will have difficulties in even meeting their daily expenses, not to mention putting any surplus money in investments or insurance policies. Besides, retirees may not be able to maintain their living just by relying on their own

savings, and probably a retirement protection scheme would be the ultimate answer to their problem. For the low-income group, it would be much more difficult for them to rely on their own savings or investments to maintain their retirement life.

As for the third source, that is, support by children or relatives, at the present time of economic downturn, the general income of the people have decreased and we are also facing the situation of ageing of the population, the ratio of children providing for their parents has relatively fallen. In addition, people now have a much weaker sense of belonging to their own families, and that the functions of family have diminished considerably, thus the children's support for retired parents' livelihood would similarly diminish in future.

As for the fruit grant, the original intent of the scheme is to repay the elderly people for their contribution in the past. However, we find that a lot of elderly people are actually relying on the \$705 fruit grant to maintain their daily life after retirement. The reason is, though some of the elderly people are qualified for CSSA, or just slightly better-off than the situation qualifying for CSSA, they opt not to receive the allowance in order to avoid the labelling effect. As a result, they have to live in abject poverty on a long-term basis.

The last measure — CSSA. Apart from the labelling effect which deters some of the needy elderly people from applying for it, the number of CSSA recipients is actually rising under the present economic recession. In this connection, at a Welfare Services Panel meeting held a couple of days ago, we heard the Director of Social Welfare say that the problem was deteriorating and if the trend should continue, it might be necessary to impose a ceiling on CSSA or adopt some other drastic measures. Therefore, we can see that if we use CSSA as a retirement protection system for the elderly people, it appears that even the Government would not agree to it.

Summing up, we can say that the present system is unable to provide the elderly people with effective retirement protection. Although the MPF has already been implemented, as I have just said, its results could only be seen after at least 20 to 30 years. In addition, the MPF cannot provide retirement security for people with a low income, long-term illnesses, and in particular those who do not have any income at all, such as the housewives. They are the group of

people who need the security most. Therefore, both the ADPL and I are of the view that the Government has to study the issue — I stress once again that, we hope the Government can really study the issue positively, and we are not requesting the Government to implement it immediately. We hope that the Government can really work out a pension scheme that suits the situation of Hong Kong. Otherwise, the continuous increase in the number of elderly people would lead to an ever-increasing number of elderly CSSA recipients. Just like what Prof Vincent CHOW of the University of Hong Kong said in this Chamber a few days ago, he was also worried that there might be an increase of 10 000 elderly CSSA recipients annually. The Government has already told us, should the situation continue, the CSSA system would collapse. This is something we surely do not wish to see.

The academic sector and non-government organizations have frequently conducted discussions on how an appropriate old age pension scheme could be established and put forward certain suggestions which deserve our critical thinking. For example, they suggested that an old age retirement security scheme should be set up by setting aside half of the MPF contribution and adding to this the Government's spending on CSSA originally paid to the elderly people and the fruit grant (in fact, both the CSSA and the fruit grant are spent on the elderly people), and then the retired elderly people may receive with immediate effect a sum of retirement security benefit equivalent to a certain ratio of the median wage. As for whether the ratio should be set at one third, half or any other percentage, we may discuss it further. In this way, we can maintain the retirement life living of the elderly people and solve many of the problems in their retirement life. Meanwhile, we can have the benefit of injecting the huge amount of MPF into the consumer market to stimulate the economy. This is really a suggestion that merits reconsideration by the Government.

In proposing the amendment today, I intend to highlight the fact that the present retirement protection provided for the elderly people is neither effective nor sustainable. The Government really needs to — I stress the need to consider and study — working out a long-term feasible old age pension scheme. What kind of proposal should we adopt? I think we can invite all sectors of the community to put forward suggestions before deciding on a final scheme for implementation. For the sake of protecting the retirement life of the elderly

people, I hope Members who are present and the various parties can support my amendment so that we can urge the Government to actively study and implement an old age pension scheme in the future to protect the living of retirees.

Mr Deputy, I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Mr Deputy, in recent days, the Government has repeatedly stressed that it is facing the problem of fiscal deficit, and although there are numerous ways of tackling the problem, some of them are targeting at the underprivileged like the elderly people and the handicapped. Why? It is because the Administration is reducing the welfare for these people and start charging them some additional fees. Here, I would like to ask the Secretaries: Do these elderly people also have to bear the heavy burden of solving the problem of fiscal deficit? Is this consistent with the Government's policy of respecting the elderly? Is this contradictory to the Chief Executive's proclaimed policy of making the elderly "enjoy a sense of security, a sense of belonging and a feeling of health and worthiness"?

I begin to have the feeling, and it is growing increasingly stronger, that Mr TUNG's elderly policy is just an empty slogan. However, chanting slogans should be the prerogative of the ordinary people who have neither the power nor the influence in the realistic world. For those who possess both the power and the influence, they should do better than just chanting slogans. Instead, they should be doing some practical work. However, over the past few years, instead of implementing any concrete measures, the Government seemed to have only paid lip service to its elderly policy. Take this year as an example, the Government has not lived up to its promise of increasing the Old Age Allowance (commonly known as "fruit grant") by \$300. Worst still, we have to lobby hard to get a promise from Mr TUNG that the fruit grant would not be reduced. Unfortunately, the good time never lasts long. Although the fruit grant was not reduced, pieces of bad news came one after the other. First, a fee will come into effect for the use of our public medical services, and then the CSSA payment for the elderly will be slashed. We could not help asking Mr TUNG: Is this fair to the senior citizens who have contributed so much to the prosperity of Hong Kong during the past few decades? Is this a way of respecting them?

Unfortunately, today's original motion is somehow cognate with Mr TUNG's elderly policy: saying a lot of idealistic visions and slogans, but not seeing the immediate financial difficulties of the elderly people. Yes, the original motion does mention many significant proposals. However, if the most urgent financial and survival issues of the elderly are not addressed, what chances are there for them to give full play to their abilities? I feel that the original motion deliberately avoids the basic financial and survival issues of the elderly people. I am disappointed about this indeed.

Last month, in the same Chamber, Mr TUNG requested the elderly people to trust him, trust Dr YEOH, the Secretary for Health, Welfare and Food. He said that the amount of the fruit grant would not cut down. However, in less than two weeks' time, he said that he had to slash the CSSA payment for the elderly. Those elderly people who have been struggling in abject poverty could not help asking this: Why the fruit grant, payable to all the elderly people regardless of their income and assets, does not have to be reduced, whereas the CSSA for elderly people who live in abject poverty has to be reduced? Does this practice show that the Government is not respecting the elderly people, or even rubbing salt into their wounds of the group of people who are the least able to resist? To the elderly, the fruit grant is a symbol of showing our respect to them. However, why can the elderly CSSA recipients not enjoy a bit of such respect? Furthermore, it was the Government who combined the fruit grant and the public assistance for the elderly in 1993 into the present CSSA for the elderly. In other words, part of the CSSA is the fruit grant. If the Government decides to go ahead with reducing the standard CSSA payment for the elderly across the board, it is slashing in disguise part of the fruit grant of those elderly CSSA recipients. I think this is a violation of Mr TUNG's promise. Then how can the elderly people trust Mr TUNG or the Secretary Dr YEOH?

Members have spoken a lot on the reasons for objecting to the reduction of CSSA for the elderly. I am not repeating the reasons here anymore. I just wish to ask the Government two questions. Does it want to see the elderly people, in a bid to save a little money, start lining up in open air from very early morning under hot or rainy weather for some rice distributed by charitable organizations? Does it want to see retired elderly people aged 70 to 80 scramble for jobs with extremely low wages in society despite their old age?

In the past, when the Government wanted to deter the elderly people from applying for CSSA, the usual trick was not to reduce the amount of CSSA, but to require them to apply for it together with their families. This would have the effect of reducing the number of cases of elderly people applying for the CSSA. However, this time the Government is wielding the axe at the elderly people directly. I believe that the Government knows quite well that this approach would meet with great resistance. However, in spite of this, the Government has not changed its mind. Instead, it has made employed some tricks to achieve its purpose. One of them is pitching "poor men against the poor men". Besides, the Government may even resort to three tricks which are even more formidable, namely, putting a ceiling on the expenditure, restricting the duration of receiving the allowance and increasing the length of residence in Hong Kong required for application. These would bring about a divisive effect among CSSA recipients. The Government's divisive tactics were very successful in the past. Therefore, I worry that this time is no exception. When the Director participated in a phone-in radio programme the other day, a 76-year-old man who claimed to have lost his eyesight and have both of his legs crippled called into the programme and criticized the CSSA for nurturing lazy bones. This shows that even the underprivileged would despise others in adverse situation and could not appreciate the difficulties of each other. What good would this tactic do to the community as a whole?

The ultimate solution to the problem of growing expenditure of the CSSA for the elderly lies in the establishment of a good retirement system. As indicated by the statistics of the Government, the problem of ageing of the population is very serious. The ratio of elderly people in the total population is estimated to rise from 11.2% in 2001 to 24.3% by 2031, which will be around 2 million. The welfare expenditure on the elderly people will continuously in the future. If a good system is not built up in time, even if the Government is successful in slashing the CSSA payments, the problem will still not be solved. The Government may think that it could rely on the Mandatory Provident Fund (MPF) System in future. However, as we have pointed out in our previous discussions on the MPF System, as illustrated in the example of a worker earning \$6,000 a month, the monthly retirement benefit he would receive after making contribution for 35 years would only be about \$1,500, which is even lower than the present CSSA for the elderly. How can he maintain a decent living? Therefore, all along we have been advocating the establishment of an old age pension scheme on tripartite contributions by employers, employees and the Government. Under this scheme, the elderly people can receive about \$3,000

monthly with immediate effect, so that their immediate problem can be solved. Yet, on the other hand, the Government does not have to deploy additional resources other than injecting the original fund for the existing CSSA for the elderly and the fruit grant into the scheme.

Mr Deputy, the original motion mentions primary health care services. We, of course, support the provision of community-based medical services for the elderly people. However, we must ask: How many years does it take before this can be realized? Although certain subvented organizations do operate some day care centres which provide some of the medical services, the number of such centres is not sufficient and their distribution is very uneven. For example, in large districts such as Tuen Mun, Tai Po and the North District, there is only one such centre in each district. It is just insufficient. Besides, it takes a long time to develop care networks. However, the need for medical care of the elderly people is very urgent. If immediate services cannot be provided now, their problems are simply not solved. Unfortunately, the Government, in a sudden move, announced that a fee would be charged on people using the medical services. To the elderly people, the introduction of the new fee has actually dealt a major blow to them. This is especially so for elderly people from low-income families, who are living with their family members. As they cannot apply for CSSA, they will not be exempted from paying fees for the medical services. As a result, they have to queue up at out-patient clinics or the accident and emergency (A&E) departments for treatment. In the past, they could enjoy free services at out-patient clinics and A&E departments. Now they have to pay a fee and they have to pay for the medicine on an itemized basis. How can these elderly people afford all these services? So in the end, they may have to spend their fruit grant as medical fees. Eventually, the quality of their living has to drop continuously.

(THE PRESIDENT resumed the Chair)

It has been said that the A&E departments are meant for treating emergency cases. So if free services at the A&E department should continue, it will encourage more non-emergency patients seeking treatment there. But I have repeatedly pointed out that the elderly people are forced into visiting the A&E departments because the services provided at general out-patient clinics and specialist clinics are simply inadequate. Every day, we can see a lot of elderly

people start lining up at out-patient clinics to seek treatment early in the morning. Some of the elderly people in fact do not wish to seek treatment at A&E departments, but they have to do it simply because the out-patient clinics cannot provide adequate services.

Madam President, when we propose to improve the living of the elderly people and enhance services for them, we cannot use the fiscal deficit as an excuse for not doing it anymore. As Dr David CHU said a few days ago, we should not try to solve the problem of fiscal deficit by sacrificing the interests of the poor people. Prof Edward CHAN also said, at a time of deflation, the Government should increase its expenditure to create internal demand, so as to revive the economy. He said the Government should not further reduce the provision of welfare which is not only bringing about adverse effects on the livelihood of the elderly people, but it would also have a bad impact on the economic development of Hong Kong. He said the Government should not stab the elderly people from their back at this critical moment.

Madam President, I so submit.

MR WONG SING-CHI (in Cantonese): Madam President, the problem of population ageing has also emerged in many different places of the world. But, for some reasons unknown, it appears Hong Kong seems to be at a loss in face of this problem. So, many cases of poor and miserable elderly people have emerged all of a sudden.

All along, I am of the view that this proverb contains some truth, "Having an old person at home is like having a gem." The elderly people should be able to play many useful roles in both the family and society. However, the present situation is, be that on issues of retirement protection, community facilities or the promotion of good health of the elderly, Hong Kong has started the work relatively late and done little. As a result, many of the elderly people are marginalized.

