

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 11 February 2004

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, J.P.

THE HONOURABLE LEE CHEUK-YAN

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

DR THE HONOURABLE ERIC LI KA-CHEUNG, G.B.S., 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 JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG, J.P.

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, G.B.S.

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE HOWARD YOUNG, S.B.S., 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, J.P.

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, J.P.

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.

PUBLIC OFFICERS ATTENDING:

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

THE HONOURABLE HENRY TANG YING-YEN, 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

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

THE HONOURABLE FREDERICK MA SI-HANG, J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

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

THE HONOURABLE AMBROSE LEE SIU-KWONG, IDSM, J.P.
SECRETARY FOR SECURITY

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

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 *L.N. No.*

Specification of Arrangements (Government of the Kingdom of Belgium) (Avoidance of Double Taxation on Income and Capital and Prevention of Fiscal Evasion) Order	16/2004
Employees Retraining Ordinance (Amendment of Schedule 2) Notice 2004	17/2004
Education (Miscellaneous Amendments) Ordinance 2004 (1 of 2004) (Commencement) Notice 2004	18/2004

Other Papers

- No. 55 — Hong Kong Arts Development Council
Annual Report 2002-2003
- No. 56 — The Hong Kong Academy for Performing Arts Annual
Report 2002-2003 and the Financial Statements and
Auditor's Report for the year ended 30 June 2003
- No. 57 — Vocational Training Council
Annual Report 2002/2003
- Report of the Bills Committee on Construction Industry Levy
(Miscellaneous Amendments) Bill 2003

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Complaints Against and Regulation of Property Management Companies

1. **MR ALBERT CHAN** (in Cantonese): *Madam President, recently, I have received many complaints from property owners alleging that some property management companies had made unauthorized use of the building maintenance fund when discharging their duties and awarded the building maintenance works to persons and companies with whom they had close relations, without going through open tender exercises and consulting the owners. These owners hold the view that such practice has infringed their rights and contravened the Code of Practice on Building Management and Maintenance issued by the Home Affairs Bureau and may involve criminal acts. In this connection, will the Government inform this Council:*

- (a) *of the number of relevant complaints received as well as the number of prosecutions instituted against the property management companies and their staff in each of the past three years; and*
- (b) *whether it will consider enacting laws to regulate property management companies so as to strengthen the protection for property owners' rights; if so, of the details of its consideration; if not, the reasons for that?*

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

- (a) For the past three years (that is, from 2001 to 2003), the number of complaints received by the Home Affairs Department (HAD) in respect of property management companies were seven, five and 19 respectively. The complaints were mainly about the excessive authority granted to property management companies under the Deed of Mutual Covenant (DMC) or the inappropriate use of the power as set out in the DMC by property management companies.

On receipt of these complaints, the 18 District Offices would take the necessary follow-up actions. They would find out more details about the case and then offer appropriate assistance to the complainant. The cases would be referred to the police or the Independent Commission Against Corruption (ICAC) where necessary.

For complaints on property management reported to the ICAC in the past three years, 227, 191 and 222 cases were related to property management companies or security companies. The ICAC has completed prosecution for 34, 21 and nine cases respectively in the past three years.

- (b) Management of private buildings is squarely the responsibility of owners. The Government's policy is to actively encourage and assist owners to form owners' corporation (OC) to facilitate the effective management of their buildings. In this regard, the Government plays the role of a "facilitator", adopting various means to help owners to discharge their building management responsibilities. One of the most crucial means adopted is the provision of a legal framework for compliance by owners. The enactment of the Building Management Ordinance (BMO) is to provide such a framework to facilitate the incorporation of owners and prescribe the rules for property management.

The purpose of regulating property management companies is to protect the interests of owners. In fact, there are already existing provisions in the BMO to protect their pecuniary interests and guard against the misuse of owners' money.

Part VIA of and the Seventh Schedule to the BMO are mandatory terms incorporated into all DMCs and are applicable to all DMCs. These provisions require that the manager, that is, the property management company, shall appropriately handle their clients' monies. All property management companies have to comply with the rules set out in the DMCs.

Hence, whether an OC or an owners' organization has been formed in a building, the manager, that is, the property management company, must, in accordance with the Seventh Schedule to the BMO, maintain an interest-bearing account and shall use that account exclusively in respect of the management of the building. On receipt of the management and maintenance fees, the property management company shall, except for a reasonable amount to cover expenditure of a minor nature, deposit all money into that account without delay.

Furthermore, we encourage owners to form themselves into OC. Once an OC is formed in a building, the OC could maintain an interest-bearing account in accordance with section 20 of the BMO. Owners will then be able to deposit the management fees directly into that account. The OC shall use that account exclusively in respect of the management of the building. On receipt of the management and maintenance fees, the OC shall, except for a reasonable amount to cover expenditure of a minor nature, deposit all money into that account without delay.

Management fees deposited by owners with the manager, less the remuneration of the manager as stipulated in the DMC or the management contract, are the owners' money and not the manager's money. As explained above, in accordance with the existing BMO, a property management company has to maintain an interest-bearing account and shall use that account exclusively in respect of the management of the building. To rationalize and clarify the provisions of the BMO and to offer better protection for the interests of owners by allowing them to monitor the financial management of the property management companies, we propose to stipulate in the BMO that the manager shall establish and maintain one or more segregated accounts for money received in respect of the management of the building with the OC as the client, each of which shall be designated as a trust account or client account. The proposal will ensure that the manager will keep the management fees received for an OC in a bank account separate from his own monies. It will also ensure that the manager will not merge the management fees received from different buildings into one single bank account. We will formally consult the property management industry on this proposal.

Moreover, we carried out an extensive public consultation exercise on the proposed amendments to the BMO from May to July 2003 and invited views from OCs, property owners, the property management industry and professional organizations, and so on. The proposals included in the Consultation Paper have been deliberated in the Subcommittee on the Review of BMO set up under the Legislative Council Panel on Home Affairs. One of the proposals is to improve the existing provisions under the BMO

regarding the procurement of supplies, goods and services by OCs so as to offer better protection for the interests of property owners.

The BMO provides that any supplies, goods or services, the value of which exceeds (i) the sum of \$100,000 or (ii) a sum which is equivalent to 20% of the annual budget of the corporation, whichever is the lesser, shall be procured by invitation to tender. The above provision is also set out in the "Code of Practice on procurement of supplies, goods and services" issued by the Secretary for Home Affairs in accordance with section 44(1) of the BMO. However, in accordance with section 44(2) of the BMO, failure to observe the Code of Practice is not illegal and compliance by OCs is not mandatory.

In the past, there were often disputes between property owners and management committee over the question of whether it was necessary to follow the prescribed tender requirements in the procurement of goods or services. For the sake of convenience, many management committees choose not to follow the relevant requirements. This is in fact contrary to our legislative intention.

To improve and clarify the existing provisions, we propose to amend the provisions in the BMO regarding procurement of supplies, goods and services by an OC. Following the amendment, any procurement of supplies and services with a value exceeding the prescribed threshold must be done through tendering in accordance with the law.

The new provision will also be applicable to property management companies through corresponding amendment to the Seventh Schedule to the BMO. The proposal will enhance the transparency of property management companies in the usage of management fees. Owners will also be able to effectively monitor the operation of property management companies through the owners' meetings and the tendering procedures.

We aim to introduce an amendment bill into the Legislative Council in the 2004-05 Legislative Session.

On the question of whether legislation should be introduced to regulate property management companies, the public has divided views. Those in favour of the proposal generally consider that a licensing system will help improve the quality of services provided by property management companies, while those against it generally view that a licensing system will exert pressure on the operation of small-sized property management companies. There are about 900 small-sized companies and their clients are mostly old private tenement buildings.

For the above reasons, the Administration has an open mind on the introduction of a licensing scheme for property management companies. We hope that private property owners, OCs, the property management industry and professional bodies will thoroughly discuss the subject and continue to express their views to us.

I would like to stress that even with a regulatory system (in whatever mode), we will not be able to stamp out the re-occurrence of closure of poorly-managed property management companies or prevent illegal activities such as theft and bribery. Full participation of owners is essential to effective building management. We will continue to strive to improve the existing system, and will strengthen our publicity efforts in enhancing owners' understanding of the requirements of the BMO so that they will have a clear idea of their rights and responsibilities.

MR ALBERT CHAN (in Cantonese): *Madam President, in his reply, the Secretary has covered many questions on OCs, however, the smooth operation of OCs and the introduction of legislation to regulate property management companies are two separate issues. In the main reply, when the Secretary mentioned opposition against the legislation, he said that the licensing system might exert pressure on small-sized property management companies, and seemed to imply that opposition has come from these companies. Indeed, many of those opposing the legislation are management companies subsidiary to big consortium. Madam President, my supplementary question is that, at present, many housing development are managed by subsidiary management companies of big consortium, the administration of which is unfair to small owners in many*

ways (say, in terms of administrative mode and financial management). Therefore, if the Secretary, in mentioning opposing views, stated only oppositions from small-sized property companies, his opinion is one-sided. In view of the many unfair circumstances faced by small owners of housing development managed by subsidiary management companies of big consortium, will the Secretary reconsider introducing legislation as soon as possible and without delay to regulate these management companies in order to safeguard the interests of small owners?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as Mr Albert CHAN pointed out, of those opposing the proposal, some were of the view that the implementation of the licensing system in full scale would restrict OCs to appoint only licensed management companies to manage their buildings, which would immediately force companies of lower status or smaller size to be out of business. At present, there are 900 companies of this type, and the system may result in monopolization of the market. They also queried if it is now the right time to introduce licensing system. At present, owners of many old tenement buildings cannot even afford appointing these management companies, not to mention appointing those well-established large-scale property management companies charging expensive fees. Moreover, despite the implementation of a licensing system, the possibility of the closing down of individual management companies owing to financial problems cannot be totally ruled out. Under the licensing system, the closing down of eligible companies due to poor management or engagement in commercial activities beyond the scope of the trade may still occur. Therefore, with proper communication between owners and management companies, the present problem of misuse of OCs monies may be greatly minimized. However, we will certainly study in detail the views presented by Mr Albert CHAN, and the working group on BMO under the Home Affairs Bureau will continue to discuss the issue.

PRESIDENT (in Cantonese): We have spent almost 14 minutes on this question. Since the Secretary has given a very detailed reply and spent more than 10 minutes, I will extend the time limit for this question as appropriate.

MR IP KWOK-HIM (in Cantonese): *Madam President, we noted from the main reply problems related to management companies. In fact, undertaking repair*

works is the major duty of management companies. I would like to know whether the Government would consider establishing an arbitration body to assist property management companies and OCs in monitoring the reasonableness and pricing of maintenance works. Will the Government consider establishing an arbitration body of this type?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, regarding arbitration body, the HAD has obtained consent from the Hong Kong Mediation Council and the Hong Kong Mediation Centre for the implementation of a trial scheme on the handling of building management disputes for the period of July 2002 to April 2003, but I would not go into the details here. We have identified 12 cases, of which nine cases could be included in the trial scheme. Subjects of four of the cases accepted mediation, while subjects of the other five cases refused to accept mediation despite persuasion. The greatest difficulty we had encountered during the implementation of the trial scheme was to talk both parties into taking part in the mediation voluntarily. The two professional bodies, namely the Hong Kong Mediation Council and the Hong Kong Mediation Centre, have now agreed to extend the scheme to the middle of 2004. We will continue to promote to owners and OCs the merits of mediation to attract more of them to join the scheme voluntarily.