As an elderly person grows old and faces problems of his own transformation, two major situations may happen. Firstly, when he has retired, he does not have any work to do; and secondly, his physical conditions are deteriorating. On retirement, the security provided in Hong Kong is not at all sound. Generally speaking, the elderly people of this generation do not have a

lot of savings. Even if they do save up some money in the bank or somewhere else, the high inflation over the years has eaten way their savings. We do not have a sound retirement protection system. The MPF System is in fact a kind of personal savings system, though under a different disguise. Moreover, the functions of MPF cannot be brought into play within a short period of time. CSSA is a safety net provided for all the poor people, yet it could not be treated as retirement security. So, what kind of retirement protection does Hong Kong have in place? Apart from the Old Age Allowance which is about \$600 to \$700, Hong Kong basically does not offer any retirement protection. Nowadays, a lot of the elderly people in Hong Kong rely on this Old Age Allowance of \$600 to \$700 to support their living. In fact, this is no easy life for them. I could not help mentioning this once again here: the Chief Executive promised to review the Old Age Allowance some time ago. He even hinted that the elderly people would be given more money, so that they can enjoy enhanced security. But for no reason, no one mentions it anymore.

As there is no retirement protection, the 140 000 elderly people could only rely on CSSA to support their living. Now, 38% of all the CSSA recipients are elderly people. Recently, the Social Welfare Department even indicated that it intended to slash the CSSA payments by 11%. In fact, it is the elderly people who will be most affected. Therefore, at a time when we are facing a fiscal deficit, may I urge the Secretaries or the Financial Secretary not to wield their axe at the elderly people, in order to avoid inducing hard feelings among more people towards the Government?

I support all the amendments, and I also support the original motion. I hope the Government can establish a sound retirement protection system. Under the present circumstances where there is no retirement protection, many of the elderly people prefer to continue working. However, many of them are forced into retirement at the age of 60, and some are even forced to retire before they are 60 years old. In fact, about 10% of the elderly retirees do continue to work. It is fine for the elderly people to go on working after they have retired if they are willing to do so. This is indeed a good arrangement. But unfortunately, as age discrimination is very common in Hong Kong now, many elderly people can only earn extremely mediocre incomes from jobs they get after they have retired. Such mediocre incomes could hardly support them to lead a reasonable living. Therefore, we feel that we should enact legislation on age discrimination, so that people of all ages could enjoy a certain level of respect at work and that they would not face any discrimination. Besides, I

hope the elderly people or any other people can enjoy fair opportunities of receiving training, so as to enhance their working abilities and job opportunities.

There is a common saying, "Money is not everything." But if an elderly person does not have any money, then he is surely in great trouble. According to a survey conducted by the Government, the average monthly spending of an elderly person is \$1,900. An elderly person not living with his family has to spend more, so his average monthly spending is \$3,000. Given the absence of a retirement protection system, the elderly people have to control their spending in the light of the money disposable. Their spending will be restricted to only the very basic daily necessities, and the leisure time spending has to be minimized. The elderly people usually stay at home to watch television every day and some of them may go to the parks to watch others playing chess, because such activities will not make them spend a lot of money. They hope that they can spend less money so that they can use the money on other activities. In fact, elderly people are subject to certain restrictions financially. Therefore, I hope that the Government can provide more subsidies for elderly people to finance different activities such as social activities or cultural and recreational activities. This will enable the elderly people to have more space and opportunities to participate in activities during their leisure time. Presently, there are certain subsidies in the activities organized by the Government for the elderly people. However, due to the limited number of places, a lot of elderly people cannot participate in such activities.

Elderly people who are older would inevitably suffer from certain physical weaknesses. They may move slower, with their eyesight and listening ability gradually deteriorating. Among the disabled population in Hong Kong, many of them are elderly people. For example, among those people with impaired eyesight, 70% of them are elderly people; among those people with restricted mobility, 65% of them are elderly people over 60; among those people with impaired listening ability, 62% of them are elderly people over 60. In fact, if good support facilities are provided, I believe the elderly people or the disabled can basically take care of themselves. Therefore, I hope the Government can provide more support in this regard, so as to enable the elderly people and other disabled people to take care of themselves. For example, the traffic light signals at pedestrian crossings often change too fast, so a lot of elderly people cannot cross the road in time. This is very dangerous to them. Besides, many footbridges and pedestrian walkways are also not convenient to the elderly

people. I hope that the Government could take care of the daily activities of the elderly, such as providing sufficient facilities for them to cross the roads or enabling them to go out to join certain activities.

In short, I think the Government should enhance its understanding of the problems of the elderly people, as well as listening to their voices. In this way, the elderly people can be given opportunities to make suggestions on policies and measures, thus enabling them to bring their functions into suitable play in society.

Madam President, I so submit.

MRS SOPHIA LEUNG (in Cantonese): Madam President, the 17th of this month will be the Elderly's Day in Hong Kong. It is intended to arouse greater concern for the elderly in society. According to the latest population projection, the percentage of elderly people aged 60 or older will increase substantially from 11% in 2001 to 25% in 2025. By then, one in every four persons in Hong Kong will be an elderly person.

Therefore, it is imperative that we make early preparations in terms of the long-term planning for the retirement life of the elderly people. We should encourage the elderly people to participate actively in social services or interests activities to enjoy a second life. We should also promote the correct concept of "a feeling of health and worthiness among the elderly", and do not treat all the elderly people as weak persons and a burden.

Besides, due to the structural changes in the families of Hong Kong, it has become a common practice for the elderly people to live on their own. So for those elderly people who have mobility difficulties, we do need to bring in some barrier-free design in their home settings in order to provide them with greater convenience.

In the information paper distributed to Members earlier, Mr TAM Yiu-chung said he hoped that the Government could increase the supply of small flats at the planning stage of projects in order to cater to the demand. The Liberal Party agrees that the Government should start the relevant work by making improvements at the planning stage. However, more importantly, the departments concerned should enhance the effectiveness of such initiatives. We

do not want to see the recurrence of the same situation like the residential services for the elderly which were criticized by the Audit Commission as having wasted \$1.25 billion in the beginning of this year. In fact, the Government could provide subsidies to the elderly people for renting housing flats which is a more flexible approach. Alternatively, the Government may provide a lease-for-life programme similar to the Senior Citizen Residences Scheme and introduce the concept of private sector participation which may make use of social resources in a more flexible manner.

Moreover, in order to repay the elderly for their contribution to society, we also support the fostering of a "elderly-friendly" culture, further promoting senior citizen card concessions, and encouraging more commercial and industrial organizations to offer concessions. In fact, we can see that more and more commercial and industrial organizations are offering concessions in response to our request.

Madam President, as regards the two amendments, I would like to first discuss the one proposed by Mr LEUNG Yiu-chung. Mr LEUNG requests the Government to ensure that any adjustments to the CSSA payments to the elderly will not result in payments that are lower than the current level and that the elderly should be exempted from paying the various new and increased fees and charges proposed for medical services. For the former request, in view of the fact that single elderly persons usually do not enjoy family support, we agree that the CSSA payments should remain unchanged for this type of elderly people. However, we do not agree that the same should be applied to elderly people living with their families.

The new fees and charges for medical services are determined on the principle of "those who can afford should pay". If we waive the charges for the elderly people on an across-the-board basis, then we would not be able to pool our resources to help those who really could not afford to pay. At a time when Hong Kong is facing a serious fiscal deficit and an increasing proportion of elderly people in the population, the Liberal Party opposes such an approach.

As for the other amendment, Mr Frederick FUNG revisited the old age pension scheme. As we all know, this old age pension is financed by tripartite contributions by employers, employees and the Government on a pay-as-you-go basis. So it means that the last generation will be provided for by this

generation. The problem is that the ratio of the young population is declining continuously. According to a population projection released by the Government this year, the dependency ratio will fall from the present three to one to the critical situation of two to one in future. The burden on the younger generation will become increasingly heavy. It is easy to talk about establishing a pension scheme, but we really cannot create a big burden on future society. What is more, the MPF contributions, which we now work hard to save up for our retired life, are already pressing us very badly. If we have to contribute an extra payment to another fund, the additional burden would make our life too hard to bear, and surely would deal another heavy blow to the already weak consumer market. Moreover, the welfare expenditure on the elderly already accounts for 48% of the overall welfare expenditure. We are afraid that the welfare expenditure will keep on inflating as a result of the additional government commitment to old age pension and that it would eventually cause the fiscal deficit deteriorate further.

I very much agree with some of the views presented by Mr TAM Yiu-chung. He said the elderly people should lead a life of dignity. Madam President, 10 years later, I shall be joining the ranks of the elderly. However, I shall not feel satisfied with it. I shall keep on working while I am growing old.

While we are facing the ageing of the population, the Liberal Party of course hopes that the Elderly Commission, with Mr TAM Yiu-chung as its Chairman, could formulate some very good plans and proposals to assist the elderly people in living a full and worthy life in their latter years. The Women's Commission strives to promote gender mainstreaming. I hope Mr TAM Yiu-chung can consider promoting elderly mainstreaming, advocating that the elderly should lead a worthy life, in Hong Kong. I have repeatedly said that the elderly people do not like to be treated just dependents, so "money" cannot make up for everything. Just like the examples quoted by Mr TAM Yiu-chung, we say that people having passed the thresholds of 60 or 65 years of age are elderly people. However, in fact, these people may not be satisfied with living in the manner of an elderly person. They can still make a lot of contribution.

Madam President, when the World Cup Finals were held this year, I had seen a lot of elderly people over 70 serving as voluntary field supervisors in Japan. These elderly people, of both genders, showed a high degree of self-discipline and assertion, rather than waiting on the wings for assignment of work.

However, our society has the established view that people having turned 65 are useless and need provision by other people. In fact, this is not what the elderly people want. Of course, we must take care of the needy elderly people. However, we should not include all of them into the safety net on an across-the-board basis. I believe this is not what the elderly people want to see.

With these remarks, Madam President, I support the original motion, and oppose the two amendments.

MS AUDREY EU (in Cantonese): Madam President, as days go by, we walk closer to the definition of the elderly every day, therefore, before I speak in support of Mr TAM Yiu-chung's motion, I think I should also make a declaration of interest. I do not know if it is for this reason that I particularly appreciate some of the wordings in Mr TAM Yiu-chung's original motion, which mentions "actively take the lead in promoting a proper perspective on ageing". In fact, today's motion has to do not only with the working class leading a difficult life, it also has to do with people who will become the elderly, and this certainly includes everyone in this Chamber.

It is an undisputed fact that Hong Kong faces an ageing population. In fact, a number of Members have cited some figures and I do not wish to repeat them here. The Chief Executive, Mr TUNG Chee-hwa, announced the plan to formulate a long-term policy on population at the beginning of the year. I know that the Chief Secretary for Administration has to "hand in his assignment" by the end of the year. So far the discussion seems to have focused on enhancing the quality of the population, such as bringing in more talents or attracting investment migrants. However, I believe one of the central issues of a population policy is how to deal with the problem of an ageing population, an issue which the Government should by no means take it lightly.

Some views consider that the Government should encourage the elderly to the Mainland for residence by, for example, providing medical and welfare services on the Mainland, and even by building an elderly village, and so on, so as to lighten the burden on Hong Kong people. Madam President, I do not object to the implementation of some measures by the Government to facilitating people resettling in the Mainland voluntarily, but I hope that Hong Kong will not send a wrong message that it is a utilitarian community which does not welcome

the old and the weak. Madam President, I have some reservations about such a view. Furthermore, it is not proper to invest taxpayers' money in medical services in the Mainland or the construction of villages there.

There is no denying that some elderly people do in fact shuttle between China and Hong Kong presently, that is, they are in Hong Kong half of the time and on the Mainland the other half. However, medical services on the Mainland will after all inspire little confidence in Hong Kong people. Recently, I learned about a case in which an old lady living on the Mainland on a long-term basis had to be hospitalized because of gastrointestinal problems. However, the hospital refused to perform an operation on her because she did not have enough cash and her condition deteriorated as a result. Fortunately, her family managed to transfer her back to Hong Kong for treatment just in time, and saved her life. This old lady said afterwards that she would never dare to live on the Mainland again.

Hong Kong began to implement the MPF schemes two years ago, but to some middle-aged employees, the MPF benefits accrued may not be sufficient in meeting the living expenses of their old age. If the Government does not find an alternative strategy as soon as possible, more elderly people may apply for CSSA in the future, and it is doubtful if the coffers will be able to cope with this. Therefore, I agree with Mr Frederick FUNG's amendment, which urges the Government to re-examine or actively consider the implementation of an old age pension scheme. Madam President, it would indeed sound unreasonable to require wage earners to contribute additionally to an old age pension scheme under the present economic circumstances, however, Mr FUNG's amendment only calls on the Government to examine this issue. With the efficiency that things are done in Hong Kong, I believe that, by the time the economy has turned the corner, the study will also have been completed, so the scheme can be implemented at that time.