MR HOWARD YOUNG (in Cantonese): *Madam President, questions raised by Members involve two issues, one is the usage of management fees, and the other is the tendering procedures. Regarding the use of management fees, the Government appears to have definite regulations. However, in respect of tendering exercises, no legislation but only guidelines are available. May I ask the Secretary, regarding the various complaints received as stated in part (a) of the main reply, if he would inform us what kind of issues as stated in the question do these complaints involve? Are these complaints relating to the misuse of management fees, or are these complaints about improper tendering procedures? Which kind of complaints represents the majority? Such may help us understand whether the Government has administered the right remedy to the case.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, most of the complaints are about the excessive authority granted under DMCs to

property management companies. As to the number of cases related to the usage of management fees and tendering exercises, we do not have a detailed breakdown. However, if Mr Howard YOUNG requests for such information, I would provide a written reply. (Appendix I)

MR ANDREW WONG (in Cantonese): *Madam President, before the Secretary discussed the question of whether legislation should be introduced to regulate property management companies in the main reply, the new provision would be applicable to property management companies through corresponding amendment to the Seventh Schedule, which would enhance the transparency of property management companies in the use of management fees. Through the owners' meetings and the tendering procedures, owners would be able to more effectively monitor the operation of property management companies. Does it mean that, in future, according to the corresponding amendment to the Seventh Schedule, for buildings managed by management companies where no OCs have been formed, owners' meetings have to be convened and tenders called in respect of certain issues? Is this what the proposal means? Reply regarding this part is quite vague. If that is the case, buildings managed by management companies, irrespective of the existence of OCs, must convene owners' meetings and go through tendering procedures. Will the Secretary clarify this?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the answer is correct, that is "yes". That is to say, for buildings where OCs have not been formed, if they are managed by management companies, the management companies concerned must carry out tendering procedures in accordance with the amended ordinance.

MR JAMES TO (in Cantonese): *Madam President, according to the main reply of the Secretary, for the past few years the number of complaints received by the HAD were seven, five and 19 respectively, whereas for complaints reported to the ICAC, there were some two hundred, a hundred to two hundred and some two hundred respectively, while the prosecutions of some thirty cases were successful. May I ask the Secretary if he believes that the number of complaints received by the HAD during the past few years could be so small? Could the small number of complaints be attributed to the absence of record, or to the strict criteria set for classification of complaints, or to any other reason? Will the Secretary*

conduct an investigation? Would it be because the HAD could in no way solve the problem that the public do not lodge their complaints to the HAD but approach the ICAC directly instead?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, though the question raised by Mr James TO is partly correct, I have to explain some other parts. Why should it be partly correct? Because most of the complaints are stemmed from suspicion and misunderstanding of owners on OCs and management companies, and more often than not, these disputes can be settled after HAD staff explained the case. However, we learn from the ICAC that despite the rise in the number of reports on property management, it does not mean that all such reports concerned are justified for further action. Many cases were in fact personal conflicts caused by poor relationships and misunderstandings among owners that may not involve any element of corruption or bribery.

PRESIDENT (in Cantonese): This Council has spent more than 20 minutes on this question. We will now proceed to the second question.

Use of Fake Credit Cards Outside Hong Kong

2. **MR LAU KONG-WAH** (in Cantonese): *Madam President, regarding the crimes committed by lawless elements, which involve the forgery of credit cards using information stolen from credit cards issued in Hong Kong and the use of such fake credit cards outside the territory, will the Government inform this Council:*

- (a) *of the number of such cases reported to the relevant authorities and their details, as well as the respective numbers of suspects arrested and prosecuted by the police for such crimes, in the past three years;*
- (b) *whether it knows how such lawless elements obtained the credit card information; and*
- (c) *of the difficulties encountered by the police in investigating such crimes?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The police do not keep separate statistics on cases involving the theft of credit card information issued in Hong Kong for producing fake credit cards for use outside the territory.
- (b) According to information available to the police, criminals steal credit card information through various means. For example, pickpockets may steal credit cards in crowded places. They then use skimmers to decode the information stored in the credit cards and make use of the information for producing fake credit cards. Criminals may also work through salespersons or service staff in shops to steal credit card information from their clients at work.
- (c) Since some of these forgery cases are caused by the theft of credit cards, the police encounter same difficulties during investigations as those in pickpocketing cases. In general, pickpockets choose to steal credit cards when no witnesses are around. The cardholders usually only discover that their credit cards have been stolen after the commission of the offence instead of noticing it instantaneously. The police therefore have some difficulties in collecting evidence, for example, in identifying witnesses or ascertaining the time of occurrence of the crime.

Besides, in some cases, credit card information is stolen by the service staff in shops when the cardholders use their credit cards for payment. Under such circumstances, credit card holders may only realize that their card information has been stolen at a much later date, such as when the cardholders receive the notice of payments issued by the banks. This has added to the difficulties encountered by the police in detecting such crimes.

The above notwithstanding, the Hong Kong police will continue to actively tackle such crimes, including collection of related crime information and conducting intelligence-led operations. In addition, the Hong Kong police will strengthen their co-operation with overseas enforcement agencies with a view to combating this type of crimes. At the same time, citizens should pay attention in

taking care of their own property in order to reduce the chance of criminals stealing their credit cards in crowded conditions. When using their credit cards for payment, cardholders should also pay attention to any unusual moves of the staff of shops while the latter are processing the payment.

MR LAU KONG-WAH (in Cantonese): *Madam President, in part (c) of his main reply the Secretary mentions two types of cases. I think the greatest concern of the public is that their credit cards might not have been actually lost, but that the card data had been stolen. Could the Secretary please tell us in what kind of shops would such theft of credit card data mostly occur? The Secretary also says that the public should pay attention to any unusual moves of the staff of shops while the latter are processing payment. May I ask what kinds of unusual moves should be considered suspicious? I always find it hard to notice any difference. What kinds of unusual moves should be considered unusual?*

SECRETARY FOR SECURITY (in Cantonese): The first part of Mr LAU Kong-wah's supplementary question is about in what kinds of shops these cases would mostly occur. Yet, so far, the police have not conducted any analysis which can indicate whether it is in shops of the catering industry or in those of the general merchandise industry that these cases mostly occur. As regards the point on paying attention to any unusual moves of the staff of shops, I suppose one should check if there are any furtive moves to take the card to some secret corners. Skimmers are mainly used to steal the data stored in credit cards. It is very normal for the service staff of a shop to swipe the credit card of a customer once at the cashier's counter before asking the customer to sign on the slip. However, if they take the credit card to the inside of the shop or any places other than the cashier, I think the public have to be on the alert.

MR NG LEUNG-SING (in Cantonese): *Madam President, in part (c) of his main reply the Secretary says that it is very difficult to detect crimes involving the theft of credit card data by the service staff of shops. In that case, may I ask whether there is actually any great difference between the detection rate of such crimes and that of other crimes involving the theft of credit cards?*

SECRETARY FOR SECURITY (in Cantonese): I have not got any information on hand about the detection rates, nor do I know if there is any such analysis. I have to go back and check. I do not know if Mr NG Leung-sing is talking about the difference in detection rates between the use of stolen credit card data to produce fake credit cards and the use of credit cards belonging to others. I have not got any such information at hand.

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary asks us to tackle by our own means. But I would like to ask the Secretary whether anything concrete has been done to detect such cases for credit card holders? One way to detect such cases is to conduct "undercover" operations. I wonder if the police have done anything like this?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we do conduct intelligence-based operations. In past operations, we were able to uncover a number of counterfeit credit card syndicates and arrest some people. And, in addition to conducting intelligence-based operations in Hong Kong, we also maintain frequent contacts with overseas enforcement agencies, because as we all know, nowadays, credit cards are used not only in Hong Kong, but also all over the world. Therefore, it is also very important to co-operate with overseas enforcement agencies. In this connection, we will continue with our existing practices: first, we will conduct more intelligence-based operations, including the so-called "undercover" operations; second, we will maintain intelligence exchanges with the enforcement agencies of other countries.

MR JAMES TO (in Cantonese): *Madam President, part (a) of the main question is asking about the number and details of such cases. Yet the Government seems to be saying that the police have no such statistics. I think this is unimaginable. Since it is the banks in Hong Kong which will eventually suffer the loss, such acts in fact constitute criminal offences that should be indictable in Hong Kong. May I ask the Secretary whether it is because the banks choose not to report to the police, or because the police simply have no such statistics? Has the Government ever enquired about such statistics with the Hong Kong Monetary Authority (HKMA), which is responsible for the supervision of banks, requesting it to check carefully if there is any substantial loss? It is impossible*

that the Government has no such statistics. If this is really the case, it will be very odd. I also hope that the Government can check with other places to see whether they really do not have similar statistics too. If such statistics are similarly not found in the rest of the world, in the United States, Europe, Japan, for example, what then are the reasons? It is really difficult to understand.

SECRETARY FOR SECURITY (in Cantonese): Madam President, this question is about the use of fake Hong Kong credit cards outside the territory. Very often, overseas police may not necessarily report these cases to the Hong Kong police. When overseas police find Hong Kong credit cards, the cards may have already been used. Sometimes, even if they have detected some cases and seized some fake Hong Kong credit cards, they may not necessarily inform the Hong Kong police. That is why we do not have such detailed information.

As for Mr James TO's supplementary question on whether it is true that we have no information at all, I must say it is not entirely the case. We do keep records of the number of persons arrested, prosecuted and convicted for card-related crimes in Hong Kong. However, it is just an overall figure, covering the total number of persons using fake credit cards inside and outside the territory. For example, in 2002, 2 204 fake credit cards were seized and 128 persons arrested. In that year, a total of 12 666 000 credit cards were in circulation in Hong Kong, so 2 204 cards represented only a small percentage. In 2003, totally 12 260 000 credit cards were in circulation. We seized a total of 1 599 fake cards, and 199 persons were arrested for crimes relating to fake credit cards. We do manage to detect some of these cases, but we only have some overall statistics on the number of persons using fake credit cards overseas and in Hong Kong as a whole. Since the enforcement agencies of other countries may not necessarily inform us of their situations, we do not know the total number of such cases.

MR JAMES TO (in Cantonese): *He has not yet answered whether the HKMA has such information.*

SECRETARY FOR SECURITY (in Cantonese): I will check with the HKMA to see if they have such information. (Appendix II)

DR TANG SIU-TONG (in Cantonese): *Madam President, the Government says that it is difficult to tackle the theft of credit cards and the use of fake credit cards. May I ask the Government whether it has ever discussed with credit card issuers the implementation of other security measures, such as card-holders' physical features, so as to safeguard the usage of credit cards?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the police hold regular meetings with the banks and card issuers to discuss how concerted efforts can be made to prevent and detect card-related crimes. We will continue to maintain close contacts and communications with the industry, and we will also seek to ensure effective exchanges of intelligence. Naturally, better security features for credit cards will surely play a positive role in preventing credit card theft. But since the enhancement of security features will require money, the police can only give opinions, in the end, it is up to the industry itself to decide whether or not to do it.

MR HENRY WU (in Cantonese): *Madam President, the Secretary has just said that when dining in restaurants, we must be careful, lest our credit card data may be stolen. After listening for such a long time, I would like to ask the Secretary whether he actually knows of any better measures, or whether he has learnt of any better measures from card issuers? Very often, in car rental centres overseas, the staff will swipe the credit card in front of the cardholder. Certainly, this may involve the problem of money, but will the Secretary also consider the idea of requesting card issuers to do something more to reduce the incidence of credit card theft?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, as stated in my main reply, people should also take care of their personal property and heighten their vigilance when using their credit cards. As regards Mr WU's suggestion that card issuers and shops may require their service staff to do swipe the cards in front of customers, we can convey his idea to card issuers and the industries concerned, but not all industries are able to do so. As we all know, if this practice is adopted, there will be a need to install many "swipe machines". Currently, in a restaurant, for example, only one "swipe machine" is installed at the cashier. But if card-swiping is to be done in front of each customer, there will have to be many more "swipe machines". In such case, will this lead to

another undesirable situation? If there are far too many "swipe machines", will the information of the cardholder be stolen when the card is swiped? Regarding this point, we will discuss again with the industries concerned.

DR RAYMOND HO (in Cantonese): *Madam President, in part (c) of his main reply, the Secretary says that in some cases, the credit card information stolen by the service staff of shops may be used to produce fake credit cards for use locally or in other places. If the card issuer concerned learns of such cases, is it obliged to report to the police? Or, is it correct that card issuers are not required to report to the police?*

SECRETARY FOR SECURITY (in Cantonese): I first have to make sure that I understand Dr Raymond HO's supplementary question properly. Is he asking whether card issuers have the obligation to report to the police when they find some credit cards issued by them stolen? I think a good citizen should do so because this can help the police smash criminal syndicates. If they do not report to the police even when the credit cards issued by themselves are stolen, it will not be possible for us to carry out any investigation. Is Dr Raymond HO's supplementary question relating to the existence or otherwise of any statutory requirements?