Apart from retirement protection, the elderly also have housing and medical needs. With regard to housing, the present demand for homes for the elderly, in particular that for nursing homes, still far outstrips the supply, and the service quality of private homes for the elderly also varies greatly. Although the rate of home ownership among Hong Kong people is increasing, if these property owners fall ill in their old age and cannot take care of themselves, they will still need residential care. Therefore, the Government should increase the

number of residential care places over time as the population increases and promote the construction of more quality private homes for the elderly.

As regards medical service, I hope Dr YEOH and the Government can complete the review on public health care financing as soon as possible. In the long run, Hong Kong has to establish a sustainable mode of health care financing. Furthermore, many members of the public have taken out medical insurance policies but the clauses of these policies are usually very complicated to the layman who may not fully understand them. Just imagine how very helpless someone will be if he falls ill suddenly but the insurance company rejects his claim. Therefore, the Government must make greater efforts in protecting policyholders of medical insurance and strengthen its supervision of the industry.

Madam President, concerning Mr LEUNG Yiu-chung's amendment, which proposes that the elderly be exempted from paying the various new and increased fees and charges for medical services, we fully understand his rationale, but from the angle of fair distribution of social resources, not all elderly people need financial assistance in this aspect, nor is it excessive to require elderly people who have means to pay for their own medical expenses. Therefore, in this regard, I regret that I cannot support the amendment of Mr LEUNG Yiu-chung. I hope that the limited resources can be used on those people who are truly in need.

Finally, Madam President, I want to say that this debate has once again reminded me of the controversy over the right of abode. I find it ironic that not long ago, Hong Kong people did not welcome the children born of Hong Kong residents on the Mainland to settle here for fear that Hong Kong will "sink". However, they are now saying that they are concerned about the ageing of the population. I hope that Hong Kong people will not stigmatize migrants from the Mainland. Many academics have already pointed out that if the children and spouses of Hong Kong people are allowed to settle in Hong Kong early, on the one hand this can slow down the ageing of the population, and on the other hand, there will be someone to look after the children so that family and youth problems can be reduced. However, the Government made an application to the National People's Congress for an interpretation of the Basic Law, thus depriving these people of the right to family reunion and creating innumerable cases of family separation. In spite of this, the Government is still talking about caring for the elderly, and I find this most ironical. I hope such things will never happen in Hong Kong again.

Thank you, Madam President.

MS LI FUNG-YING (in Cantonese): Madam President, our debate on the ageing of the population today can perhaps be regarded as a continuation of our debate on population policy held in the last Session. The impact of an ageing population on social development and the ways in which society deals with it are themselves the core components of our population policy. Perhaps we may find comfort in the fact that the Secretary for Security is not the official assigned to give a reply on behalf of the Government today. This shows that the SAR Government is not going to link the ageing population problem direct with the immigration policy.

In September this year, the United Nations released a report covering the demographic projections of 28 countries and places in the Asia-Pacific Region. It is projected that the percentage of people aged 60 or older in the Region, being 14.3% in 2000, will have doubled by the year 2025, rising to 28.2%. Hong Kong will be one of the places in Asia with the most rapidly ageing population. As projected by this United Nations report, in the year 2025, Hong Kong will rank fourth in the ageing population list of the Asia-Pacific Region, after Japan, Singapore and Macao. The demographic projections by the United Nations are roughly the same as those made by the Census and Statistics Department of Hong Kong. According to the projections of the Department, people aged 60 or older will represent 28.2% of the total population by the year 2025 and will even increase to 30.6% by 2030.

The original motion today makes a number of proposals on the ageing population problem. I must add that this problem has become very acute in many old districts. But the community facilities there are simply unable to cope. The policy on urban renewal, once given so much avowed emphasis, has now been modified due to economic sluggishness; the renewal of old districts may well end up in revitalization and rehabilitation. I do not entirely oppose such a change in direction. But if that is going to be the case, we must then expedite the implementation of various large works projects in the old districts, so as to construct more facilities to cater for the needs of the elderly people. I notice that in many old districts, because people going out for work fear that their elderly family members may run into accidents while being left at home alone, many old people have to leave home together with the rest of the family, stay out the whole day long, battered by the scorching sun and drenching rains, and go home only after their family members have returned from work in the evening. Whenever I see any elderly people lingering in the streets, lonely and sad, I will feel very sorry for them. I hope that the elderly can receive more community

care and concern. And I believe that the controversies faced by the Government when expediting these minor community works projects will be far fewer than those connected with other welfare measures on looking after the elderly. Moreover, the financial implications for the Government will be relatively small, while jobs can be created.

Madam President, to solve the problem of ageing population once and for all, we must not of course rely solely on community facilities, but must also do much more in terms of social welfare provision. But this will invariably arouse heated arguments, such as those connected with the implementation of an old age pension scheme and the exemption of the elderly from paying the various new and increased fees and charges proposed for medical services, as proposed by the amendments to the original motion. I do not oppose these proposals, but since old people will represent 30% of our population, and in 2031, the old age dependency ratio will be two times the present level, we must tackle these proposals very prudently.

At a time when it has become outdated to say "men rarely live to be 70", when it is common for people to live to be 70, should we give some new thoughts to the concept of "old age"? What is meant by this, and are elderly people necessarily the burden of society? Should we still retain the age-old concept of defining those aged 60, 65 or older as old people? Should we think that the only alternatives for these people are retirement and reward from society? Or, should we instead create a brand new world for the elderly, cater for their needs and let them lead a life of dignity, engaging freely in work and leisure activities? Naturally, this objective involves a new mindset, policy changes, and private-sector co-operation. There must be discussions in society and unanimous social support.

As stated in the United Nations demographic projections report, many places near Hong Kong are also faced with the problem of an ageing population, and Europe and the United States are not much better off either. Perhaps, the problem of an ageing population is really a global issue. I hope that our Government can encourage as many people as possible to speak their views and foster exchanges and co-operation with different places and countries, so as to learn from their experience. That way, our elderly people will really be able to enjoy a secured old age.

Madam President, I so submit. Thank you.

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, the saying that "men rarely live to be 70" has already become outdated. According to the Census and Statistics Department, the average life expectancy for men in Hong Kong has increased from 72.3 years in 1981 to 78.2 years in 2001. And, the average life expectancy for women has also increased from 78.5 years to 84.1 years. It is estimated that by 2031, the average life expectancy of men will have increased to 82.3 years, and that for women to 87.8 years. A better description now should be: "It is common for men to live to be 70, or even 100". With continuous improvements to the quality of living and rapid advances in technology and medicine, the average life span of human beings will certainly increase very greatly. It may become common for our future generations to enjoy an average life span of 100 years in the very near future. Living to be 100 will no longer be mere imagination.

The general lengthening of life span will lead to the problem of ageing population. Besides, the continuously dropping birth rate in Hong Kong has quickened the pace of population ageing. According to the latest demographic projections, the proportion of people aged 65 or older in Hong Kong will soar from 11 % in 2001 to 24 % in 2031, at which time one in four persons will be an elderly citizen. The total number of elderly people will exceed 2 million, a rise of more than 100% when compared with the figure of 780 000 now. The pace of population ageing in Hong Kong is far quicker than that of developed countries and places like the United Kingdom and the United States, or even the Mainland.

How we are going to face the economic and social challenges brought about by an ageing population is an important topic which the SAR Government and the various social strata must put on their agenda of discussions. The Government has to formulate a comprehensive policy backed up by various support measures; only this can satisfy the needs of the elderly in terms of care and attention, housing, financial security, health care, mental health, education, employment, recreation, and so on, thus making sure that they can live an old age with security, a sense of belonging and a sense of health and worthiness.

Madam President, I wish to speak, from the perspective of education, on the provision of appropriate education to the elderly people.

When compared with some advanced countries, or even mainland China, Hong Kong is obviously lagging far behind in the development of continuing

education for the elderly. As early as in 1965, the United States Government already promulgated the Older Americans Act, under which the Administration on Ageing was empowered to provide education and training for old people, covering various aspects like consumer education, continuing education, health education, pre-retirement education, financial arrangements and other kinds of education and training services. In 1976, the United States Congress enacted the Lifelong Learning Act, which encourages the elderly people to participate more extensively in educational pursuits. While the various universities actively provide the elderly with educational services, many Institutes for Learning in Retirement are set up all over the United States to providing the elderly with special education and training. In the United Kingdom and Finland, there are also Universities of the Third Age (U3As). The British Government has set up an inter-departmental group to study the old age issues and co-ordinate the policies and plans of all government departments on education for the elderly. In Finland, the right of the elderly to education is guaranteed in the constitution. The educational development plan of the country also recognizes the importance of education for the elderly, and the provision of such education is backed up by U3As in the open university system. In mainland China, there is also the State Commission on Elderly Workers, which is responsible for evaluating elderly policies and liaising with the relevant government departments. Besides, universities and schools for the elderly are also set up.

Currently, there is not any policy on elderly education in Hong Kong. Elderly education is in fact "no one's responsibility". The functions of the Elderly Commission do not cover advice to the Government on elderly education policies. The Education and Manpower Commission and Education Commission have never formulated any policy on elderly education. And, the Continuing Education Fund even sets down a restriction barring people aged 60 or older from lodging applications. Continuing education for the elderly has for years been "brushed aside". In particular, the failure of the Government to allocate resources solely for elderly continuing education has made it somewhat like a "neglected corner", where development is difficult. The education reform advocates lifelong education, but the reform has failed to take account of old people's needs. Actually, "one still needs to learn even when one gets old", as the saying goes, and lifelong learning is equally important to the elderly people. In March 2001, the Health and Welfare Bureau commissioned the Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong, to conduct a study on the overseas experience of

providing continuing education to the elderly. A year or so has passed since the study report was submitted, but we do not know whether the Government has accepted its recommendations. I hope the Secretary can say something on this later on.

I maintain that the authorities should incorporate education into the terms of reference of the Elderly Commission and promptly formulate an integrated policy on continuing education for the elderly, so as to encourage old people to pursue lifelong learning to live a life with a sense of worthiness. The Government should also allocate resources for increasing the number of technological training courses for the elderly and abolish the age restriction of the Continuing Education Fund mentioned above. The various tertiary institutions should be encouraged to offer continuing education courses for the elderly. There should be cross-sector co-operation in the provision of continuing education to the elderly, so that the elderly people can learn, acquire new knowledge, keep abreast of the times, upgrade themselves and live a life of purpose and hope. While promoting continuing education for the elderly, the Government should also encourage public- and private-sector organizations to make the best use of the knowledge and experience possessed by old people. Retired headmasters, teachers, professionals and management personnel all possess an immense pool of knowledge and experience. All this is the valuable asset of society, and we should give them the opportunity to serve as the mentors of young people and pass on their experience; they should also be allowed to take up the important task of working as instructors of continuing education courses for the elderly. That way, they can play a more greater role.

With these remarks, I support the original motion.

DR LO WING-LOK (in Cantonese): Madam President, I shall focus on the financing required for meeting the various needs of the elderly.

Everyone will plan for his old age, which explains why there are such sayings as "saving for the rainy days". However, there is always a limit to what one single person can do, and so, if one falls sick, one may find oneself completely helpless. That is why since the ancient times, human beings have always thought about the sharing of risks. The most primitive form of this is marriage or looking for a partner. Since two persons make a couple, so if one of them falls sick, the other can look after his or her partner and share the risks. A holy matrimony is in some measure also an insurance contract. However,

this form of risk sharing between two persons is still very limited in effectiveness, for the two partners will both become old and fall sick. To further spread out the risks, another method has been adopted since the ancient times — to give birth to children. This is precisely the very essence of the Chinese concept of raising a child as a means of ensuring a secured old age. If a couple have four children, then when the man and woman need care in their old age, their children can each take up one quarter of the responsibility. That way, the responsibility for each child will not be too heavy. Therefore, the family is actually the oldest insurance system for human beings. Small children receive care from parents, and old parents receive the same from grown-up children. This concept of having one generation look after the other also forms the basis of cross-generation security in modern insurance concepts.

The idea of relying on the family to look after old people is good enough, but there is after all a limitation. Children may not necessarily be willing to look after their parents, or even if they are, they may lack the means and ability. Having many children may not be such a good thing after all, for they may simply push the responsibility of looking after their parents around, and the old parents may end up having no care and attention. I have come across an extreme case. There is this woman aged 70 or so. She has six children, but only one of them is willing to live with her. This son of hers, perhaps thinking that he has done all that he should do, only gives his mother accommodation without giving her any food. So, when meal time comes, he will drive his mother out of their home, telling her to go to her other children for food. That is why some old people think that "money is more important than one's own children".