DR RAYMOND HO (in Cantonese): *Madam President, my supplementary question is about whether or not there are any provisions requiring them to report to the police.*

SECRETARY FOR SECURITY (in Cantonese): I think there is no legislation requiring card issuers to report to the police when they find any credit cards issued by them stolen. Yet this is only my understanding. Common sense, however, tells us that they should do so.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary for Security has just said that there were 2 204 cases involving the use of fake credit cards in 2002, and the information I have reveals that 143 fake cards were seized in 1998, meaning that in a span of just several years, there was a drastic increase in the number of such cases. Will the Secretary please tell us the*

number of cases involving the theft of credit card information but not the physical loss of cards? Will he also tell us the number of cases involving the use of such fake credit cards in Hong Kong? How are these fake cards used? In what kinds of shops are they used? Have you done any analysis of the above in respect of the situation in Hong Kong?

SECRETARY FOR SECURITY (in Cantonese): The figure I have just mentioned covers the use of fake credit cards inside and outside the territory. As regards the figure involving the use of fake credit cards inside the territory only, I have to check and clarify with the police before answering Mr LAU Kong-Wah. (Appendix III)

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

MR NG LEUNG-SING (in Cantonese): *Madam President, may I continue to ask the Secretary whether the investigation into cases of service staff stealing credit card data have ever revealed any involvement of shop owners? Is the situation serious?*

SECRETARY FOR SECURITY (in Cantonese): As far as my understanding goes, there are very few cases involving shop owners. It is basically service staff or shop assistants who have connections with crime groups, and the stolen data are then sold to counterfeit credit card syndicates.

PRESIDENT (in Cantonese): Third question.

Construction of Public Golf Courses

3. **MR SIN CHUNG-KAI** (in Cantonese): *Madam President, the Jockey Club Kau Sai Chau Public Golf Course (the Golf Course) is currently the only public golf course in Hong Kong. The City University of Hong Kong (CityU) conducted a study in 2003 on the effectiveness and feasibility of constructing a*

new golf course in Hong Kong. The study results indicate that about 500 000 trips were made by Hong Kong people to the Pearl River Delta (PRD) Region for playing golf every year. Their cumulative expenditures amount to about \$563 million. It is expected that a new golf course in Hong Kong can generate revenues of \$60 million each year and create 388 posts, among which 350 are for unskilled workers. In this connection, will the Government inform this Council:

- (a) whether it knows the average utilization rate of the above public golf course in the past three years and whether the course has made profits, losses or achieved a breakeven;*
- (b) whether the authorities have conducted a study on the economic benefits generated by the construction of a public golf course, including whether the construction and utilization of the course can create more local employment opportunities and tie in with the development of tourism so that more golf-lovers can be attracted to Hong Kong; if no such study has been conducted, of the reasons for that; and*
- (c) of the criteria adopted by the authorities for determining whether a new public golf course should be constructed and whether they have drawn up the construction plan concerned; if so, of the location of the course and the timing for construction; if not, the reasons for that; whether the authorities have received indications of interest in constructing a public golf course from organizations other than the Hong Kong Jockey Club (HKJC); if so, of the details?*

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

- (a) The Golf Course is one of the community sports projects co-organized by the Hong Kong Special Administrative Region Government and the HKJC. The Golf Course consists of two 18-hole golf courses and a driving range. The land was provided by the Government and a sum of \$500 million was donated by the HKJC to construct the facilities of the Golf Course. The aim was to promote golf among Hong Kong people by allowing them to use the facilities for the sport without the prerequisite of acquiring membership. In accordance with the memorandum concluded

between the Government and the HKJC in 1994, the HKJC would manage the Golf Course on a self-financing basis. All of the surplus generated should be used to develop and upgrade the facilities of the Golf Course. The Golf Course started its operation officially in 1995.

In the past three years (that is, 2000-01, 2001-02 and 2002-03), the utilization rate of the Golf Course was 74% during weekdays and 94% during weekends and holidays, resulting in an average utilization rate of 84%.

Information from the HKJC reveals that in the past three years, the Golf Course has generated an average surplus of \$19.5 million from its operation each year. After deducting the depreciation charges for the amortization of the initial capital costs of the Golf Course, however, the Golf Course experienced an average book annual deficit of \$9.5 million in the past three years.

Apart from the Golf Course, there are presently five privately operated golf courses in Hong Kong which are situated in Fan Ling, Deep Water Bay, Clear Water Bay, Shek O and Discovery Bay respectively. Except the one in Shek O, all of the other four golf courses are open to public use on a limited basis.

- (b) The Tourism Commission and the Hong Kong Tourism Board (HKTb) have not conducted any focus study on the benefits to the economy or tourism generated by the construction of a public golf course.

From the perspective of sports development, the Home Affairs Bureau mainly takes into consideration the local accessibility and acceptability, as well as the potential for development of a certain type of sport in its allocation of public resources to the sports facilities. As for golf, we are giving policy support to its development. Actual support is rendered by means of different channels and modes. For instance, we are providing annual funding to the Hong Kong Golf Association (the Association) through the Sports Development Board on a recurrent basis and the

Leisure and Cultural Services Department (LCSD) is also funding the golf training courses organized by the Association. To tie in with the local development of golf, the Government also provides driving ranges in Tuen Mun, Kwai Chung and Tai Po besides the Golf Course in Kau Sai Chau in order to promote the sport and enhance the skill of the participants.

Apart from co-operating with the HKJC in the construction of the existing Golf Course, we also welcome submission of innovative and mutually beneficial proposals on the development of local golf courses from the private sector.

- (c) As a public golf course is not a population-based facility, there is no established planning standard. Since the construction of a golf course involves substantial resources, especially our precious land resources, the Government has to give serious consideration to the following factors before deciding whether a construction proposal should be implemented:
 - (i) the demand of local residents for such a facility;
 - (ii) capital and operating costs of the facility;
 - (iii) suitability of available sites;
 - (iv) ecological and environmental protection issues in site identification and construction; and
 - (v) a comparison of relative effectiveness, assuming that the public money is invested in other sports facilities.

Up to the present, we have not received any indication of interest in constructing a public golf course from any organization.

Nevertheless, in view of the increasing popularity of golfing amongst local residents, we have written to the HKJC to ask about their intention of developing a third 18-hole golf course in Kau Sai Chau. A definite reply from the HKJC is expected shortly.

Although apparently the demand of local golf-lovers for golf courses is fairly high, the planning for and construction of a golf course in Hong Kong are not easy at all. The implementation of a construction proposal will be subject to the compliance of geographical requirements, various assessments, including environmental and traffic impact assessments, as well as cost-effectiveness. The construction of a golf course in Hong Kong is also a comparatively controversial issue. For instance, the Sha Lo Tung golf course project in Tai Po proposed several years ago captured much public attention and triggered a lot of debate because of environmental protection considerations, and the project was finally shelved. As regards the feasibility study of the CityU quoted by Mr SIN Chung-kai, I learnt that the Director of Friends of the Earth (FOE) had raised several queries on its results and recommendations in the newspaper. As such, although our sports development policy encourages the development of golf sport, and despite the support and co-operation rendered to it accordingly, we still have to seriously consider the estimated impacts and effectiveness of investing substantial public resources in the construction of local golf courses.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, recently, the Government shows special concern over the middle class, and a large portion of the golfing population has been made up of the middle class. The Secretary explained in part (c)(i) of the main reply that the Government had to give serious consideration to the demand of local residents for such a facility. Given that the current utilization rate has exceeded 90% and so many people have gone north for playing golf, may I ask the Secretary for Home Affairs whether he considers the existing facilities in this respect (my emphasis is on facilities which are open to public use) insufficient? Has an adequate basis been formed for considering the development of a third public golf course?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, my reply to Mr SIN Chung-kai's supplementary is divided into two parts. First of all, it is about how we cope with the demand of the public for such a facility.

As I have explained in my main reply just now, apart from the Golf Course in Kau Sai Chau, there are five privately operated golf courses in Hong Kong, which are situated in Discovery Bay, Shek O, Clear Water Bay, Deep Water Bay and Fan Ling respectively, and the Government also provides driving ranges. The LCSD runs two outdoor driving ranges at Tuen Mun Recreation and Sports Centre and Wo Yi Hop Road Sports Ground respectively, and two indoor ones at Shun Lee Estate and Island East Sports Centre respectively. Besides organizing regular golf training courses at different levels, other events such as golf challenge days and competitions would be held from time to time with a view to allowing golf-lovers to exchange experience and to learn the skill from each other.

Secondly, why do so many local golf-lovers go north for playing golf now and what does it imply? As far as we know, there are about 168 golf clubs in the Mainland, in which 53 of them are situated in the Greater PRD Region. They would also help the development of the sport in our neighbouring regions. Due to the Mainland's rich land resources, the development and construction of golf course could yield high cost-effectiveness. In recent years, Guangdong Province, in particular the Greater PRD Region, has built 53 golf courses. They provide Hong Kong golf-lovers with more opportunities to participate in the sport. Moreover, in the wake of the fast growing transportation network between Hong Kong and the PRD Region, golf courses in the PRD Region may complement each other's strengths and provide the service that golf-lovers of Hong Kong would need, so as to fulfil the idea of mutual co-operation and sharing of resources.

Furthermore, since the uniqueness of the sport is to challenge courses of different degrees of difficulty, golf-lovers often visit golf courses of different designs in order to put their personal skills to the test. Various golf clubs in the Greater PRD Region have golf courses with different designs and degrees of difficulty; they are therefore rather attractive to golf-lovers who like to put their expertise to the test. Actually, golfers may improve their skills through practice and competitions in different golf courses. Following the signing of the Hong Kong, Guangdong and Macao Sports Exchange and Cooperation Agreement by the governments of the three places, local golfers are expected to have more opportunities to take advantage of golf course facilities in our neighbouring region, with a view to achieving the resources-sharing objective.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I wish to make a clarification. My supplementary was rather simple. The Secretary has made a detailed reply, but I am still unable to make out his reply. I hope the Secretary will give us a simple reply on whether there is a need to build a third public golf course? May I ask whether the reply you made just now has rejected the need, or do you think that even if there is a need, people should continue to go north for playing golf? Do you think that there is a need to develop a third public golf course in Hong Kong?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, the answer to Mr SIN Chung-kai's supplementary could be found in my main reply. Please allow me to repeat, we have written to the HKJC to ask about their intention of developing a third golf course. In the meantime, we are sure that there is room for the construction of one more public golf course in Hong Kong.*

MR TIMOTHY FOK (in Cantonese): *Madam President, I wish to raise a supplementary on the last part of the main reply. First of all, I wish to thank the Secretary for his support of constructing a new golf course, next, on behalf of the trade, I wish to ask whether consideration will be given to the development of more public golf courses in public places? Because it would take a long time for one to acquire the membership of a private golf club nowadays, besides, the cost is exceptionally high.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, with regard to golf courses which are open to public use, I have already discussed that in my reply just now. As to the construction of private golf courses, it is a matter to be determined by the market. At present, the Government has received several proposals concerning the construction of private golf courses; one of them comes from the Airport Authority, which proposes to construct a golf course in the surrounding area of the airport. Another sites include Sam Chung in Sai Kung and Sap Sze Heung on Sai Sha Road. These are private golf courses and now they are at the stage being studied.*

DR LAW CHI-KWONG (in Cantonese): *Madam President, the Secretary mentioned the feasibility study conducted by the CityU and the queries raised by*

the FOE in a fairly lengthy paragraph in part (c) of the main reply. May I ask the Secretary whether this Council could be informed of the matters being queried? In addition, what does the Government think of those queries? Can they be avoided and could any comment be made?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, in fact, with regard to Mr SIN Chung-kai's question, we have been trying every means to figure out the inside story in relation to the feasibility study conducted by the CityU in 2003, but we have come up with a result that the study was conducted for a case of breach of contract between private individuals and therefore could not be disclosed. However, at the same time, we have leafed through the report in the *South China Morning Post* dated 4 July 2003, which was about the response made by the Director of the FOE on the construction of a golf course. I would like to speak on the matter briefly.

The response aimed chiefly at three areas. Firstly, the proposal of constructing a golf course was criticized of being environmental-unfriendly. The speaker opined that valuable land should not be sacrificed for a rich man's game, and before providing recreation facilities to the rich people, we should as a matter of priority, take care of the healthy living condition that everybody is entitled to, as well as the improvement of our standard of living. Secondly, she doubted that local golfers would stay and play in Hong Kong because of a newly constructed golf course, instead of going north for playing in the Mainland's golf courses. She opined that prior to constructing the new golf course, environmental factors should be taken into careful account and the natural ecology should be preserved, because the construction of a golf course required the cutting of trees, which would cause Hong Kong to suffer great losses and the air quality to deteriorate. Thirdly, this Director also cast doubt on the saying that a new golf course would create new job opportunities, because the greens of a present-day golf course are mostly irrigated by machines.

DR LAW CHI-KWONG (in Cantonese): *Madam President, my supplementary was not about what others have said. In fact, my supplementary was whether the Secretary thought that those queries could be resolved, but he just mentioned the opinions of other people and failed to answer how the problem could be addressed.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, just now I said so much because I wish to demonstrate that the Government has to balance out the needs of all parties concerned: we have to take care of the needs of sports enthusiasts, and we have to watch over our existing resources as well, in particular land resources and environmental resources. We have to strike a balance between the two.

PRESIDENT (in Cantonese): We have spent more than 18 minutes on this question. This is the last supplementary question.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary explained in part (b) of the main reply that the HKTG had never conducted any focus study on the benefits to the economy or tourism arising from a public golf course. May I ask whether the Secretary has listened to and received the suggestion we repeatedly made for the Government's consideration, that is, inbound tourists definitely need some golf course services. Meanwhile, with regard to the existing Golf Course in Kau Sai Chau, firstly, tourists are charged fees higher than ordinary people; and secondly, users are required to make booking seven days in advance, therefore, it is virtually quite difficult for visitors to use the facilities. May I ask the Secretary, in the course of considering whether the construction of a third golf course is needed, will he address as much needs of this kind as possible (that is, the needs of visitors, in particular those of the high-spending groups and commercial travellers) so as to ensure that certain economic benefits would arise from the golf course?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I wish to thank Mrs Selina CHOW for her reminder. In fact, information from the Tourism Commission shows that resort development plan comprises golf and spa facility is a better alternative as it may attract high-spending travellers. For that reason, we intend to look for certain sites to develop some high-end recreational resort facilities. In addition to the development of a third golf course, we would definitely take into consideration certain suggestions made by Mrs Selina CHOW.

PRESIDENT (in Cantonese): Fourth question.

Air Pollution and Its Impact on Health

4. **DR LUI MING-WAH** (in Cantonese): *Madam President, regarding the air pollution in Hong Kong and its impact on health, will the Government inform this Council whether it has conducted studies to find out:*

- (a) the sources of various air pollutants in Hong Kong and the changes in the concentration of these pollutants according to the authorities' air pollution index over the past five years; if it has, of the findings;*
- (b) the impact of changes in the air quality of the Pearl River Delta (PRD) Region on that of Hong Kong over the past five years; if it has, of the findings; and*
- (c) the relationship between the air pollution in Hong Kong and the local respiratory and heart diseases, and the number of persons who have contracted these diseases due to air pollution, as well as their percentage in the total number of patients who suffer from the diseases concerned; if it has, of the findings?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President,

- (a) The pollutants in the air in Hong Kong come from emission sources located in Hong Kong and in the other areas of the PRD Region. Taking the whole of the PRD Region, the percentage shares of the four major sources in the emission of the four major pollutants in the air are as follows:

Since air pollution is a complicated issue, I will try to explain in greater detail. I will classify the sources of pollution into three categories, namely, those in the energy sector and the industrial sector and those from motor vehicles. First, I wish to talk about the emissions from the entire PRD Region including Hong Kong, which is located in the same airshed. Firstly, the energy sector accounts for 54% of the sulphur dioxide (SO₂), 42% of the nitrogen oxides (NO_x) and 15% of the respirable suspended particulates (RSP) emitted by all sources in the Region. The industrial sector

accounts for 39% of the SO₂, 13% of the NO_x, 60% of the RSP and 11% of the volatile organic compounds (VOC) emissions. Motor vehicles account for 31% of the NO_x, 14% of the RSP and 55% of the VOC emissions. Consumer products containing VOC account for 23% of the VOC emissions. This is the situation concerning the emissions in the entire PRD Region including Hong Kong.

Taking only the major emission sources located in Hong Kong, their emission shares would be as follows:

First of all, the energy sector accounts for 86% of the SO₂, 54% of the NO_x and 35% of the RSP emitted by all local sources. The industrial sector accounts for 8% of the SO₂ and 16% of the VOC emissions. Motor vehicles account for 27% of the NO_x, 44% of the RSP and 25% of the VOC emissions. Consumer products containing VOC account for 53% of the VOC emissions. That is to say, in the figures I have provided, the emissions from Hong Kong are slightly different from those in other areas of the PRD Region. This is mainly attributable to the difference in industrial and energy outputs.

Over the past five years, the average concentrations of air pollutants recorded at the roadside air quality monitoring stations have been experiencing a downward trend: the average concentrations of SO₂, NO_x and RSP have dropped by 41%, 23% and 13% respectively.

As regards the situation at the general air quality monitoring stations, the average concentrations of SO₂ and NO_x have dropped by 6% and 11% respectively during the same period. The average concentration of RSP has risen by 4%. Furthermore, apart from the four major types of pollutants, there is also ozone. The average concentration of ozone has also risen by 18%. Ozone is not directly emitted from any source, and is formed under photochemical reaction between NO_x and VOC under sunlight.

- (b) As mentioned in part (a) above, the average concentrations of the major air pollutants as recorded at the roadside air quality monitoring stations have been dropping over the past five years. If we count the time when the air pollution index exceeded the level of

100, the reduction is 35% in the same period. The readings of roadside air quality monitoring stations indicate that the measures we have been implementing to reduce motor vehicle emissions over the past few years have effectively improved air quality at the roadside.

However, there has not been much reduction in the concentrations of pollutants in the ambient air. Taking RSP, its average concentration has been on an increasing trend. If we count the time when the air pollution index exceeded the level of 100, there has been an increase of 8%. This reflects that the problem of regional air quality has not improved much in relative terms, and its impact on the air quality in Hong Kong is particularly serious under certain meteorological conditions. To improve regional air quality, the Hong Kong Special Administrative Region Government and the Guangdong Provincial Government have jointly drawn up a Regional Air Quality Management Plan. I have reported the detailed contents of the Plan to the Panel on Environmental Affairs on 11 January 2004. (Appendix 1)

- (c) The Environmental Protection Department (EPD), the University of Hong Kong and The Chinese University of Hong Kong carried out a study on the correlation between air pollution in Hong Kong and its impact on health, that is, a correlation study in 2000. The study made use of air quality data and the data on daily admissions at 12 public hospitals of the Hospital Authority to assess the correlation between air pollution and respiratory and cardiovascular illnesses in Hong Kong. According to the findings of the study, the admission to hospital of 3 770 patients with respiratory illness and 3 970 patients with cardiovascular illness could have been correlated with air pollution. The numbers account for 4.2% and 5.8% respectively of the total number of patients admitted to the hospitals for respiratory and cardiovascular illnesses.

DR LUI MING-WAH (in Cantonese): *Madam President, I asked in part (b) of the main reply about the impact of the changes in the air quality of the PRD Region on that of Hong Kong over the past five years. The Secretary has not replied very clearly in this regard. What I want to ask is, despite the*

improvements made to local emission sources, the air quality has deteriorated, so to what extent is this undesirable situation (which is particularly pronounced during winter times) attributable to the impact of the PRD Region?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, it will be difficult to answer Dr LUI's question because we cannot clearly distinguish between the two types of air pollution, that is, to gauge how much of the substances in the air, for example, SO₂, actually wafted here from the PRD Region and how much is generated in Hong Kong. It is difficult to differentiate. However, as I have pointed out, we have two types of monitoring stations that can differentiate the two. The pollution detected by roadside air quality monitoring stations is definitely generated locally and we can see a downward trend in this regard. General air quality monitoring stations gauge the pollution levels of the air above them, so they indicate the condition of the entire region. As to emissions, they can of course be seen from the emission inventory. However, such information cannot be used to answer Dr LUI's query because our actual figures are still based on the benchmarks in 1997. These figures have been accepted by the Guangdong Province. In the past few years, we have been collecting data but still cannot ascertain the emissions from the Guangdong Province, so we are not in a position to give an answer. If Dr LUI accepts the figures in 1997, then taking SO₂ as an example, the PRD Region accounts for 87% of it and Hong Kong, 13%. If the total is 100%, then the proportion is 87% and 13%. As to NO_x, the PRD Region accounts for 80% and Hong Kong 20%; for RSP, the PRD Region in the Mainland accounts for 95% and Hong Kong 5%; for VOC, the Mainland accounts for 88% and Hong Kong, 12%. We do have these figures.

MS MIRIAM LAU (in Cantonese): *Madam President, it is evident from the figures provided in the main reply that the efforts made by the transport sector to improve air quality and pollution are not in vain. Roadside pollution has been reduced significantly, however, not only has general air pollution not improved, but on the contrary, it has also deteriorated. Obviously, regional air pollution does affect Hong Kong. We have implemented many measures in Hong Kong to improve air quality, including the introduction of ultra low sulphur diesel and liquefied petroleum gas (LPG) minibuses and taxis. However, these measures are not included in the prevention and remedial measures adopted by the*

Guangdong Province, that is, the use of LPG and ultra low sulphur diesel has not been included. May I ask the Secretary if, with the existing measures implemented in the Guangdong Province, including the ongoing measures being implemented in Hong Kong, there is really any chance of seeing a significant improvement in the air quality in Hong Kong and a drastic decrease in pollutants? If there should be a day when such a situation will occur, can the Secretary tell us if such a day will come and if so, generally speaking, in which year will this happen?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, we conducted a joint study on air quality in the region with the Guangdong Province from 1999 to 2002. We have already reached an understanding in the course of this study to adopt the emissions in 1997 as the benchmarks and based on these figures, we agreed to reduce the emissions of SO₂, NO_x, RSP and VOC in the PRD Region to 40%, 20%, 55% and 55% respectively before 2010. (Appendix 1) These are the targets that the governments of the two areas have agreed to achieve to the best of their endeavours. After achieving this target, I believe the air quality in Hong Kong will see a significant improvement. However, making improvements to air pollution takes time. This is what I have often said. Determining emission standards for the vehicle fleet or introducing improvement measures to the industrial and energy sectors all take time. Therefore, we have set 2010 as the target.

MR FRED LI (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply that the time when the air pollution index exceeded the level of 100 had increased 8% and this reflects that the problem of regional air pollution has not improved much. According to reports in the press, there are three areas in Hong Kong with the highest indices. For the year 2003, the most seriously affected district was Kwun Tong, followed by Kwai Chung and Tung Chung. The Government can set 2011 or 2010 as the target year but the problem is, if the situation in these districts are getting more serious by the year, has the Government adopted some special measures, no matter if they are short-term or medium-term ones, for these districts seriously affected by air pollution, so as to spare some thoughts for residents living in these districts. Is there any measure of this nature?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, in our air quality improvement plans, of course we have taken into account regional air quality — I have already said that an improvement plan is being carried out jointly with the Mainland. The air quality in Hong Kong is improving. Ms Miriam LAU has also said that after making improvements to the fuel used by taxis and minibuses, roadside air quality, that is, the air at the level that human beings breathe has in fact improved. As to the air at a higher level, that is, that around what are called general air quality monitoring stations, the rate of increase is 8%. Therefore, we have to work in both areas. Regarding the fact that some members of the public live in more polluted areas, what can be done? Of course, we also hope that there would be ways to make instant improvements, however, it is not possible for us to spray something into the air to reduce air pollution. Therefore, in the final analysis, it is only possible to deal with air pollution at their sources. Now we have to enhance the vapour recovery systems at petrol filling stations. In fact, we will table a piece of subsidiary legislation to the Legislative Council very soon to mandate this requirement aimed at drastically reducing the amount of VOC and improving air quality. After that, the standards on vehicle fuel and emissions from vehicles will be tightened. Concerning public buses, we have all along been working on this. We have requested bus companies to retrofit catalyst converters on all pre-Euro buses to reduce emissions.

In the area of industries, it is necessary to reduce VOC emission, generated during the printing process, from paints and consumer goods. We may not be able to deal with this area in this Legislative Session. We plan to introduce an additional requirement for this type of consumer goods in the next Session to provide for the amount of VOC, stipulate the levels clearly and require that the levels cannot be exceeded. Finally, we also require power plants to reduce emissions through air quality special permits, that is, through their operation permits. Of course, in this process, we also have to consider the issue of electricity tariffs and how a balance can be struck.