The family and demographic structures in Hong Kong have undergone very significant changes. I suppose Members should have heard of the "4-2-1" family structure. By "4", it is meant that there are two couples, and each couple give birth to one child. Then, when the two children of the two couples grow up, they marry each other. Later, these two children themselves give birth to one child. When this child becomes a grown-up, his parents are already retired, and the grandfather, grandmother, maternal grandfather and maternal grandmother are still alive. The result is that one young man will have to look after a total of seven people. If this young man marries a young woman with similar circumstances, then the two of them may have to look after 14 people. Therefore, in the modern society, even if children are willing to provide for their elders, a sole reliance on children as a means of ensuring a secured old age does not work any more.

Conversely, a sole reliance on public money to provide comprehensive care to the elderly similarly does not work. The use of taxation revenue to look after the elderly is a form of cross-generation social security. The rationale is to tax profitable companies and people with earning ability and thus to obtain the resources required to provide comprehensive care to the elderly. This is feasible in a place with a relatively young population, because there are more working people than those in need of care. But in a place with a serious problem of population ageing, the workforce will diminish continuously, and the number of people in need of care will increase all the time, so the burden on the young people will become more and more heavy. The population of Hong Kong is gradually ageing, and since it upholds a low tax regime, I believe the Government is already stretched to the limits in using public money to provide comprehensive care to the elderly. That is why besides using public money, we must put in place a financing mechanism to look after the retirement life of the elderly.

One major principle underlining the financing mechanism should be this: everyone should make preparations for the resources required to support his living in his twilight years. This means that when one can still work and earn money, he must save for his old age. The Harvard Team released in 1999 a consultancy report on medical reform in Hong Kong. One of the recommendations is the establishment of MEDISAGE, a scheme especially designed for financing the provision of elderly health care and institutional services. Under this scheme, a working person is required to contribute 1% of his income, and the money thus saved cannot be used before retirement. When that person retires, all the savings will be used to take out an old age health care insurance policy, so that the health care needs in his old age can be met. I am not saying that the Government should implement this recommendation now. I just wish to point out that this recommendation or similar ones should all merit our consideration, and not only consideration, but very serious consideration too.

Madam President, I so submit.

DR TANG SIU-TONG (in Cantonese): Madam President, the problem of population ageing in Hong Kong is deteriorating. At present, 11% of the population are people over 65 years of age. It is estimated that by 2031, the number of elderly people aged over 65 would account for 20% of the total population.

The social implication of the ageing of the population signifies changes in the economic relation, allocation system, legal system, cultural value, family and ethical relationship. In Hong Kong, the interweaving of these changes with economic depression and transformation has made the problem more complicated.

Regardless of the complexity of the problem, in the face of the ageing trend, the correct way of treating the elders should be promoted in the first place. In this respect, it is worthy for us to attach greater importance to ways of restoring the Chinese traditional values of honouring, respecting and providing for the elders. The Chinese traditional culture has a fine tradition of honouring, respecting and providing for the elders. Mencius said, "Extend your respect for your aged parents to all the age".¹ It is a famous saying about selflessness. It requires a person to not only respect the elder members of his family, but also those of other families. From the modern perspective, the contribution to society and the rights of elders should be acknowledged and protected by each family member as well as society at large. Moreover, the elders should be treated as equal members of families and society and they should not be alienated from families and society. To maintain the rights and equal opportunities of every age group is the manifestation of a developed, civilized and advanced society. A proper and reasonable elderly policy can be formulated by the Government only on the basis of bringing the fine tradition of Chinese culture into full play, fusing it with modern ideas and advocating the right concepts of treating the elders. Only with this would the elders receive amicable treatment by society in general and care from their own family members.

As the ancient Chinese saying goes, "While earlier generations plant trees, posterity will enjoy the cool under the shade". Since each elderly person has made contribution to his family and society in the past, we should therefore try our best to repay them in every possible way. At present, as the unemployment rate is soaring, it is already difficult for the middle-aged people to find a job. The elders, despite their knowledge and experience, lack scope to bring for their skills and knowledge into play and their experience is often spurned like trash. However, public and private bodies should give them opportunities for this could make good use of their knowledge and experience in addition to repaying them for their past efforts.

¹ MENCIUS, Sinolingua, Beijing 1999

The promotion of lifelong learning among the elderly merits due attention by the Government, too. Life is finite, but learning has no limits. Lifelong learning will not only help enhance the value of the elders, it is also the best pastime for them. The Government should formulate more concessionary policies to encourage the elders to participate in all sorts of study and learning programmes.

As far as town planning, public facilities and housing design are concerned, the Government should think more in the interest of the elderly by creating an environment conducive to their activities and survival, providing a comprehensive primary health care service, allocating additional resources to all multi-service centres for the elderly and their integrated teams, and providing a community support network and outreach and volunteer services to single elderly persons who are in dire need of care. In view of the close relationship between Hong Kong and the Mainland, some elderly people may choose to return to the Mainland for settlement or pay frequent visits to their relatives there. For this reason, the Government should consider taking out medical insurance for every qualified elderly person who stays in the Mainland, and relaxing the application requirements for the Portable Comprehensive Social Security Assistance (CSSA), that is, to relax the requirement which only allows applicants who have been receiving CSSA continuously for three years immediately before making the Portable CSSA application and restricts the permanent residence to be in Guangdong, so as to encourage more elderly people to try to resettle and live in the Mainland.

The Government should also urge the commercial sector to establish a "elderly-friendly" service culture through the provision of more fare reductions and concessions to the elders, so as to make them feel the warmth of society as a result of this sort of rebate.

As to the study on the implementation of an old age pension scheme, the experience of Western countries in the implementation of similar old age pension programmes has shown that most of them have founded such programmes on a high tax regime. However, Hong Kong operates a low tax regime, which is unable to afford the old age pension scheme. Therefore, The Hong Kong Progressive Alliance (HKPA) considers a change in the tax regime may cause tremendous impact on the already gloomy economy, and this may force the Government to further retrench its expenditure on elderly services. For this reason, the issue of implementing an old age pension scheme should warrant cautious consideration.

I should like to quote a couplet written by LI Shang-yin, a poet of the Tang Dynasty: "As the sun sets, unrivalled in its splendour, pity is that the dusk is fast approaching."² Sad though, it is one of the best couplets through the ages. Modern poet WEN Yi-duo rephrased it to read: "With the setting sun in a resplendent blaze, why mourn that it is nearing dusk!" Verses written by Indian poet Rabindranath TAGORE also underscored that "Dusk is the praise of the day, old age is the praise of life". The HKPA is of the view that both society and the elders themselves should hold this loving, caring and optimistic attitude towards old age. We can create a good social environment and allow the elders of the present time or future to keep on bringing their abilities into full play only with this kind of attitude.

Madam President, I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, modern society by and large has a high regard for younger people, and everybody will twitch his eyebrows at the mere mention of "old age" and try every means to deny he has grown old. However, the fact is the population of Hong Kong is ageing. Can we not deny the fact that we are growing old? Since the hair of every one of us will turn grey someday, why should we not make some preparations and formulate a policy to deal with the ageing population and look after the needs of the elderly?

The elderly people have been facing the bitterness and sweetness of life over the years. Some of them may have lost their spouses in their remaining years, and some others may be down and out for the greater part of their life. All of these mixed feelings are really beyond the description of words. We are obliged to give them help so that they can live with dignity. However, the Government has taken a sharp turn in the provision of health care and CSSA. In view of the fact that the Government has to resolve the fiscal deficit problem under the "user pays" banner, how can the elders be spared of the impact on their retirement life?

Under the prevailing economic doldrums, the most badly affected are the unemployed people. But the situation of the unemployed elders is all the more miserable. Both groups of people are eagerly waiting for the Government's helping hand.

² 300 TANG POEMS — A NEW TRANSLATION, The Commercial Press (Hong Kong) Ltd, 1987

I have met a lot of elderly people who, because of the need to make ends meet, have to struggle in the labour market for their own subsistence. In one case, an elderly person is employed by a government cleansing contractor as a cleaning worker for he is over 65 years old, so accordingly, the contractor needs not make the MPF contribution for him. I admire him for his tenacious determination to live on his hands. However, given that the Hospital Authority is raising the charges, I am afraid it will only make the life of this elderly person more difficult.

In the 21st century, retirement has become only a dream for some people. How sarcastic it is when a man has to work even though he has turned 65, and the reason for his employment is simply because he is past 65 years of age? We have been demanding the Government all along to set up an old age pension scheme since the colonial era. To date, the proposal is still under consideration. We are really speechless.

Today, perhaps many elderly people are listening to our debate, and I believe their hearts would be broken, because each time when government officials make the reply, they would feel the same sort of dejection. Eventually, their ageing bodies could only tremble once more as more teardrops fall from their already moistened eyes. It turns out that we can do nothing to help them, not even the \$100 of accident and emergency service charge, let alone the CSSA expenditure.

Maybe we can only lean on some distant hope, hope that the next generation of elders would be able to rely on their own through lifelong learning, then we shall plead for mercy no more.

My argument is based on facts. The elderly cause in the Mainland has been making rapid progress, and universities for the elderly, among others, are the major feature. Up to the end of last year, there are 17 000-odd universities for the elderly in China, and over 1.5 million people have received old-age education. The Ministry of Civil Affairs in the Mainland has organized computer, calligraphy and painting classes based on the needs of the elderly people, and participants who have completed the courses would be granted completion certificates.

The predicaments of today's elders are the result of the incomplete transformation of society. By the time the level of universal education has developed to a certain state of maturity, the elders may enjoy an edge in the

knowledge-based economy and integrate with society direct. It is believed that the burden on retirement protection would be alleviated by then. The reason for the escalation of CSSA expenditure is the absence of a retirement protection system. However, the living expenses of the elders are ever expanding, that is why the labour sector, which I represent, has been requesting the setting up of the MPF schemes. It should be the first tier of protection. Yet, society should provide for a second tier of protection, that is, a non-contributory retirement protection system.

For the grassroots in society, they may not be financially capable to support their needs after retirement. Therefore, we consider that a safety net should be set up for them, which is the real solution to the problem of ageing population.

Madam President, I so submit.

MR NG LEUNG-SING (in Cantonese): Madam President, as a result of the dropping fertility and mortality rates, population ageing has become a worldwide trend, and according to the information of the Census and Statistics Department of the Government, Hong Kong is rapidly developing into an ageing community. It is estimated that the proportion of people over the age of 65 will increase from 11% in 2001 to 24% in 2031. Facing the challenges brought by population ageing, the Government should endeavour to improve the living conditions of the elderly, promote education for the elderly and establish a positive image of the elderly in the community. It should also encourage the elderly to actively participate in society and make contribution to society with their valuable experience and knowledge, putting into effect the social philosophy of providing the elderly with "a sense of security, a sense of belonging and a feeling of health and worthiness".

Respect, care and love for the elderly have always been the traditional virtues of Chinese people. Since the elderly have duly made efforts for the prosperity of society today, we have to provide them with an environment with suitable amenities and humanities for them to spend their late years in peace. Concerning the living environment of the elderly, we hope the Government can pay more attention to the needs of the elderly from town planning to the design of public facilities and housing. It can also make suitable improvements to existing facilities to facilitate their use by the elderly. All this requires the co-

ordination and co-operation of various government departments and the participation of private developers to encourage the adoption of integrated designs for people of all ages, creation of a barrier-free environment and realization of the traditional spirit of "caring for children and respect for the elderly". In terms of the humanities environment, a radical change should be induced to the old concept which regards the elderly as a burden to social development. We should attach importance to and make use of the experience and wisdom of the elderly to enable them to participate in society again and regain a sense of belonging. Moreover, we should not overlook health care for the elderly. The Government should enhance health care services and improve community primary health care services to ensure that the elderly will not be denied adequate medical service for a lack of means. I also hope that the Government can enhance and improve the existing mechanism for remission of medical fees and charges to help the elderly who are genuinely in need.

To encourage lifelong learning among the elderly, the Government should expeditiously establish its importance, incorporate the relevant theme into the education reform, conduct a comprehensive assessment of the actual need for elderly education and work out the relevant policy direction in keeping with the times. Of course, in the light of the realistic shortage of resources, some welfare organizations are concerned that it is difficult to identify suitable tutors for courses for the elderly. I actually think that the appointment of elderly persons with the relevant experience can be considered to promote contribution by the elderly to elderly education. The Government can also draw up policies to create opportunities for the exchange of knowledge and experience among people of different ages, promote the establishment of elderly education centres, organize diversified quality courses and train teachers for elderly education, so as to keep pace with the times and achieve the objective of lifelong education.