MISS CHOY SO-YUK (in Cantonese): *Madam President, to improve air quality, one rather desirable method is to use renewable energy resources and emission trading is also one of the more effective ways to control air pollution. May I ask the Secretary what is the timetable set by Hong Kong and the Guangdong Province for the development of renewable energy resources and for making progress on the emission trading scheme? In particular, what*

undertaking has the Guangdong Province made? The Secretary has already made it clear just now that as far as the major sources of air pollution is concerned, the Guangdong Province in fact accounts for a greater proportion of them.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, concerning the management plan made by the Guangdong Province and Hong Kong, the PRD Region will implement a series of measures. As regards the question of whether renewable energy resources will be used, this point is not specified in the plan, however, the plan nevertheless specified several points: firstly, to use clean energy sources. What do clean energy sources include? They account for a certain proportion of the overall national energy plan. Clean energy resources include renewable energy resources and as far as equipment is concerned, clean production technologies can be adopted; secondly, the control on the sulphur contents of fuels; thirdly, a reduction on emissions from coal-fired and oil-fired power plants; fourthly, the control on emissions from industrial boilers and industrial processes; fifthly, the reduction of emission of VOC from paints, and finally, the reduction of exhaust emissions from motor vehicles.

As regards when renewable energy resources will be used, the PRD Region and the Mainland do not have any timetable yet because their renewable energy resources will mainly be derived from the development of the western region in China. As to Hong Kong, we have given replies a number of times during other meetings, saying that we have drafted a report on renewable energy resources and at the level of our Bureau, we have concluded that the use of renewable energy resources is feasible in certain areas. How much renewable energy resources are we actually going to use in the next five or 10 years? We have some technical figures, but concerning feasibility, we have to reach an agreement with the Economic Development and Labour Bureau.

Regarding emission trading, we are playing a part in clean energy resources and the overall planning for power plants. We have recently been to Humen, where several power plants are either working intensely, have begun or will begin in the next five years to install desulphurization equipment. Some of them will achieve their targets in the middle of this year at the earliest. On emission trading, we are now discussing how emission levels below the quota allocated by the country can be attained so that the surplus emissions can be traded with Hong Kong. Such work have been underway for some time.

What poses greater difficulty is that since this issue involves two areas under the ambits of the Bureau of Energy and the Environmental Protection Bureau on the Mainland, we have to discuss each item with them separately.

PRESIDENT (in Cantonese): Council has spent more than 21 minutes on this question. I will now allow the last supplementary.

MS EMILY LAU (in Cantonese): *Madam President, I wish to ask the Secretary about part (c) of the main reply concerning the study carried out by the EPD, the University of Hong Kong and The Chinese University of Hong Kong. It is mentioned that in 2000, the incidences were more than 3 000 for respiratory illnesses and nearly 4 000 for cardiovascular illnesses. I would like to ask the Secretary, first, how do these incidence rates compare with those in other Asian cities? In fact, this study has been carried on for five years, from 1995 to 2000. Since the situation is deteriorating, we are very concerned about this. Second, will this study be ongoing?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, the study is actually very academic. We collected the air pollution indices for the past five years and after collecting the relevant data, that is, the statistics, a correlation study would be conducted. That is why so much data is required. However, a trend has not actually been observed yet. Our major objective is to examine if there is a correlation and whether they are related. Even if they are related, this does not mean that if the index today is high, then the incidence rate today will also be high, since there is also some lag time. Therefore, the two universities have spent a lot of time on this study to see what the pattern is. First, it is necessary to establish if there is indeed a correlation. In this regard, these two studies have accomplished the first step, and a lot of — I do not know how to say this in Chinese — "confounding factors" were found and they have exerted a great deal of influence. We have not yet conducted this study in detail, however, I can tell Ms LAU that we will continue with this study. Regarding comparisons with the conditions in other places, the EPD has adopted the general method of calculation suggested by the World Health Organization (WHO). That means if the calculation method of the WHO is adopted, the admission to hospital of 9 900 persons could have been correlated with air pollution. This indicates that the results of the

studies in Hong Kong tally in extent with the general information gathered by WHO. Our figures are neither particularly high nor low. We have quite a bit of confidence on their accuracy. On making comparisons with other places in Asia, we do not have data on this. We are now trying to collect the information and will provide it to Ms LAU if we can get hold of it. (Appendix IV)

PRESIDENT (in Cantonese): Fifth question.

Vacancy Rate of Po Tin Interim Housing in Tuen Mun

5. **MR TAM YIU-CHUNG** (in Cantonese): *Madam President, I have learnt that the vacancy rate of Po Tin Interim Housing in Tuen Mun is very high, resulting in poor business of a nearby Housing Authority (HA) market. In this connection, will the Government inform this Council:*

- (a) *of the number of vacant units and its percentage in all units of Po Tin Interim Housing in each of the past three years, and the number of applicants who did not move into the units after completing the intake formalities;*
- (b) *whether it has plans to refurbish Po Tin Interim Housing units for upgrading to public housing units and rent them at a lower rate; if it has, of the details; if not, the reasons for that; and*
- (c) *whether it will establish a mechanism to adjust the stall rentals of the nearby HA market according to the quarterly occupancy rate of Po Tin Interim Housing, so as to reflect the actual operating environment; if it will, of the details; if not, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, my reply to the three-part question is as follows:

- (a) Interim Housing provides temporary accommodation to households with urgent housing need but are not immediately eligible for public rental housing. Given its transit nature, Interim Housing usually features high tenant turnover. Po Tin Interim Housing in Tuen

Mun has 8 736 flats in total. The numbers of vacant flats and vacancy rates of Po Tin Interim Housing in the past three years are at Annex A.

According to the Tenancy Agreement, public housing tenants are required to live in their flats continuously. To prevent abuse of public resources resulting from prolonged non-occupation, the Housing Department has put in place a number of measures, such as conducting regular inspections, monitoring records of rent payment and readings of water or electricity meters, as well as investigating reports or complaints of non-occupation from other tenants. Notwithstanding, there are occasions whereby tenants may, for various legitimate reasons, leave their flats vacant for a short period of time. We do not have information on these cases.

- (b) We will study in detail the Honourable Member's proposal to convert some of the flats in Po Tin Interim Housing into public rental housing. In fact, some tenants of Po Tin Interim Housing have recently requested us to let them stay in Po Tin Interim Housing in accordance with their preference when their turn for public rental housing allocation is due. This suggestion is worth considering and pursuing as it can help to minimize the impact of re-housing on tenants' daily habits, study, work and social network. Should we decide to implement this proposal, we will take into account the smaller size of Interim Housing flats in comparison with regular public rental housing flats during allocation and determination of rent.
- (c) Po Tin Market is managed and run by Single Operator. Since January 2003, the HA has been providing a special rent rebate arrangement for the Single Operator in Po Tin Market in view of the relatively high vacancy rate of Po Tin Interim Housing. Under this arrangement, the Single Operator enjoys rent rebates commensurate with the monthly occupancy rate. The detailed calculation of the monthly rent rebates is at Annex B.

While the rent rebates are given to the Single Operator directly, the Single Operator must pass on the rental concessions to the market stallers on a pro-rata basis. However, this arrangement is not

applicable to stallers commencing business or renewing their agreements after 1 May 2003 because the substantial fall in the rental levels stipulated in the agreements has truly reflected the latest actual situation of operation. As a result, the stallers have been able to enjoy competitive rents at a market value without rent concessions.

Annex A

Vacancy Situation at Po Tin Interim Housing

<i>Year (as at 31 December)</i>	<i>No. of Vacant Flats</i>	<i>Vacancy Rate</i>
2001	1 663	19%
2002	3 131	36%
2003	3 599	41%

Annex B

Calculation of Rent Rebates to
the Single Operator of Po Tin Market

<i>Letting Rate of Flats</i>	<i>Percentage of Rent Payable</i>
over 90%	100%
over 80% to 90%	85%
over 70% to 80%	70%
over 60% to 70%	60%
over 40% to 60%	40%
over 20% to 40%	20%
20% or below	10%

MR TAM YIU-CHUNG (in Cantonese): *Madam President, I welcome the Secretary's indication in part (b) of the main reply of his willingness to study in detail the proposal of converting some of the units in Po Tin Interim Housing into public rental housing units. How long will the study take? While the study is*

being carried out, will the Government consider modifying and enlarging the toilets in the units of Po Tin Interim Housing? Many people are reluctant to move to those units because they find the toilets so small that they can hardly turn around once inside.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese):

Madam President, I already stated earlier that Po Tin Interim Housing is a relatively new Interim Housing facility. The flats provided therein are self-contained and consistent with standard public housing in terms of facilities and standards. Community facilities, such as schools, health centres for the elderly, a variety of shops, markets, and so on, are available in the neighbourhood. Furthermore, it is conveniently located. As stated by Mr TAM earlier, in order to reflect its nature as Interim Housing, Po Tin Interim Housing units are relatively small. As pointed out by Mr TAM earlier, there is indeed a problem with the toilets. We must overcome this problem because the toilets are indeed quite small. Given their original design, it would be difficult for us to do anything to enlarge the toilets. Having said that, we may consider making the unit more spacious by allocating a three-person unit to two people, so as to slightly improve their living conditions. We will study this idea in detail to examine what matching measures can be adopted to bring their quality of living closer to those living in ordinary public housing units. In this respect, we still have to make some extra efforts. As Mr TAM remarked earlier, we will do our best according to what has been planned.

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan. A moment please. Mr TAM, has your supplementary question not yet been answered?

MR TAM YIU-CHUNG (in Cantonese): *The Secretary has not yet answered my question concerning the duration of the study. He has not indicated when the study is expected to be completed.*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese):

Madam President, the study will be carried out as soon as possible. However, I cannot casually give Mr TAM a timetable. In short, Members can rest assured that we are addressing the problem and will tackle it as soon as possible. I will perhaps inform Members of the relevant progress in writing. (Appendix V)

MR LEE CHEUK-YAN (in Cantonese): *Madam President, Members will see that the vacancy rates are extremely high by simply referring to Annex A. We can tell from the vacancy rates of 36% and 41% in 2002 and 2003 respectively that the problem with the vacancy situation did not emerge only recently. The vacancy rates in the previous two years were already very high. On the problem with the vacancy rates, can the Secretary tell us whether the Government has reviewed the causes of the problem and what measures will be adopted to resolve it? These figures have obviously reflected that public housing or interim housing resources have been wasted. What has the Secretary done after learning about the figures? Or does he prefer waiting without doing anything?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, as mentioned by me earlier, Interim Housing serves a number of purposes. For instance, it seeks to provide accommodation for people affected by natural disasters or government clearance, as well as those not immediately eligible for public housing. As such, the number of clearance operations is a major deciding factor. It should be borne in mind that there was a greater need for Interim Housing in the past because there were a greater number of clearance operations, rooftop-squatter removals and non-compliance cases. During the past several years, however, the waiting time for public housing has been shortened significantly owing to a more abundant supply of public housing and co-ordinating policies. Many people who previously had the need for Interim Housing are no longer required to go through the same process.