Besides helping the elderly to foster "a feeling of health and worthiness", we should advocate a social atmosphere of caring for the elderly and consolidate the values of respect for the elderly. As the common saying goes, "it is valuable to have an old person in the family" but most young people today have forgotten that it is their responsibility to take care of their parents. Some people just provide their parents with general personal care but overlook that they should be really thoughtful for their parents. Therefore, while improving the welfare services for the elderly, the Government has to encourage and enhance the inculcation of the concept of "treating the elderly well" among the younger

generation, through such means as nomination and competition, so that each and every old person can enjoy their golden years comfortably and happily.

Madam President, I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, according to the projections of the Census in 2001, the number of people aged 60 or older will be 1 621 000 by the year 2016, accounting for almost 20% of the total population by that time. Most of the people in the Chamber today will be one of those old people. The motion today can therefore enable us to plan for our own future. With the changes in demographic structure and the constant rise in the proportion of old people, society really needs to pay much more concern to the elderly. "Raising a child as a means of ensuring a secured old age" used to be a happy thing for the elderly. But because of the prolonged economic downturn and the high unemployment rate, many elderly people have lost the support from their children. What is more, since the Government did not implement any full-scale provident fund schemes in the past, the present generation of elderly people cannot enjoy any due retirement protection. The Government should therefore further increase its commitment to elderly welfare.

Madam President, this is not the first time that the Legislative Council discusses the issue of elderly welfare. But every time when the issue is discussed, elderly people will feel very sad, for they fail to understand why there should be so many noisy arguments on offering just some meagre retirement benefits to them. On the issue of "fruit grant", in particular, the Government and even many Members have focused only on what kind of mechanism should be put in place to assess or vet the assets of the elderly people. The fruit grant is only about several hundred dollars, so more latitude should actually be applied. The Chief Executive recently stated very clearly that the fruit grant would not be cut, but this was followed immediately by the bad news that CSSA payments would be reduced. All this seems to tell the elderly people, "You must not take the protection you now enjoy for granted."

We cannot help asking this question. What actually is the purpose of offering retirement protection to the elderly people? Is it just an act of benevolence of the Government? Or, is it meant to show society's appreciation of their past contribution? If it is meant merely as an "act of benevolence", I

can accept that it can be reduced a little bit because of tight finances. But if we look at it as a gesture of respect, pay-back and gratitude for the elderly, then we must not wield the axe at them because of financial reasons. Chief Executive TUNG Chee-hwa realizes the importance of respecting the elderly, and so in his first policy address, he put forward the policy objectives of "security", "belonging" and "health and worthiness" in regard to the elderly, and he also said that CSSA is a very special form of social security which must be supported by sufficient resources. This is precisely the point.

Madam President, I understand that the entire Government is very anxious to reduce the fiscal deficits, thinking that this is the most pressing task. But the Director of Social Welfare, Mrs Carrie LAM, yesterday warned that if CSSA payments were not reduced in accordance with deflation, the Government might have to take "even more drastic measures" to tackle the problem. This remark is really too emotive. Mr LEUNG Yiu-chung's amendment adds two conditions to the original motion, namely, the maintenance of the existing levels of CSSA payments for the elderly and the exemption of them from the new medical service charges. These proposals are basically meant to safeguard the existing protection for the elderly. I think they are reasonable.

Madam President, the recent introduction of a series of fees and charges by the Government has aroused the resistance of the public. In particular, the introduction of charges for accident and emergency services as a means of preventing abuse has led to criticisms from many quarters. I support the introduction of accident and emergency service charges and the fee increases of the medical services concerned. But I also think that the elderly must be given sufficient protection to ensure that they are not going to fall outside the safety net.

The situation with elderly CSSA recipients now is not so satisfactory as imagined. According to a consolidated report entitled "A Ten-year Profile of the Living Conditions of Elderly CSSA Recipients in the Past Ten Years", and released by the Caritas Community Development Services Centre, over half of the elderly CSSA recipients are suffering from chronic diseases. They often become financially tight because of spending on medical consultation and patent medicines. I have worked as a front-line worker in hospitals for more than 20 years, so I fully appreciate the sufferings of elderly patients of chronic diseases. Medical care is a necessity to them. Are we going to add to their financial burden by implementing the new policy on medical fees and charges?

Mr Frederick FUNG's amendment adds to the original motion the proposal on actively studying an old age pension scheme. I very much support and agree to the proposal. With the implementation of a full-scale old age pension scheme, retired elderly people will immediately be entitled to old age pension following a simple declaration of assets.

Madam President, as our population ages rapidly, if we do not provide comprehensive services as soon as possible, we will soon fail to cope with demand. I think that besides giving financial assistance, the Government should also strengthen and perfect the various existing community services for the elderly, in particular those of health care and counselling. In the case of those elderly people with special needs, such as those suffering from senile dementia, the Government should provide additional help by, for example, building more integrated elderly services centres, elderly activity centres, day-care centres and elderly health care centres, so as to provide health care, community care and recreational services to the elderly people all over Hong Kong.

Madam President, retirement protection is a fundamental right of the elderly and a token of our society's respect for the elderly's past contribution. People of the generations after them are obligated to provide them with proper welfare and services. This is not only an act of respect for the elderly, but also a good example for our sons and daughters. I so submit.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, many Members said earlier that the situation of population ageing is becoming more and more serious in Hong Kong. This is an indisputable fact because even people who were born after the Second World War are now 60 years old. People in our age group are now advancing to old age and will soon reach a stage when we have to be taken care by others; so the problems relating to people born after the War are no longer personal problems but rather that of the whole community. As such, what preparations have been made by the community as a whole? Mr TAM Yiu-chung has put forth a number of proposals and I find that all the proposals are necessary. I would focus on discussing two points in his original motion. One of them is that at present, the community has some misconceptions about the elderly people. Very often, when our predecessor retire, those of us in the younger generation will help them make preparations for retirement, thus leading them to believe that they will become useless upon retirement.

In April this year, the Equal Opportunities Commission conducted a related survey and the survey reflects the general views of the community on the elderly people. Textbooks, in particular, only mention what the community has to provide for the elderly. They also mention that the elderly people need lots of sleep, fall easily and are reluctant to exercise. Many of those views lead people to believe the elderly are useless and need to be taken care of by other people. Such views actually created a very heavy psychological pressure on the elderly. Therefore, very often, when we come across predecessors who will soon retire, those of us in the younger generation will also have to offer them some counsel.

In anticipation of more problems in the future, how can our community make everyone aware of the ways to get along with the elderly people? Last year, I visited New Mexico, the United States (I cannot remember whether it is Santa Fe or Albuquerque) and learned that some of their centres are designed for putting the elderly and young children together. As Mr TAM Yiu-chung proposed in the original motion, both children and old people would become very happy if the rich life experience including skills of the elderly people could be given full play through spending time with children and bringing happiness to each other. In fact, Hong Kong needs to make more efforts in promoting such activities. I think this is an issue that the Government should consider in tackling the problem of ageing population.

The other point is the "barrier-free" environment proposed by Mr TAM Yiu-chung in his original motion. Theoretically, the Government (that is, the Housing Department) has built some flats of a universal design that is suitable for everyone. However, this is only restricted to the interior design of a flat. I also have some views on the existing living environment of the single elderly persons, but I am not going to talk about this issue now. What I would like to say is that the Government has obviously neglected the needs of the elderly people in the public rental housing estates of districts where there is an ageing population. For example, in Yiu Tung Estate of Eastern District, many flights of escalators are provided for the use of elderly people when they go uphill, but in Tsz Wan Shan where there are also a lot of elderly people, no escalators have been built. So, the elderly people of that district have to walk up from the foot of the hill. While those who are better off could take minibuses, those who could not afford to do so have to walk up the hill. While the residents eventually managed to submit a request, this issue had taken many twists and turns and remained unresolved after two years. Fortunately, after the

implementation of the accountability system for principal officials, Mr LEUNG Chin-man, who is an open-minded Permanent Secretary, finally solved this problem.

However, we have discovered that apart from the Tsz Wan Shan Estate just mentioned, the same problem also occurs in the public rental housing estates of other districts. Has the Government taken into account the fact that many poor elderly people live on the hill? I hope that when the Government looks into this problem, it can consider the elderly people's need for a "barrier-free" environment in the same light as the need of disabled persons.

Besides the two points mentioned above, I would also like to talk about Mr Frederick FUNG's amendment proposal on retirement protection. Hong Kong is now facing an economic downturn and with the fiscal deficit, the Government has indicated that it intends to cut medical care and CSSA payments. However, we must bear in mind that more than half of the users of our public medical services are the elderly people and the majority of CSSA recipients are also the elderly people. Very often, whenever the Government intends to cut expenditure (I do not know what would be the final policy of the Government and no consensus has yet been reached in the whole community at the moment), the elderly people are almost scared out of their wits in the process, even though the new policy may not eventually impact on them. But this is what will happen each time. I only hope that under this new policy, the elderly people would not be required to pay the newly introduced charges for the accident and emergency service while their CSSA payments are also cut.

May I ask, since our elders will very often encounter difficulties, the Government why it has not tried to find ways to enable them to enjoy a secured old age? The old age pension scheme has been debated on for many times in this Chamber. In the '90s, the Hong Kong Federation of Trade Unions proposed an integrated scheme that encompassed both the retirement scheme with the participation of the working population and the old age retirement scheme. We started to study the proposal at around the end of the '80s and recommended it to the Government for implementation at the end of the '90s. Afterwards, we submitted the proposal to the Legislative Council, and the proposal was also supported by many organizations that had given it many

different names. In fact, everyone share our view that this group of elderly people has made a lot of contribution to Hong Kong after the War. They earned only a very low income in their younger days and today, they may be better off if they have children. However, for some of these elderly people, even if they have children, their children may not be able to take care of them for their children may not have an income or may be very poor. Therefore, these elderly people may also encounter a lot of problems. Should we not also consider how the elderly people can be offered immediate protection?

For this reason, we came up then with a system that was similar to an insurance system. Under this system, all working persons would make contributions and all the elderly people of a certain age would get a sum of money that was more than the amount of CSSA payments now. I understand that some organizations are now working on this and they are now going over the actuarial figures calculated by us in the past. However, I believe we can consider a new option and that is, to incorporate the concept of the old age pension scheme into the existing MPF schemes. I think, in this way, we could at least provide a basic sum as protection for the elderly people upon their retirement. Some people may say that there is no need for people in this generation to do so, but this is not true for there are still many low-income earners who may encounter the same problems of today's elderly people when they reach retirement age. Therefore, I hope that the Government can take this opportunity to review the possibility of setting up an old age pension scheme or consider the MPF schemes in conjunction with the old age pension scheme.

Madam President, I support the original motion and the two amendments. Thank you.

MISS CHOY SO-YUK (in Cantonese): Madam President, Chief Executive TUNG Chee-hwa stated in his 1998 and 1999 policy addresses that the elderly should be lived with "a feeling of health and worthiness". This is certainly a correct objective that can hardly be queried, especially when our population is continuously ageing. Thus, it has become more and more pressing for government policies to facilitate the elderly in giving full play to their abilities and making contribution to society. Nevertheless, if an old person lacks food and clothing that keeps him warm and full, how can we encourage him to participate in society and make contribution?

We can say that there is a growing distance between the old saying that "extend your respect for your aged parents to all the aged" and the reality. Other people's parents aside, quite a few children who have the means even neglect filial piety to their own parents. They shirk the responsibility of supporting their parents onto the welfare departments and taxpayers who have to jointly bear the responsibility of supporting their parents. Therefore, the elderly are wretched, miserable and have nobody to depend on in their later years. Hence, it is impossible to achieve the most realistic policy objective of letting the elderly have a secured life after retirement.

We frequently emphasize the need to build a society of sustainable development. In fact, this idea has far-reaching significance about which many colleagues have already expressed their views on such concepts as retirement and lifelong learning. Here I only wish to express my views on supporting parents. Ms Audrey EU said earlier that she appreciated very much one of the points made in Mr TAM Yiu-chung's motion, that is, the impressions of and attitudes towards the elderly warrant changes. In this connection, I wish to talk about the changes in the community's attitudes towards supporting one's parents. With individualism gaining popular, it has become common for people to harbour the notion that children should be independent when they have grown up. So, the elderly can turn to nobody for help in their later years and are forced to seek help from welfare departments. It can thus be imagined that subsidies by society will snowball if the situation continues and it will ultimately become a bottomless pit. Since we all understand that such a social concept is indeed not sustainable, the Government is duty-bound to put forward proposals for improvement. The Government should formulate policies, actively establish healthy ethical concepts and enhance publicity and school education in the hope of inculcating in children and young people the idea that children have the responsibility of supporting their parents, thereby gradually re-establishing concepts that have been distorted through imperceptible influence.