This reflects the problem with the initial number of Interim Housing units. Tens of thousands of Interim Housing units can now be found in several parts in Hong Kong. We are now considering this because the number of Interim Housing units required at the moment seems to be lower than estimated. This is one of the reasons why we are considering ways to convert Po Tin Interim Housing. This case is easier to handle because, as mentioned earlier, Po Tin Interim Housing, being a new development, is equipped with supporting facilities as it was specially designed for the area. The condition of other housing estates is less ideal since there is a lacking of comprehensive supporting facilities. However, now we cannot evade the problem either. Nevertheless, we will first deal with Po Tin Interim Housing before progressively examining ways to convert unnecessary Interim Housing units into public housing units, and in this connection, complementary efforts will be made. Nevertheless, with regard to time, we have to take this first step.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the extremely high vacancy rates are shown in Annex A of the main reply. This is indeed predictable because of the remote location of Po Tin Interim Housing. Despite the Government's housing arrangement, many people affected by clearance and redevelopment have found it impossible to live there. Concerning the proposed changes, has the Government considered offering transport allowance to people being rehoused because of clearance, redevelopment, or natural or man-induced disasters? The location is indeed too remote. I recall in the discussions held by Legislative Council Panel on Housing on Po Tin Interim Housing years ago, we have already criticized the remoteness of the location. Has the Government considered taking such remedial action since the current vacancy rate of up to 41% is really alarming?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): *Madam President, we have not come up with a formal means of offering subsidy. Insofar as rents are concerned, transportation accessibility will definitely be considered because this is indeed a burden. In determining rents, we will consider these factors to enhance the attractiveness of a housing estate. This is what we are going to do. We consider the means of subsidy suggested by Miss CHAN too direct; we will consider adjusting the rents instead.*

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary said he would consider converting Po Tin Interim Housing into public housing. In addition, three old public housing blocks in Kwai Chung would be converted into Interim Housing too. Given the poor condition and facilities of these three blocks of over 30 years, the Housing Department has to keep on spending a large sum of money on maintenance. Apart from a waste of public money, great inconvenience is encountered by the residents in their daily lives. What will the Secretary do to address these problems? The Secretary has indicated earlier that he would consider converting Interim Housing units into public housing units. Will Interim Housing in such a dilapidated state be converted to public housing as well? Will the Secretary thoroughly consider resolving the problems with the three housing blocks to make it unnecessary for people having the need for Interim Housing to live in such dilapidated buildings and worry about concrete-peeling anymore? Are there any long-term solutions to these problems?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I completely agree there are problems as stated by Mr LEUNG. However, we have to bear in mind that our initial intention was to prevent Interim Housing from concentrating on certain parts of the territory. Much hardship would have been caused if all Interim Housing units were as remote as Po Tin Interim Housing. For this reason, several old housing blocks in Kwai Chung have been retained for use as Interim Housing, and this was what happened at that time.

As I stated earlier, this problem has to be resolved, particularly when there is a diminishing demand for Interim Housing at the moment. As our first step, we have to deal with Po Tin Interim Housing. This is because Po Tin Interim Housing, despite its small size, was built according to our current standards, and it is well equipped with matching facilities. Therefore, this is going to be our first step. I have also said earlier that we will consider ways to deal with other Interim Housing units, such as those in Kwai Chung, after completing the first step. We will definitely not, as remarked by Mr LEUNG earlier, vacate the existing occupants and arrange other people to move in. Members should know that this is not a suitable solution. We will actively consider options like repairs or renovation after vacating the buildings. Actually, I have no idea what will happen because the matter has not yet been finalized. Nonetheless, upon acquiring these resources, we can examine how to utilize these resources in the best manner. We have not commenced our work in this area at the moment. As I said earlier, we will proceed with this task after finishing our work with respect to Po Tin Interim Housing.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, is there a long-term solution for the problems? Actually, there is a minor point I have missed. Insofar as long-term solutions are concerned, the housing problem aside,*

PRESIDENT (in Cantonese): Mr LEUNG, which part of your supplementary question has not yet been answered?

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I should perhaps come back to the long-term solutions. The Secretary has not answered what the Government will do to deal with existing occupants. As I mentioned earlier, life*

is not easy for them as they have to constantly face the concrete-peeling problems.

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, insofar as the existing occupants of Interim Housing are concerned, some of them were not yet qualified for public housing and some failed to meet the residency requirement when they moved into Interim Housing. With the passage of time, or upon the confirmation of their eligibility, they will then move to public housing. This is one of the major factors attributing to the high tenant turnover of Interim Housing. We definitely have to deal with the tenants properly. At the same time, we have to carefully consider the future redevelopment of housing estates too.

MR CHAN KWOK-KEUNG (in Cantonese): *Madam President, owing to the remoteness of Interim Housing and the fact that a number of people are working in urban areas, they prefer renting a bed space or a smaller room in urban areas. I would like to ask if it is possible for the Government to consider helping these people who live in urban areas by offering them rental allowance to make it no longer necessary for them to live in Interim Housing. Has this option been considered?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, special ways will certainly be considered to help those people especially in need. However, we will have deviated from our established housing policies in terms of continuity and integrity if we do so. We are considering offering rental allowance to people eligible for rehousing instead of Interim Housing tenants. However, we note that a certain measure of difficulty will be encountered should rental allowance be offered as a substitute, for there will be an enormous financial burden on expenditure. Most importantly, expenditure on administrative support will rise as a result. For instance, is the amount of financial assistance going to be fixed indefinitely, or will it be adjusted at a regular interval? Moreover, will occupancy verification be required? We must consider the expenditure involved and the effect if we do so. This is why,

though we have always maintained that we will consider the feasibility of this option, we are still not certain that this is going to work out. Given that we have not yet been able to deal with ordinary qualified public housing tenants, we have not put Interim Housing on our agenda.

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

MR ALBERT CHAN (in Cantonese): *Madam President, the rent exemption offered by the HA to shop lessees is determined on the basis of the vacancy rates. However, the Secretary has indicated in the main reply that there is no information on the actual occupancy rates. According to my knowledge, a number of rented units are left unoccupied, mainly for reasons related to work and some other aspects. This has resulted in an even lower utilization of the market and shopping arcade, with proprietors finding it extremely difficult to do business. Given these special circumstances and factors, and the fact that the Housing Department, rather than the tenants, should be held responsible for the high vacancy rate because of its arrangement and management blunders, will the Secretary consider offering further rent reductions to these shop and market lessees to enable them to ride out their difficulties?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, we have actually considered the issue raised by Mr CHAN before. As mentioned in my main reply, we will check tenants' occupancy through different channels on a monthly basis, such as inspecting their records of payment of electricity charges, water charges, and so on, to ascertain if such payment has not been made during the past three months. We have taken actions to follow-up these cases. Last year, we have investigated more than 50 such cases. This year, the situation is found to be worsening, since more than 100 such cases require follow-up actions. This shows that ongoing efforts have been made in this area. Tenants confirmed to have failed to move into their allocated flats will be disqualified.

MR ALBERT CHAN (in Cantonese): *Madam President, the Secretary has not answered my question. I did not mean to tell the Secretary to evict the tenants*

not residing in their allocated flats. I just told him to help the shop and market lessees by reducing their rent because there will be no business if less people are actually living there. Madam President, the Secretary has misunderstood my question.

PRESIDENT (in Cantonese): Mr CHAN, you are not to "tell" the Secretary to do anything. You may instead ask whether he will consider your suggestion.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I think I have not misunderstood Mr CHAN's question. I have merely answered his question in a different manner. We will endeavour to ensure that the tenancy rate accurately reflects the occupancy rate. We will take action against people who are not actually living there. The number of such people will then be excluded to ensure that our information accurately reflects the occupancy rate.

PRESIDENT (in Cantonese): Last oral question.

Cold Shelters

6. **DR DAVID CHU** (in Cantonese): *Madam President, with regard to the death of two persons in a cold shelter operated by the Home Affairs Department (HAD) at the end of last month, will the Government inform this Council of:*

- (a) the details of the management of such cold shelters; and*
- (b) the support and assistance rendered by the HAD to people who take refuge in such cold shelters?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the Government always cares about the less advantaged and proactively provides assistance to those in need. In emergency situations, as in the case of cold weather, the HAD is responsible for the operation of temporary cold shelters (TCSs) to help those in need to ride out difficulties.

As most of the people who seek shelter in TCSs are street sleepers, I would first brief Members on the services provided by the Government to street sleepers.

Services are provided to street sleepers by 66 Family Service Centres and Integrated Family Service Centres, as well as three outreaching teams of the Social Welfare Department (SWD), and also by non-governmental organizations (NGOs). The aim of such services, which include counselling services, accommodation assistance, day centres, emergency relief fund and referral services, is to help them to get out of the predicament and be self-reliant.

The SWD has implemented a three-year plan which lasts from April 2001 to March 2004. One of the main tasks is to help street sleepers who are relatively young and have working abilities but are temporarily unemployed to seek employment. Late-night outreaching services are provided to street sleepers through three NGOs (namely St. James' Settlement, the Salvation Army and Christian Concern for the Homeless Association) and arrangements are made for these street sleepers to receive the services, including accommodation service, provided by the above three organizations and other NGOs. The three NGOs also provide immediate and direct assistance to street sleepers with genuine financial difficulties. Financial assistance covers rental deposits and expenses, medical fees, job-seeking expenses and daily living expenses.

As for outreaching services, the late-night outreaching teams proactively pay visits from 10.00 pm to 2.00 am three or four days a week to street sleepers, particularly those who only return to their sleeping places late at night.

Regarding accommodation, from September 2001 to December 2003, the SWD and the three abovementioned NGOs had helped 1 187 street sleepers leave the streets and move to public housing units, interim housing, short-term hostels, transit centres or private rental units.

As at the end of December 2003, a total of 17 short-term hostels and transit centres with a capacity of 1 241 have been established by NGOs with government subsidies, Lottery Fund's provision and other financial assistance. In general, the occupation rate of government-subsidized accommodation is about 70%.

According to the computerized Street Sleepers Registry, there has been a steady decline in the number of street sleepers over the past three years, reducing from 1 203 in April 2001 to 529 in December 2003. In the light of the above figures, we believe that there is sufficient capacity to accommodate all street sleepers. However, some of the street sleepers choose not to accept the services offered by the Government.

Each year before cold weather sets in, the SWD and NGOs take the initiative to visit street sleepers in local districts and hand out blankets and warm protective clothing to them through outreaching teams. District Offices (DOs) also distribute leaflets to street sleepers, informing them of the location of various TCSs. When temperature plummets or cold weather persists, outreaching teams will assist or persuade needy street sleepers to move in hostels or TCSs.

As regards the question of Dr CHU, I would like to elaborate on the details of the operation of TCSs.

Firstly, I would like to point out that regarding the incidents in which two persons seeking shelter in a TCS were found unconscious and certified dead in the hospital at the end of last month, initial investigations of the police revealed that it was not directly related to the cold weather.

As regards the operation of TCSs, the HAD will open a number of its community centres as TCSs to provide emergency service when the Hong Kong Observatory forecasts the overnight temperature to drop to 12 degrees Celsius or below in the urban area or issues a cold weather warning. The primary aim is to provide temporary shelter to street sleepers and other needy people during cold spells.

Since community centres are open to the public for holding various activities such as meetings, interest classes or Tai Chi classes in the daytime, TCSs will provide services from 5.30 pm to 8.30 am the next day. If the Hong Kong Observatory forecasts that temperature will plunge at night, we will operate TCSs within one and a half hour. If the trigger point is reached in the daytime, the operation will begin at 5.30 pm on the same day.

The daily operating hours of TCSs will be posted at conspicuous places of the DOs and the addresses of TCSs will be displayed at the Public Enquiry Services Centres of the DOs. When the TCSs are in operation, shelter-seekers will be provided with blankets, mattresses, hot water, disposable cups and hot meals including cup noodles and meal boxes. Masks will also be provided as required. TCSs are equipped with heaters and heating tubes to maintain room temperature which is normally maintained at 16 degrees Celsius or above.

Shelter-seekers may stay in or make use of other facilities of the community centres outside the operating hours of TCSs. For instance, in the Nam Cheong District Community Centre or Henry G. Leong Yaumatei Community Centre, shelter-seekers may use the reading room on the first floor. The community centres are provided with chairs, heaters and heating tubes to cater for the needs of shelter-seekers.

It was reported in the press that some individuals had abused the service. In fact, to ensure that food is given to people genuinely in need at TCSs, shelter-seekers are required to register at the TCSs and confirm that they will stay in the shelters on the same night. Notices are posted in TCSs to emphasize that meal boxes will only be provided to shelter-seekers and should not be taken away. We will monitor the situation closely to ensure proper utilization of resources.

With regard to hygiene and cleanliness, TCSs are equipped with temperature guns to measure the body temperatures of shelter-seekers when the need arises. Shelter-seekers are also required to declare their health condition. Staff of the TCSs will pay close attention to shelter-seekers and advise those who feel unwell to seek prompt medical treatment.

When TCSs are in operation, DOs will provide additional manpower to assist in the registration and cleansing work, and security guards will also be deployed to perform duties at TCSs.

In addition, the HAD has requested the district offices of the SWD to provide supporting services to shelter-seekers as required by different TCSs. For instance, Yau Tsim Mong District Social Welfare Office sets up a help desk at the TCS in the Henry G. Leong Yaumatei Community Centre to provide counselling and referral services to the people in need, while Tsuen Wan/Kwai

Tsing District Social Welfare Office arranges for members of family support networking teams to distribute service leaflets and provide referral services at the TCSs in the Lei Muk Shue Community Hall and Tai Wo Hau Estate Community Centre.

Moreover, at the request of the HAD, the police has deployed additional manpower to the TCSs to curb drug trafficking, drug abuse and other illegal activities. Taking the Henry G. Leong Yaumatei Community Centre as an example, police officers patrol the TCS at least three times every eight hours during its operation, whilst staff or security guards carry out their inspections every 15 minutes. Illegal activities will be reported to the police once detected. Moreover, all TCSs also maintain close contact with the police stations in local districts.

During cold weather, there will be a 24-hour telephone hotline manned by staff of the HAD to answer public enquiries about TCSs.

I would like to reiterate here that the Government will look after the basic needs of the less advantaged. The provision of TCSs is only an emergency service offered to the needy in cold weather. In the long run, the SWD will continue to provide various services to help the street sleepers to get out of such predicament and be self-reliant to lead a normal life again.

MS CYD HO (in Cantonese): *Madam President, the Secretary has mentioned in the eleventh paragraph of the main reply that initial investigations of the police revealed that the death was not directly related to the cold weather. However, has the Secretary noticed that the police is not the appropriate department to provide this answer. After all, the police is not in a position to confirm whether low temperature has led to complication and caused death. Will the Secretary be more serious and approach the hospitals under the Hospital Authority that received these two dead persons to see whether or how their death is directly related to low temperature?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, we reported that these two incidents were not directly related to the cold weather in accordance with the information got hold of by the police. These two cases are

now undergoing post-mortem and the reports are not yet released. However, initial findings show that their death is not directly related to the cold weather.

DR LO WING-LOK (in Cantonese): *Madam President, will the Secretary provide us with some statistics to indicate the demand of the TCSs, and whether the current provision of TCSs by the Government is able to meet the demand?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, there are a total of 17 TCSs with a maximum capacity of 800 under the HAD. Up to 9 February, the TCSs have been open for 21 nights in this winter. 5 613 persons have sought shelter there, on an average of 267 persons per night.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, at present, the TCSs generally open at dusk. If some people do not feel well and want to stay in the TCSs in the daytime, is there any way for them to do so?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, although the normal opening hour of the TCSs is 5.30 pm, the community centres open all the time. If people need to find a shelter and to stay in a warmer place, they can always go to the community centres. Although the TCSs are not in full operation, there are places where they can seek shelter. Street sleepers can also go to the day centres operated by the SWD to take care of themselves there during daytime.

PRESIDENT (in Cantonese): Miss CHAN Yuen-han, is your supplementary question not answered?

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I have asked in my supplementary question that there are some people do not feel well and want to stay in the TCSs to rest during daytime. However, there are always other activities going on in the community centres during daytime. Therefore, the Secretary has not given me an answer.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I think I have already answered the question. But I will answer it again. There are always activities such as interest classes, meetings and other activities going on in the TCSs in the daytime. Therefore, people in need are not allowed to lie down in those places. However, there are other floors and rooms in the community centres which are open to the public all the time. People in need may stay in those rooms.

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary has mentioned in the fourteenth paragraph of the main reply that staff will be deployed to provide services in the TCSs. However, he has not told us the number of staff there and whether they have any professional knowledge or undergone any professional training to assess the health condition and the genuine needs of the shelter-seekers.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, we do have staff there. The TCSs are manned by the contract staff of the HAD. Some of them are responsible for maintaining order and some of them are security guards. They are our colleagues or contract staff who are responsible for the maintenance of the order of the TCSs and registration of the personal information of the shelter-seekers. In case they find that some of the shelter-seekers need particular medical assistance, they will make arrangement for these people to be transferred to hospital for examination.

MR MICHAEL MAK (in Cantonese): *The Secretary has not told us the number of staff and whether they have professional knowledge and training. The Secretary has just mentioned the arrangement. But do they have professional knowledge and training?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): It depends on which area of professional knowledge. For example, at the Henry G. Leong Yaumatei Community Centre, there are four staff members of the Yau Tsim Mong District Office and two security guards.

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

MS CYD HO (in Cantonese): *Madam President, the Secretary has mentioned in the seventeenth paragraph of the main reply that those who feel unwell will be advised to seek prompt medical treatment. I believe that the staff on duty do not have the power to mandate shelter-seekers to receive medical treatment. If street sleepers refuse to seek medical treatment, how can the staff on duty take measures to isolate them? Do they have the power to do so? And how do they handle such a situation?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the HAD staff on duty at the TCSs have the power not to allow such people to seek shelter at the TCSs.

PRESIDENT (in Cantonese): Ms Cyd HO, is your supplementary question not answered?

MS CYD HO (in Cantonese): *Yes, Madam President. I am not asking whether the staff can allow those people to seek shelter at the TCSs, but whether they have the power to take measures to isolate people feeling unwell from other street sleepers who also seek shelter at the TCSs. How do they handle such situations?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the best isolation policy is not to allow people with health problem to seek shelter at the TCSs. For people feeling unwell or having high fever, our staff have the power not to allow them to seek shelter at the TCSs, and require them to seek prompt medical treatment instead.

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

WRITTEN ANSWERS TO QUESTIONS**Second Report of the HKSAR Under Convention on the Elimination of All Forms of Discrimination Against Women**

7. **MS CYD HO** (in Chinese): *Madam President, in its policy agenda booklet last year, the Health, Welfare and Food Bureau stated that the Government would prepare and submit the Second Report of the Hong Kong Special Administrative Region under the Convention on the Elimination of All Forms of Discrimination Against Women (HKSAR Report). However, in the paper on the Bureau's policy initiatives presented to the Legislative Council Panel on Health Services in January this year, the Bureau has made no mention of the progress of the issue. In this connection, will the Government inform this Council:*

- (a) *of the progress in preparing the HKSAR Report; if the authorities have completed the drafting work, whether the report has been submitted to the Central Government to form a part of the report to be submitted by China; whether the authorities know if the Central Government has already submitted China's report (including the HKSAR Report) to the United Nations Committee on the Elimination of Discrimination Against Women for examination;*
- (b) *if the authorities have not yet completed the drafting work, the respective timings for completing the drafting of the HKSAR Report and submitting it to the Central Government and whether it knows when the Central Government will submit China's report to the Committee for examination;*
- (c) *whether the authorities have consulted the Women's Commission on the initial draft of the HKSAR Report before finalizing it; if so, of the details of the relevant comments received; if not, the reasons for that; and*
- (d) *when the authorities will publish the HKSAR Report in full for the public's information?*

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

- (a) The HKSAR Report has recently been submitted to the United Nations as part of the combined 5th and 6th periodic reports of the People's Republic of China under the Convention.
- (b) As the HKSAR Report has already been submitted to the United Nations, part (b) of the question is not applicable.
- (c) The Women's Commission (Commission) was consulted on both the draft outline and content of the HKSAR Report. Commission members suggested to give an overall picture of the status of women in Hong Kong and a holistic view of administrative and legislative measures taken to address women's concerns and to include the work of the Equal Opportunities Commission and that of the Commission. The Commission also suggested that services provided by non-governmental organizations (NGOs) should be included and given credit where they were due. Detailed comments were also made on the draft content of the HKSAR Report article by article. Their various suggestions and comments were incorporated in the final HKSAR Report. Commission members were generally content with the draft and were satisfied that major developments relating to the well-being of women in Hong Kong had been documented in the HKSAR Report.
- (d) We have arranged for the uploading of the HKSAR Report to the websites of the Health, Welfare and Food Bureau and the Commission for public information. We are informing the Legislative Council, the Commission, women's groups and NGOs of this arrangement. As and when the printed version and the CD-ROM version are available, they will be distributed to the Legislative Council and other interested parties.

Studies on Establishment of Private Universities

8. **MS AUDREY EU** (in Chinese): *Madam President, in his policy address 2000, the Chief Executive indicated that the Education Commission had*

recommended encouraging the establishment of private universities and the Administration would conduct studies with relevant organizations in this respect. In this connection, will the Government inform this Council of the concrete progress of such studies?

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President, in its report entitled Education Blueprint for the 21st Century which was published in September 2000, the Education Commission recommended, among other things, that the Government promote the development of private higher education institutions, to provide a channel for all sectors of the society to contribute resources and efforts to higher education, for the benefit of more students.

The Administration endorses this recommendation, and have considered different ways to promote the development of private higher education institutions, one of which is to encourage existing private post-secondary colleges to upgrade to universities. Under the existing policy, an institution may upgrade to a university after it has been authorized to award degrees, has acquired self-accrediting status, and set up a sound internal governance structure. The Open University of Hong Kong, for instance, was upgraded from the former Open Learning Institute of Hong Kong. In 2001, we introduced amendments to the Post Secondary Colleges Ordinance (Cap. 320) to empower post-secondary colleges registered under the Ordinance to award degrees with the prior approval of the Chief Executive in Council. This is a major step towards the upgrading of other existing post-secondary colleges to universities. The Hong Kong Shue Yan College, a post-secondary college with a vision to become a local private university, has since been granted approval to offer five degree programmes.

In addition to establishing a legislative framework conducive to the development of private universities, we have also introduced various financial assistance measures to support private higher education institutions and their students. These include the provision of interest-free loans and land at nominal premium to education providers for campus development, subsidy for the accreditation of these institutions and their programmes, as well as grants and loans to needy students.

The policy of promoting the development of a robust private higher education sector, underpinned by the various support measures, has encouraged

the emergence of more self-financing education institutions in Hong Kong. In 2003-04, these institutions together offered over 110 full-time accredited self-financing programmes, providing some 12 000 student places at sub-degree and above levels.

Government's Liabilities for Civil Service Pensions

9. **MR JAMES TIEN** (in Chinese): *Madam President, it is reported that currently the Government's liabilities for civil service pensions have amounted to as much as \$300 billion, which may further increase in future as the years of service of the civil servants concerned accumulate. In this connection, will the Government inform this Council:*

- (a) of the authorities' anticipated time when the liabilities for civil service pensions will reach their peak, and the total amount of pensions involved by that time;*
- (b) whether the authorities have assessed their ability to afford paying the pensions; if they have, of the assessment results; if not, the reasons for that; and*
- (c) whether it has plans to conduct a comprehensive review on the civil service retirement system, including the calculation of accrued leave; if it has, of the details; if not, the reasons for that?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President,

(a) and (b)

According to the Accrual-based Consolidated Financial Statements of the Government for 2002-03, the Government's pension liability as at end of March 2003 is \$307.8 billion. The assumptions adopted in arriving at this assessment are detailed at Note 22 of the said Financial Statements. The net financial assets of the Government by end of March 2003 is \$217.5 billion after deducting the pension liability and other liabilities. This shows that the Government is financially capable of meeting its pension liability.

We wish to highlight that pensions are only payable upon retirement of eligible officers. Since civil servants eligible for pension will retire at different times, relevant pension liability does not need to be discharged in one single payment. The Government will make provision out of its General Revenue each year to cater for pension payment for that year.

A number of assumptions have to be adopted in order to assess the Government's pension liability in future. For instance, each year's discount rate, inflation, number of pensionable officers, and so on, and these assumptions would change in accordance with time. Due to the many variables involved, it would be difficult for us to make any meaningful assessment of the maximum pension liability. In addition, as mentioned earlier, relevant pension payments will be spread out in years and there is no urgent need to make preparation for the maximum liability. We have therefore not made assessment on when civil service pensions liability will reach its peak. One point worth noting is that civil service pension schemes are now closed schemes and civil servants appointed on or after 1 June 2000 will no longer be eligible. Therefore, even if the Government's pension liability will increase in the short term owing to additional years of service being accumulated by serving officers, the liability will decrease gradually in the long term.

- (c) As part of the Civil Service Reform, the Civil Service Bureau has been taking proactive steps to modernize the civil service management system, including the retirement benefit system for civil servants. Having regard to the common practice adopted by the private sector, we have already introduced the Civil Service Provident Fund (CSPF) Scheme in mid-2000 to replace the pension schemes as the retirement benefit scheme for civil servants appointed on or after 1 June 2000 under the new entry terms. In other words, the civil service pension schemes are closed schemes, applicable only to officers who were appointed on pensionable terms before 1 June 2000 and whose pension rights are preserved under the pensions legislation. The CSPF Scheme is a defined contribution scheme set up under the Mandatory Provident Fund Schemes Ordinance and is broadly comparable with the majority of retirement benefits schemes in the public and private sector.