I must emphasize that I have no intention of asking the Government to formulate broad-brush policies on "people raising children in preparation for their old age" at this stage. Certainly, the principle that children have the responsibility of supporting their parents is not universally applicable, and it depends on the actual situation including whether the parents really have financial difficulties and whether the children have the means to support their parents.

Some people will criticize that the promotion of ethical concepts by the Government is a stopgap but not radical measure, and they will think that filial piety does not require government intervention and children should make a choice on their own. Further still, if the Government intervenes and imposes a restriction that children must observe filial piety, even though their parents can lead a life free from any worries, they will find little mental comfort and lack the most important care. Conversely, the relationship between parents and children will become more alienated as a result of government intervention.

I think it gives no cause for criticism for the Government to take the lead to promote policies that strengthen the concepts of the family and advocate traditional values in schools and the community as ours is mainly a Chinese community. Doing so may not necessarily be old-fashioned or out of keeping with the times, and the key lies in whether the publicity measures are creative or hard selling. Let us look at the matter from another angle. When affection between a couple has waned and they have chosen to divorce, the party who is financially worse off can claim alimony from the other who is financially better off through legal proceedings under the existing legislation to enable that party to maintain the standard of living. This is a long-standing practice that has not attracted many questions as to whether the legislation only provides a stopgap but not radical solution or that affection between couples will be affected by the legislation.

These are very reasonable viewpoints and, in the final analysis, the institution requiring children to support their parents is only a safety net that is not intended to intervene in how parents and children get along with one another or compel two generations to take care of one another. The objective is to prevent the elderly in financial difficulties from failing to meet the basic needs of life due to a lack of support and ultimately relying on CSSA payments for a living in the event of disharmony between two generations.

Madam President, since the community has accepted regulating the alimony system in law and putting the responsibility for supporting a spouse onto an individual so as to avoid putting an even heavier burden on society, why can the same logic not be applied to the support of parents? We have only asked for the formulation of policies, but not legislation yet. It is not entirely right for such policies to be deemed as inappropriately intervening in family affairs.

Therefore, I hope Members will adopt an open attitude and carefully consider how these traditional values that are worth preserving can be promoted in the community.

With these remarks, Madam President, I support Mr TAM Yiu-chung's motion.

DR LAW CHI-KWONG (in Cantonese): Madam President, today, we are discussing issues related to population ageing and the future policy in this regard. Population ageing is a future problem and the study on its future development is of course very important. We can devise a sound plan to deal with this future problem today. However, when we discuss a future problem or how to tackle it, we should not be too far-sighted, losing sight of the numerous immediate needs of the elderly.

People who are 60 years of age today may expect to live another 20 years or more on average. In fact, more than half of the elderly today will live on to be the elderly in the future. Among those aged between 50 and 59, 13% have not received any education. Sometimes, we may say that the elderly in the future will be well educated and will benefit from the MPF schemes. However, many of those aged between 50 and 59 today have never received any formal education. Even among those aged 40 or above, many of them have even become unemployed now and the chances that they can save for their old age are slim. Therefore, when we consider a long-term issue, we should be aware that part of the problem that prevails today may extend for 10 to 20 years, or even 30 years.

On examining the ways to deal with the population ageing problem in the future and to satisfy the needs of the elderly, we do understand that a lot of elderly services are available, but there is still much room for improvement. We should step up our effort in conducting studies, examining how best to provide services that cater to the needs of the elderly, and more importantly to facilitate the participation of the elderly in the policy formulation in respect of elderly service. However, to plan for the needs of the elderly through a planning mechanism will be in no way better than allowing them to make their own choice. The decision as to what service the market has to offer to the elderly should best be left to the elderly. Therefore, enhancing the market power of the elderly is, in a word, the best way out.

In fact, money following the elderly is the only and primary solution. One of the way is to give the money to the elderly directly; and the other is to provide services by means of service coupons or any sort of this. Mr Frederick FUNG mentions in his amendment the implementation of an old age pension scheme. The Democratic Party strongly supports this and considers this the simplest way to allow the money follow the elderly. We can just give the money to the elderly and let them purchase the service in the market, and then we do not have to worry too much. For example, when we ourselves have become elderly after a few decades, we will be able to think about the needs of the elderly. However, we should consider that when we grow old, whether we will prefer to have the right to choose.

Mrs Sophie LEUNG said earlier that money could not make up for the elderly a wonderful life. Everybody knows that money is not almighty, but it is indispensable. Therefore, money is the primary concern that we need to address.

Many people have worries about the old age pension scheme. The rise of the current dependency ratio from three persons supporting one dependent to two persons supporting one is one of the concerns. Is it a serious problem? I think we should not be scared off by those figures. The burden to be brought about by the rise in dependency ratio, that is, from three supporting one to two supporting one, may not necessarily be so heavy. In fact, the possible change in dependency ratio may only mean an increase in contribution from the current rate of 2% to 3%. If so, what makes it so scaring? Does it mean that we are not going to survive an increase from just 2% to 3%? The calculation is simple here: the difference between three persons supporting one dependent to two persons supporting one is 50%. Then, is not the burden really so heavy if only an increase from 2% to 3% is involved?

Another problem is the assumption that the retirement age, on which the current dependency ratio is based, will remain unchanged. Let us consider it this way. If a person with a life expectancy of 90 years old retires at the age of 60, he still has to live another 30 long years. Therefore, many people will not choose to retire so early. Furthermore, by 2016, when the dependency ratio starts to rise, that is, when the number of dependents we have to support rises, we will hope that they will not retire so early. Many of those who keep on saying that they will one day become elderly, in fact, do not plan to retire at 60, because society will be in a manpower shortage at that time. Twenty years later, when our death rate outgrows the birth rate, the retirement age will naturally

delay. Therefore, the dependency ratio is only a false impression. We should not consider a future problem based on the current retirement age, particularly when the average life expectancy is lengthening in the future. This means retirement age may extend to 65 or 70 years of age in future, and thus calculation of dependency ratio should not be based only on a static analysis now.

Let the money follow the elderly is another option, and it sounds a perfect ideal. Leaving the money in the pockets of the elderly is the simplest way. We can also make use of service coupons. However, we still have to consider two other requirements. First, the elderly should be able to make informed choices of services, but the information we have on existing services is very limited. Many people will come to me and ask which home for the aged provides better services. However, many young people do not know which homes provide good services, let alone the elderly. Where can we get such information? We must do better in this regard. For example, the accreditation mechanism now under study is very important, as the elderly and their family members may refer to such information in future to choose the right home for the aged.

Second, many of the elderly beyond a certain age are not capable of making decisions on their own. They cannot make such decisions on money or services coupons. The most difficult part is that some of the elderly do not have any family members, then how can they make the choice? Complementary services, if available, may assist the elderly to make the suitable choice. However, the helper must not be a service provider. Therefore, we must examine the way forward for the entire development of elderly services when we consider such issues, with a view to making money really follow the elderly.

Mr LEUNG Yiu-chung raises the issue of fees and charges of medical services in his amendment. In fact, the proposed reduction Mr LEUNG Yiu-chung states in his amendment is smaller than that proposed by the Democratic Party. In respect of the increase in the out-patient charge from \$37 to \$45, Mr LEUNG Yiu-chung requests that the elderly be exempted from the \$8 upward adjustment, but this means they still have to pay \$37. However, I propose that the elderly should be granted a half-fee waiver, that is only \$22.5, after the fee is increased from \$37 to \$45, which is much lower than Mr LEUNG Yiu-chung's proposal. Many people may say that assistance should be limited to those who are genuinely in need. We will get the picture if we look at the case of old age

allowance. At present, 15% of the elderly aged 70 or older have not applied for the old age allowance, so this implies that many rich people may not apply for this service. Are we abusing those services? I believe the elderly do need the half-fee concession on medical service charges.

Thank you, Madam President.

MR LEE CHEUK-YAN (in Cantonese): Madam President, I speak on behalf of the Hong Kong Confederation of Trade Unions to support the two amendments and the original motion.

I do not think any one would oppose to the part of the original motion on the ageing of the population. However, I think it would be a bit too distant now to talk with the Government on this issue, for the Government has been slashing the throats of the elderly, so I had better talk about some problems of more immediate concern.

One important concept mentioned in the original motion is to promote a proper perspective on ageing. I am very concerned, however, that the perspective on ageing being promoted by the Government now is one that regards the elderly as a burden to society. Of course, this may not be what the Secretary, Dr YEOH, is thinking, but it is nevertheless an impression which people get. For example, the Government recently suggested reducing the amount of CSSA payments to the elderly. In the process of discussion, we are very worried that this would convey a wrong message to the community that the elderly are a burden to society. When it comes to the discussion, on medical services, it is likely that people will get the same message that the elderly are a burden to us.

A few days ago, we discussed the issue of CSSA payments to the elderly in the Panel on Welfare Services. I think a very bad message was felt at that meeting. When we discussed why the CSSA payments to the elderly had to be reduced, the Government adopted the approach of comparing those elderly CSSA recipients to those who do not receive CSSA. I remember one of the charts showed that those elderly persons who receive CSSA have a monthly income of more than \$3,000, 5% of the elderly persons have a monthly income of some \$1,000, while the poorest 10% have some \$2,000. It shows that those elderly persons who receive CSSA are better off than the poorest who do not

receive any CSSA. A comparison like this would give people the impression that the poor are competing with the poor to see who are worse off. This is social division, the last thing we wish to see. So is it because there are poorer people that those elderly persons who receive CSSA should be made poorer in order to be fair to the poorest elderly persons? That is not fair, for it is like making all the people join a race and see who are the poorest of the poor. Another impression one gets is that it is a right thing to be poor. The Government seems to be seeking to cultivate among the people an idea that it is wrong not to be worse off than the poorest of the poor. But the setting up of the CSSA is precisely to give a source of support to those elderly persons without any support. Therefore, I strongly oppose to slashing the CSSA payments to the elderly at this moment in time.

I should like to remind the various political parties that they have agreed to increasing the CSSA payments to the elderly. I remember this very well. If we have said before that the CSSA payments to the elderly should be raised, then we must lend the motion our support. We must give the Government the same message that the CSSA payments to the elderly should not be reduced. I think only by doing this can we do justice to the elderly persons. I also hope that the living standard of those elderly persons who receive CSSA would not drop. I think that the fundamental point is to make the living standard of those elderly who do not receive CSSA to be comparable to those who do, instead of pulling down the living standard of those who receive CSSA.

Why is the living standard of those elderly CSSA recipients so low? I think the elderly persons deserve our sympathy, for they do not apply for CSSA because they may have some savings. These savings make these old people have some thoughts which are not at all correct, though these may be excellent ideas from the Government's perspective. These are: first, they do not want to be dependent on the Government; second, they want to embrace their lifetime savings and they dare not spend their money too quickly. These are very wrong ideas and they make the elderly people struggle in abject poverty.

Therefore, I hope the Government will not do anything to change the CSSA payments to the elderly. The Chief Executive undertook in a Question and Answer Session in this Council that the old age allowance would not be slashed. So what is the justification now for reducing the CSSA payments to the elderly? I hope the Government will not make any change to this.

As to the question of waiving the accident and emergency service charges and fees for medical services, I can recall clearly the stand of the Health, Welfare and Food Bureau on this. The Bureau admitted that some elderly persons could not afford these fees and charges and so they would be exempted from paying fees for medical services. However, there are some elderly persons who can afford such fees. But can the Government look at the matter from another perspective? Those elderly persons who can afford these fees have been paying tax all their working life and they had worked for the prosperity of Hong Kong for all their life. Would it be over board if their medical fees are waived? Should we so miserly as not to do so? Can the Government not look at the issue from another perspective? The rationale behind this idea of waiving the accident and emergency service charges and all such charges in future for the elderly is very simple, that is, irrespective of their affordability, provided that they are elderly persons, they should receive some recognition for their contribution to Hong Kong. Would this not be an active step in promoting a proper perspective on ageing?

Lastly, we certainly understand that the Government is very concerned about the problem of population ageing in the long run. The CTU has always been holding the view that the old age pension or the so-called "old age fund" should replace a purely MPF System. Mr Bernard CHAN will definitely not like my idea, that is, to set aside 2% from the MPF contribution of 5% of the monthly salary as the old age pension. The remaining 3% are the "pocket money" of the contributor. If the economic conditions improve in the future, this 3% proportion can be raised. However, at least 2% can be set aside for old age pension to form a territory-wide retirement security system for Hong Kong.

Maybe some people will make the criticism that this system will make the younger generation support the living of the older generation, instead of encouraging people to save up for their old age. However, the idea of the younger generation supporting the older generation is a correct idea, as we are also supporting the living of the older generation. If an old age pension system is implemented, the present problem of the elderly can be solved right away. And so the elderly persons in the future can rely on the next generation for support. So I would think that of the three pillars always mentioned by the Health, Welfare and Food Bureau, one of which should not be the MPF but an "old age fund" or old age pension. That is the right approach to take. I hope the Government would take these suggestions into consideration.

Finally, I would like to say a word, and that is, there may be many things beyond the control of Dr YEOH, for the spectre of the deficit is really too hard to dispel.

MR IP KWOK-HIM (in Cantonese): Madam President, the achievements of Hong Kong today are the result of the hard work of the elderly people decades ago, and so the community should respect and care for the elderly.

Hong Kong is facing a serious deficit problem and the number of CSSA cases as at September this year has reached some 260 000-odd cases, representing an increase of 6% over last year's 247 000 cases. According to the Social Welfare Department, the total CSSA expenditure for the current year is estimated at \$16 billion. However, judging from the current rise in unemployment and low income cases, it is likely that a supplementary appropriation of \$400 million to \$500 million will have to be made. The expenditure on CSSA next year is expected to exceed \$18 billion, and this is a huge sum indeed.

Madam President, the reason why the SAR Government has set up this safety net is to help the disadvantaged social groups. For those elderly people who need help, we should ensure that they can maintain a reasonable standard of living. Therefore, when faced with a stringent financial situation with a huge deficit and with limited resources to allocate, the Democratic Alliance for Betterment of Hong Kong (DAB) is prepared to accept any adjustment if this will not affect their present quality of living.

As for the amendment proposed by Mr LEUNG Yiu-chung which urges the Government to ensure that any adjustment to the CSSA payments to the elderly will not result in payments that are lower than at the current level, the DAB is of the view that there is a need to carefully consider all related factors like the economic and social conditions, and so on, before any conclusion can be made. Therefore, the DAB will abstain from voting on Mr LEUNG Yiu-chung's amendment and as the old age pension scheme is something which the DAB has been fighting for and advocating, the DAB will support the amendment proposed by Mr Frederick FUNG.

I so submit. Thank you, Madam President.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may now speak on the two amendments. Your time limit is five minutes.

MR TAM YIU-CHUNG (in Cantonese): Madam President, in proposing this motion, I also reckoned that an amendment would be proposed because the remarks respectively made by the Secretary for Health, Welfare and Food and the Director of Social Welfare recently have aroused Members' concern.

Since Hong Kong has been in lack of a retirement protection system for long and the MPF System has been implemented for two years only and the results cannot be seen until 20 to 30 years later, the Government's expenditure on livelihood security for the elderly will inevitably become more and more enormous. The implementation of an old age pension scheme is an old issue being revisited, but it is still worth consideration now. The SAR Government has always insisted on the three-pillar mode of MPF, personal savings and CSSA payments proposed by the World Bank and it has shelved an old age pension scheme. Nowadays, the problem of the lack of retirement protection for the elderly can only be solved through the CSSA system, and this is the reason why there are increasing cases of the elderly applying for CSSA. This situation can maintain when the Government is financially capable of coping, but there is no guarantee that the Government can sustain this indefinitely. We should step up the efforts of establishing an old age pension scheme because we do not want to be criticized by the younger generation for lacking foresight. Somebody wonders if there will be any problems for an old age pension scheme to be established after the establishment of the MPF System and whether it will become unaffordable when the amounts of contribution become too large. In fact, all these worries can be addressed and one of the solutions is the two-tier social security proposal jointly made by the Hong Kong Federation of Trade Unions and the DAB in the early 1990s.

Concerning medical fees and charges, many elderly people wanted the Government to reduce various charges for out-patient services and hospital

charges in the past. Although the \$37 charged for out-patient services is not a large amount, those elderly people without any income consider the expenditure not at all small. As the elderly had poorer living conditions in the past, they suffer from more ailments now and they often have to consult a doctor and take medicines. Therefore, medical fees and charges are a heavy burden on them. It gives no cause for much criticism for the Government to use limited medical resources on people who are most in need, but there should be a lenient exemption measure to avoid putting an additional financial burden on the elderly.

In regard to the CSSA payments to the elderly, given a lack of retirement protection, the CSSA payments to the elderly have somehow become the pensions of the elderly, therefore, we must ensure that the CSSA payments can meet the most basic and long-term living expenses of the elderly in the future.

As I have participated and assisted in the formulation of policies for the elderly, I certainly hope that the community can provide the elderly with adequate care and protection as far as affordable. We must pay close attention to future changes in the economic environment and we should consider taking further measures where inevitable. We can still observe the situation for a certain period of time and, at this stage, we should let the elderly have fewer worries and better care and earnestly assure the elderly of security and a secured life after retirement.

I so submit. Thank you, Madam President.

SECRETARY FOR HEALTH, WELFARE AND FOOD: Madam President, I am grateful to the Honourable TAM Yiu-chung for sponsoring this debate. I am also grateful to the other Honourable Members for their valuable views on the subject.

As Members have already given out statistics relating to the projection of population ageing in Hong Kong, I should not repeat them, but just to reinforce the point that by 2031, about 2.12 million individuals, or one out of four Hong Kong people will be aged 65 or above.

What does population ageing mean to us? Many in the community may view this phenomenon with alarm as larger numbers of older persons compared

to those of working age are usually depicted to be associated with a higher dependency ratio in the community, and higher costs of medical and welfare services. However, according to the World Health Organization (WHO), population ageing is first and foremost a success story for public health policies as well as for social and economic development. We should not turn what is essentially a phenomenon reflecting the triumph of our achievements in health, economic and education systems into a forecast of gloom and doom, simply because we do not fully understand the meaning and impact of ageing. Ageing is a natural part of the life cycle. It is a lifelong process, which begins before we are born and continues throughout life. In other words, it is part of our human development process. We all experience ageing differently. Just as we have different abilities and physical capacities now and in our younger days, such variability will continue into our later life. Although our physical capacities may deteriorate in the later years, such declines vary widely for different individuals. The declines are usually quite mild unless in the case of a major debilitating illness. When these insidious declines do occur, they are not uniform across all functions and can in many instances be compensated for. In fact, some people actually improve with age in psychological or cognitive capacity. We are heterogeneous no matter whether we are young or old, so it is not justified to stereotype older people. Many of the problems usually associated with population ageing are the result of outdated social and public policies which have not kept up with the changes in our socio-economic development and our health and demographic profile. These social and public policies are of our own construction, and can be transformed, so that older persons can continue to be actively engaged in and contribute to our community.

Many of us feel anxious about growing old as older people are still portrayed, and also by some Members here today, as people who need protection, who cannot contribute and are vulnerable in society. But ageing is not necessarily about becoming frail and needing care. As a matter of fact, the majority of our elders are healthy and independent, and continue to contribute to their families and this society. The negative stereotyping of older people is further reinforced by outdated social and public institutions. Let me quote a few examples:

First, retirement and human resource practices that remove older people from the workforce prematurely may reduce their income and social esteem, which place them in a state of dependency. In other words, retirement creates old age dependency, particularly financial dependency.

Second, a living environment that does not cater to people of all ages and of different functioning abilities may discourage older people with some frailty from continuing to live at home (which is the preferred choice) and integrate with other members of the community.

Third, a compartmentalized life course of education when young, work in adulthood, and leisure after retirement imposes an artificial segmentation of life which does not facilitate lifelong learning and the flexibility of work interspersed with periods of leisure and self-reflection.

We, therefore, need to rethink our social and public institutions to see how they can be transformed to facilitate a positive image of ageing. We as individuals also have to better prepare ourselves so that ageing can be a positive experience of seamless personal growth and development. For example, we need to make preparation for an adequate income if we opt to retire early. We need to live a healthy lifestyle, starting from an early age and continuing throughout life by exercising regularly, eating healthily and not smoking. We need to pursue lifelong learning to continue to be engaged in the richness of new understanding and knowledge, equipping ourselves to be able to contribute economically and participate socially.

To provoke thinking and discussion, I wish to challenge two concepts which we may have taken for granted, namely the concept of elderly dependency ratio and the concept of retirement. First, on the concept of elderly dependency ratio, defined as the number of persons aged 65 and over per 1 000 persons aged between 15 and 64. It implicitly assumes that all people of so-called "working age", that is, between 15 and 64 years old, are independent and productive, and all persons beyond that are dependent and non-productive. How can we assume that all societal wealth and productivity are only generated by those of an arbitrary age? Although the workforce participation rate of most older population decreases, many older persons are engaged in paid and unpaid work, and many more have the capacity to continue to contribute. If you look carefully, do we actually believe that 15-year-olds should be defined as of working age when the majority are in their schooling years? Where should we draw the line? Obviously, there are older people in our society who need support, but there are people in their 40s, 30s and even 20s who also need support. Age is indeed an arbitrary line.

Second, on the concept of retirement. I wish to point out that retirement is not a natural part of the life course. It is a social construction arising from industrialization. In the pre-industrial period when the family was often the basic unit of production, older people typically worked in a family farm or in small work organizations until they were no longer physically capable and at that point, the family provided the necessary support and care. Financial dependency of the old on the younger generation was also rare then as it was often the older generation who controlled the family production or business. It was only after the emergence of a public pension system in 1889 in Germany, with the establishment of an age threshold for pension eligibility, that in human history, retirement from paid employment has been made a distinct stage in the life course. According to Prof James SCHULZ, a renown economist in study of the economics of ageing, around the world, older persons want to contribute, pay their way, and remain a part of society. To push them aside or to ignore their wisdom, talents and experience is not only cruel, but makes no economic sense. And of course, this applies to the amendment to the motion today.

To meet the rising challenges of an ageing population, the whole community needs to be more aware of the implications of ageing, particularly on what they mean for the individual, and for the different sectors of the community. It is only through understanding and actions that the individual is equipped to take responsibility for his or her own well-being, and the different social and public institutions, including the Legislative Council, can be adapted to facilitate the older persons to remain actively engaged socially and economically in the community as far as possible. I support Mr TAM Yiu-chung's motion that the public and private sectors should work together to promote a proper perspective of ageing, namely "active ageing", and build a physical and social environment that continues to give full play to the abilities of our older persons. And I call upon the Legislative Council to also act with us.

The WHO defines active ageing as "the process of optimizing opportunities for health, participation and security in order to enhance the quality of life as people age", and offers a policy framework that requires action in three basic pillars: health, participation and security. Having regard to the WHO's active ageing policy framework, and to cater to the needs and aspirations of our ageing population, especially those of the future cohorts, we are working with the Elderly Commission, chaired by Mr TAM Yiu-chung, to promote a new awareness of the place of older persons in our society, not primarily as

individuals needing help and needing necessarily exemptions from new fees, but as people having much to offer and wanting to give. With good health, a longer life expectancy and an improved financial situation, their lifestyle and their role in society will markedly change. To meet these changes, we need to advocate a change in the existing public and social institutions so as to facilitate older people in good physical and mental health to continue to fulfil themselves personally, socially, and economically.

As the WHO has pointed out, if ageing is to be a positive experience, longer life must be accompanied by continuing opportunities for health, participation and security. In this regard, we have taken proactive actions to understand the phenomenon of ageing, and to take action in the identified areas of needs broadly along the direction advocated by the WHO. In the interest of time, I shall only focus my response on some selected areas.

In terms of health, we recognize that much disability and ill health in later life are preventable if we take a life-course approach to promote active and healthy ageing in the community, targeting not only the current generation of older population, but also the future old. In this connection, the Government has been rendering full support to the Elderly Commission in launching a Healthy Ageing Campaign to promote active and healthy ageing along four strategic directions: promoting personal responsibility, strengthening community action, creating a supportive environment, and improving the image of ageing. Our eventual objective is to institutionalize healthy ageing as an ongoing effort in the community.

Ensuring the provision of adequate medical services for a growing and ageing population is one of the key objectives of the Government. In this connection, the Hospital Authority and the Department of Health currently provide a full range of in-patient, out-patient, ambulatory and community-based services. The services are heavily subsidized by the Government and provided to all, including older persons. Apart from the general services, we have also provided a number of direct health care and related services for older persons, such as the elderly health centres, visiting health teams, and priority attention for patients aged 65 and over at our general out-patient clinics.

Regarding the Honourable LEUNG Yiu-chung's proposed amendment that the elderly should be exempted from paying the new and increased medical fees and charges, this in fact reinforces the stereotype that all older persons are

vulnerable and in need of help and assistance. And this also goes back to the point made by the Honourable LEE Cheuk-yan. In fact, this also reinforces the concept that the elderly are a burden of society. On the contrary, the Government does not believe that older persons are a burden of society. The Government, therefore, does not agree that age should be used as the sole criteria for exemption from all new and increased fees and charges for medical services, because we believe that many older persons have the ability to pay and have the ability to give. We believe that limited public resources should be targeted only at those in need. I wish to stress again that it is the Government's long held policy that no one, including elders, and particularly elders, should be prevented, through lack of means, from obtaining adequate medical treatment. With the proposed new and modest increase in medical fees and charges, elderly recipients of the Comprehensive Social Security Assistance (CSSA) will continue to be exempted from all charges. We shall seek to strengthen and enhance our existing and well-tested medical fee assistance scheme to assist those non-CSSA patients, including the low income, the chronically-ill, and older persons with limited means who cannot afford even the highly subsidized public sector services. We, therefore, cannot agree with Mr LEUNG Yiu-chung's proposed amendment.

We have also been encouraging senior volunteerism and lifelong learning among older persons so that older persons can achieve a sense of worthiness. The Social Welfare Department has over 58 000 older person volunteers registered. Many older persons contribute their time and expertise freely in social centres for the elderly and in many other fields. Many non-governmental organizations run learning programmes providing interest classes, classes in life skills, and reading and language classes for older persons in their centres. We shall seek to consider ways of promoting collaboration among stakeholders to enhance the opportunities for lifelong learning for elders.

Efforts, of course, have been made to improve the housing conditions of older persons. The specific measures designed to allocate priority housing to elderly households have made the waiting list for public rental service reduced from 16 000 in 1997 to the present some 7 600. To actualize the concept of ageing in place, a number of pilot schemes have been implemented. For example, the Housing Authority will implement a universal design and provide integrated care services in rental estates with high concentration of older persons.

Turning to financial support in old age, the Government is committed to providing financial assistance to elders in need. Currently, over 600 000 older persons are receiving financial assistance either through the CSSA or the Old Age Allowance (OAA). This represents 61% of the population aged 60 or above, or 78% of the population aged 65 or above. Total government expenditure in financial assistance for elders is estimated to be \$11.8 billion in 2002-03, accounting for 5.4% of recurrent public expenditure and representing an increase of 50% when compared to the \$7.8 billion paid out in 1997-98. Both the CSSA and OAA Schemes are funded entirely from general revenue and are non-contributory.

We are reviewing the social security schemes for older persons with a view to developing a sustainable financial support system for needy elders in the light of the ageing population and in a changing environment, drawing reference from the "three-pillar approach" recommended by the World Bank.

We have already established the privately managed Mandatory Provident Fund (MPF), one of the two mandatory pillars recommended by the World Bank. We are currently reviewing the existing social security schemes for elders under the other mandatory pillar to ensure that it is sustainable in the long run, having regard to our ageing population and simple and low taxation system.

Mr LEUNG Yiu-chung has proposed an amendment that any adjustment to the CSSA payment to the elderly will not result in payments that are lower than the current level.

As Honourable Members are aware, we informed the Finance Committee in July that the current standard rates for CSSA would continue to remain frozen until the end of March 2003 despite continuous deflation. And in the meantime, the Government would review the CSSA system and gauge public opinions. We have not yet made a decision on the adjustment of the payment rates. But I would like to present some facts to Honourable Members. The CSSA standard payment rates have remained frozen since 1999, despite the continuous deflation in the past few years. We believe that there is scope for a downward adjustment of the payment rates by 11.1% as measured by the Social Security Assistance Index of Prices, without affecting the originally intended purchasing power and the associated quality of life intended. As far as elderly CSSA recipients are concerned, a one-person old age individual receives average monthly payments of \$3,971 in 2001-02, while a two-person household receives average monthly

payments of \$6,379. These payments include standard rates of \$2,555 per month for an individual, a long-term supplement of \$1,605 for singleton once every 12 months and a range of special grants for rent, telephone installation and monthly telephone charges, installation and monthly service charges for emergency alarm system, special diet allowance, medical, rehabilitation and surgical appliances, glasses and dental treatment, and so on. Recipients also receive free medical treatment at government hospitals and clinics.

The findings of the 1996 CSSA Review showed that CSSA rates for the elders were adequate to meet the elderly recipients' basic and essential needs. Since then, elderly recipients living in a family were given an increase of \$180 from April 1996 in their standard rates. The standard rates for the elderly were increased by another \$380 in real terms in April 1998 to encourage them to participate in more social activities. All in all, the CSSA payments for the elderly provide for a better than basic standard of living. In addition, there is a very well established network of welfare services for older persons in Hong Kong providing heavily subsidized community and home-based support, including home help and meal services.

The CSSA expenditure now accounts for some 7.8% of government recurrent expenditure. As at September 2002, the year-on-year growth in overall CSSA caseload was 12%, and 54% of the total CSSA cases are old age cases. Based on this trend, we project that the approved provision for CSSA in 2002-03 of \$16 billion, which shall already contain a growth of 11.1% over the actual expenditure of \$14.4 billion in 2001-02, will not be enough to meet with the increasing demand, and the estimated requirement for 2003-04 would well be in excess of \$18 billion. To sustain this safety net, we have to ensure that our existing resources go further to meet the increasing demand. Without pre-empting a decision on the review of CSSA payments, we cannot agree with Mr LEUNG Yiu-chung's amendment.

The Honourable Frederick FUNG has proposed an amendment to the motion urging the Government to actively consider the implementation of an old age pension scheme (OPS) to safeguard the livelihood of the retired elderly. An OPS is a scheme with "defined benefits" and, in many instances, a "pay-as-you-go" (PAYG) contributory system providing pension benefits for the aged with contributions from employees, employers and the Government. The possibility of setting up an OPS has been extensively discussed by the community in the mid-1990s when the Government explored options to provide retirement

protection for elders. There were then diverse views expressed on the proposal. While some members of the public gave support to the proposal, others considered it unfair because of a lack of relationship between benefits and contributions, the OPS would shift the burden of old age protection from the individual/family to society, the OPS was not sufficiently discriminating in targeting assistance at those in need, and there was a question of inter-generational equity. Overseas experience shows that the sustainability of such a system is in doubt, in view of population ageing, lower fertility rates and increasing life expectancy. There is now a well-recognized need for many Organization for Economic Co-operation and Development countries to re-engineer their PAYG systems.

Against the above background and given that the MPF Scheme was intended to be one of the two mandatory pillars recommended by the World Bank, and has only been implemented for a short period of time, we consider that our priority in the next few years is to consider developing the second of the mandatory pillars, that is, a sustainable safety net for needy elders. We, therefore, disagree with the amendments proposed by Mr Frederick FUNG.

In summary, Madam President, over the past few years, the Government has put in a lot of efforts to review and re-engineer direct services for elders, in the areas of housing, home and community care, residential care and so on. We have also adopted a preventive and life-course approach in promoting a healthy lifestyle and a positive image of ageing, and provided targeted health care service for older persons.

To move towards the promotion of active ageing, the Government, with the participation of 13 bureaux, departments and public organizations, and the Elderly Commission, organized a Symposium on the Challenges and Opportunities of an Ageing Population in June 2002, aimed at enhancing the community's awareness of ageing issues. The Symposium drew together different sectors, different disciplines and different age groups to discuss the implications of population ageing in Hong Kong. A number of issues related to the demographic shifts, such as the strategies adopted by other countries and regions for an ageing population, the economic and business implications of an ageing population, public perception of ageing, the changing workforce and concept of retirement, how the built environment should respond to the needs of ageing, the changing health care focus and so on, were examined. I wish to highlight the economic and business implications of an ageing population.

People in their 60s and many in their 70s today and in the coming generations are far from being "old and frail" and dependent. Our society cannot overlook the potential of a booming silver market when the coming cohorts of older people are healthier, enjoy longer life expectancy, and a much higher standard of living with better financial planning. Besides establishing an elder-friendly service culture, a successful business model should cater to the customers at all stages.

We are encouraged to note that in response to the Symposium, a number of related sectors in the community have started taking a much deeper interest in the issue of an ageing population, and are considering different actions and programmes to follow up discussions on the subject.

Looking ahead, the Government recognizes that population ageing presents opportunities more than challenges. But government action is not enough. As I said at the beginning of my speech, society itself needs to create a conducive environment to enable older persons to continue to perform roles that fulfil themselves personally, socially and economically. Public and social institutions need to be transformed to enlist the experience and energy of older persons for the benefit of both society and themselves.

We will continue to seek to engage the community in reinventing the concept of ageing, and rethinking and transforming our social and public policies. We will take an intergenerational, cross-sectoral and multi-disciplinary approach to meet the changing needs of an ageing society, involving not only individuals, but also the family, the community and the Government. We will also endeavour to continue to improve the community's understanding of ageing as a natural, continuous and positive process. I take the opportunity of this debate to appeal to Honourable Members of the Legislative Council and to the community at large to work with the Government to bring forth these changes. Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr Frederick FUNG to move his amendment to the motion.

MR FREDERICK FUNG (in Cantonese): Madam President, I move that Mr YEUNG Yiu-chung's motion be amended, as printed on the Agenda.

MR TAM YIU-CHUNG (in Cantonese): Madam President, it should be TAM Yiu-chung, not Mr YEUNG Yiu-chung. *(Laughter)*

MR FREDERICK FUNG (in Cantonese): Yes, Mr TAM Yiu-chung. *(Laughter)*

Mr Frederick FUNG moved the following amendment: (Translation)

"To add "actively consider the implementation of an old age pension scheme to safeguard the livelihood of the retired elderly;" after "this Council urges the Government to"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Mr TAM Yiu-chung's motion, be passed.

I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Frederick FUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Frederick FUNG has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Miss Margaret NG, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Dr LAW Chi-kwong, Ms LI Fung-ying, Mr Michael MAK and Mr IP Kwok-him voted for the amendment.

Mr Kenneth TING, Mr Eric LI, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Mr Henry WU and Dr LO Wing-lok voted against the amendment.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr SZETO Wah, Mr TAM Yiu-chung, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU and Mr YEUNG Yiu-chung voted for the amendment.

Mr Andrew WONG, Dr TANG Siu-tong, Dr David CHU, Mr NG Leung-sing and Mr MA Fung-kwok voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, nine were in favour of the amendment and 13 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 16 were in favour of the amendment and five against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

MR TAM YIU-CHUNG (in Cantonese): Madam President, in accordance with Rule 49(4) of the Rules of Procedure, I move that in the event of further divisions being claimed in respect of the motion on "Ageing of the population" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

I order that in the event of further divisions being claimed in respect of the motion on "Ageing of the population" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, you may move your amendment.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, I move that Mr TAM Yiu-chung's motion be amended, as printed on the Agenda.

Mr LEUNG Yiu-chung moved the following amendment: (Translation)

"To add "consider the financial needs of the elderly and ensure that any adjustments to the Comprehensive Social Security Assistance payment to the elderly will not result in payments that are lower than at the current level;" after "this Council urges the Government to respond to the changes in the population profile and actively take the lead in promoting a proper perspective on ageing;"; and to add "and exempt the elderly from paying the various new and increased fees and charges proposed for medical services" after "provide sound primary health care services"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr LEUNG Yiu-chung to Mr TAM Yiu-chung's motion, be passed.

I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr LEUNG Yiu-chung rose to claim a division.

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Dr LAW Chi-kwong, Ms LI Fung-ying and Mr Michael MAK voted for the amendment.

Mr Kenneth TING, Mr Eric LI, Miss Margaret NG, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Mr Henry WU and Dr LO Wing-lok voted against the amendment.

Mr WONG Yung-kan and Mr IP Kwok-him abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Ms Emily LAU, Mr SZETO Wah, Mr TAM Yiu-chung, Mr WONG Sing-chi and Mr Frederick FUNG voted for the amendment.

Mr Andrew WONG, Dr TANG Siu-tong, Ms Audrey EU, Dr David CHU, Mr NG Leung-sing and Mr MA Fung-kwok voted against the amendment.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk and Mr YEUNG Yiu-chung abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, six were in favour of the amendment, 14 against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 22 were present, 10 were in favour of the amendment, six against it and five abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may now reply and you still have two minutes six seconds.

MR TAM YIU-CHUNG (in Cantonese): Madam President, I have been listening very attentively to the speeches made by over 10 Honourable Members. Among them, only one has challenged the ideas in my motion being idealistic visions and some sort of slogans. The main purpose of my motion is, given the problem of population ageing, to call upon the community, the Government, the public and private sectors and people from all walks of life to think about how we can provide the elderly people with more opportunities to make good use of their abilities.

The Legislative Council is a miniature society. I hope that Members will bring the suggestions contained in the original motion to all the different parts and all the different levels of society, so that we can make early preparations for the future together. Otherwise, our next generation will criticize us for lacking foresight, long-term planning and a concept of sustainable development.

We have never forgotten the elderly people who are living in great difficulties. However, just like some Members have said, money is not the answer to all the problems. Apart from providing the elderly people with financial support, we must also bear them in our minds in other aspects.

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

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 20 November 2002.

Adjourned accordingly at nineteen minutes to Eleven o'clock.