As regards the liability for untaken leave, it reflects the amount of leave earned but not yet taken by serving officers calculated at their current salary levels. As and when officers clear their leave balance, such liability will decrease. We shall continue to encourage staff to take their earned leave with due regard to maintaining operational efficiency. Members may also wish to note that we have already substantially reduced the leave earning rates and leave accumulation limits for civil servants appointed on or after 1 June 2000. As such, we expect the Government's liability for untaken leave will decline over time. Besides, we are drawing up proposals to improve the leave administration and accumulation system and shall consult the staff sides and the departmental management on these proposals.

Theft of Cheques and Withdrawal of Money Involved

10. **MR HENRY WU** (in Chinese): *Madam President, recently, I received complaints from members of the public that some lawless elements had stolen the refund cheques for their applications to subscribe to the shares of China Life Insurance Company Limited on public offer in Hong Kong and had then successfully cashed the cheques and withdrawn the money from the banks by opening bank accounts under the names of the cheque payees. In this connection, will the Government inform this Council:*

- (a) *of the number of cases reported to the authorities on theft of cheques and withdrawal of the amounts involved in the past three years and the crime patterns of such cases;*
- (b) *whether it knows the procedures for bank staff, who complete account opening formalities for clients, to follow in verifying the authenticity of the clients' identity documents, especially for holders of documents other than Hong Kong identity cards;*
- (c) *whether it knows if there are measures adopted by banks to guard their clients against successful deposit of stolen crossed cheques into the bank accounts opened by people other than the payees and the withdrawal of the amounts involved; if so, of the details; if not, the reasons for that; and*

- (d) *how the authorities assist those who have the above refund cheques stolen in seeking compensation from the organizations concerned?*

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

- (a) Since 1 January 2001, the Hong Kong Monetary Authority (HKMA) has received five complaints relating to loss of funds due to stolen cheques. Four cases were related to initial public offering (IPO) refunds and the other was related to the payment of accrued benefits under the Mandatory Provident Fund. We have also checked with the police. The police do not categorize reported cases by theft of cheques and withdrawal and hence do not have separate breakdown of this type of cases. However, from their experience there have not been many such cases.

The HKMA believes that in some cases, the culprits stole the cheques from the victims' mail boxes, opened new deposit accounts either by forged identity documents or genuine identity documents after a formal change of name (for example, Acknowledgement of Application for a Hong Kong Permanent Identity Card, a temporary identity document) and deposited the stolen cheques into the new accounts. The funds were withdrawn from the accounts subsequently.

- (b) The Guideline on Prevention of Money Laundering issued by the HKMA under the Banking Ordinance requires banks to identify and verify the identity of their customers before or during the course of establishing business relationship. File copies of identity documents should also be kept. If there are doubts about the genuineness of a Hong Kong identity card, banks should make enquiry through the hotline operated by the Immigration Department.

Banks are to exercise their own judgement in setting out detailed procedures for account opening and verification of customer identity. From the HKMA's experience, the procedures generally adopted by banks to establish the authenticity of identification

documents of non-Hong Kong residents broadly include inspection of the following:

- quality and texture of the identification document (for example, passport or other travel documents);
- expiry date of the document;
- existence of official chop on the photo of the document;
- the entry chop (and date) from the Immigration Department with the permissible staying period in Hong Kong; and
- the photo in comparison with the customer's appearance.

Such procedures are usually included in the training for staff, particularly those in a position to handle account opening for new customers.

Banks will normally rely on experienced staff to inspect the identification documents, including the Hong Kong identity card and identification documents issued by other jurisdictions. If there is any doubt about the validity of an identification document, they will refer the case to management staff or the relevant department (for example, Security or Fraud Control) for instruction.

- (c) A crossed cheque should always be deposited in a bank account opened in the name of the payee. Before accepting the deposit of a crossed cheque, banks perform due diligence to ensure that the name of the account holder is the same as that of the cheque payee. The ultimate control, of course, lies in the banks' process of verifying a person's true identity when he seeks to open an account as discussed in part (b) above.

In the light of the concerns arising from the recent cases of stolen IPO refund cheques, the regulators are studying various possible preventive measures. These aim to enhance the entire IPO refund process and may include, as interim measures, delivery of refund cheques by registered mail, indication of unique identification

number on the refund cheque and, as a long-term solution, direct transfer to investors' bank accounts via electronic means. Any new measures however will need to be discussed with market practitioners before they are implemented. The HKMA will also issue a circular to remind banks to be vigilant when opening accounts with temporary or foreign identity documents.

- (d) While the HKMA cannot order the bank concerned to pay compensation to the victim, the HKMA will require it to handle customer complaints fairly and promptly and, if necessary, to take appropriate remedial action. The HKMA will also ensure that where a complaint is upheld, the bank will offer appropriate redress, which should aim to provide the complainant with fair compensation for any acts or omissions for which the bank was responsible.

Safety of Use of Oxygen Cylinders in Public Hospitals

11. **MR MICHAEL MAK** (in Chinese): *Madam President, on 8 December last year, when a worker was replacing the piping of an oxygen cylinder installed under an operation bed at the Accident and Emergency (A&E) Department of the Queen Elizabeth Hospital (QEH), the oxygen cylinder suddenly exploded, resulting in the suspension of A&E services for about half an hour. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of oxygen cylinders purchased and consumed by public hospitals last year;*
- (b) *of the respective numbers of incidents of gas leakage and explosion of oxygen cylinders in public hospitals in each of the past three years;*
- (c) *of the departments responsible for the maintenance and storage of oxygen cylinders for use by public hospitals and the safety matters concerned; and*
- (d) *whether the relevant authorities have issued guidelines to the staff concerned on the proper procedure for replacing oxygen cylinders and their piping; if they have, of the details of such guidelines?*

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

- (a) Public hospitals consume around 80 000 to 100 000 cylinders of compressed gas (medical oxygen) each year.
- (b) Apart from the incident at the QEH on 8 December 2003, there was one other minor accident involving compressed gas (medical oxygen) cylinders in public hospitals over the past three years when there was a minor explosion in the A&E Department of the Princess Margaret Hospital on 27 September 2001.
- (c) All oxygen cylinders used in public hospitals are owned by the local vendor and supplied to the Hospital Authority (HA) on a rental basis. As provided in the service contract, it is the responsibility of the local vendor to keep the gas cylinders in proper maintenance. The HA, on the other hand, is responsible for ensuring the instructions provided by the manufacturer/local vendor on the safe operation and storage of the gas cylinders in public hospitals are observed.
- (d) The Electrical and Mechanical Services Department and the HA jointly issued the Medical Gas Operation Manual to all public hospitals in March 2002. In the light of the incident at the QEH in December 2003, the HA issued to all public hospitals an update to its Safety Guidelines on the Use and Maintenance of Oxygen Regulators on 3 February 2004. The details of the update are as follows:

Update on the Safety Guidelines for the Use and Maintenance of
Oxygen Regulator

(A) Safety Precautions

- 1. Users should switch off the valve of the oxygen cylinder after the patient has been transferred to the ward.
- 2. The oxygen regulator should not be manipulated in the lift unless it is safe and really necessary.

3. The cylinder valve should be turned off when not in use to avoid the regulator being left on the open cylinder for a prolonged period.
4. Oil or grease should not be allowed to come into contact with the regulator or cylinder.
5. After the use of the regulator, always ensure that all components are clean.

(B) Routine Checking and Maintenance

1. Users should have regular visual check on the condition of the regulator and delivery tubing to ensure no leakage or damage and free from dust or other contaminants. If abnormal condition is suspected, the maintenance party or the supplier/manufacturee should be contacted for examination.
2. Worn out delivery tubings must be replaced and must not be wrapped by adhesive tape on which the adhesive material is a source of grease.
3. Hospitals should ensure the regular maintenance of the regulator by the appropriate maintenance party.
4. The regulator is not designed for field disassembly. Any regulator requiring service should be returned to the supplier/manufacturee or the maintenance party for inspection.

Rising Number of Burglary Cases in Kowloon East Police District

12. **MR FRED LI** (in Chinese): *Madam President, it has been reported that the number of burglary cases in the Kowloon East Police District increased by nearly 20% last year as compared to the preceding year and one third of such cases took place in public housing estates. As such, the police launched a one-year Security Guards Alertness Campaign jointly with the Housing Department*

(HD) and the management companies concerned last month. Plain-clothed policemen are dispatched to make attempts to enter buildings of public housing estates in the District so as to test the security guards' alertness. In this connection, will the Government inform this Council:

- (a) of the respective numbers of burglary cases in 2002 and 2003 in each of the public housing estates in the Kowloon East Police District;*
- (b) whether the HD has looked into the common features of such burglary cases in these housing estates and formulated measures to curb such crimes; if so, of the details of the study results and measures formulated; if not, the reasons for that; and*
- (c) whether it will consider extending the Security Guards Alertness Campaign to the Home Ownership Scheme estates and private residential buildings in the District; if not, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, my reply to the three-part question is as follows:

- (a) In 2002, 382 burglaries took place in public housing estates in Kowloon East Police District, representing 28.7% of the total number of burglaries in that District. In 2003, there were 552 cases, accounting for 34.1% of the total.
- (b) Whenever a burglary takes place in a public housing estate, the HD will liaise with the police to find out the means of access into the flat with a view to working out improvement measures. Information on hand suggests that most burglars gained access through the doors of the flat. In some cases, the burglars climbed from the corridor into the flats through the windows. In a few cases, it is suspected that the burglars might have climbed into the flats from the roof through the windows. The HD has taken the following measures to step up the security in public housing estates:
 - (i) for buildings with burglary black spots, adjusting the patrol routes of security guards to focus on the black spots;

- (ii) enhancing anti-burglary installations, such as raising the anti-burglary bars and strengthening the locks and gates to the rooftop when necessary;
 - (iii) instructing the security guards at ground floor lobbies to be vigilant for strangers and not to allow strangers to enter the buildings; and
 - (iv) posting notices at the ground floor lobbies and lifts to remind residents to lock their doors and windows properly.
- (c) To enhance the alertness of security guards of public housing estates to strangers, the Crime Kowloon East Regional Headquarters launched the Security Guards Alertness Campaign, which commenced in January this year and its effectiveness is yet to be evaluated. At present, there is no plan to extend the Campaign to private residential buildings, including the Home Ownership Scheme estates. Depending on its effectiveness, actual needs and feedback from relevant departments and management services companies, the police will consider whether to extend the Campaign.

Pearl River Delta Football League

13. **MR FREDERICK FUNG** (in Chinese): *Madam President, regarding the plan to organize the Pearl River Delta Football League proposed by the Secretary for Home Affairs in February last year, will the Government inform this Council:*

- (a) *of the progress of the above plan, and whether the authorities have so far encountered difficulties in preparing for the event; if so, of the details;*
- (b) *whether the authorities have consulted the public of Hong Kong, especially the professional football players, on the plan since preparing for the event; if they have, of the method and results of consultation; if not, the reasons for that; and*
- (c) *of the estimated time for implementing the plan?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, my replies to the Honourable Member's questions are as follows:

- (a) To foster sports exchange and to raise the standard of sports in Hong Kong, Guangdong and Macao, the Guangdong Provincial Sports Bureau, the Home Affairs Bureau of the Government of the Hong Kong Special Administrative Region (SAR) and the Sport Development Board of the Macao SAR Government signed an agreement on sports exchange and co-operation on 29 December 2003. The proposed exchange and co-operation programme will include: competition sports; community sports; exchange and training of sports personnel; scientific studies and academic exchange on sports; and co-operation in sports industry. Football has been chosen as one of the sports exchange events under the competition sports.
- (b) Before identifying football as one of the sports under the exchange programme, the Leisure and Cultural Services Department (LCSD) has consulted the Hong Kong Football Association (HKFA) and obtained its support to the programmes. The LCSD will work closely with the HKFA on the details of the exchange programme.
- (c) The Governments of the Hong Kong SAR, Macao SAR and Guangdong will set up a working group to take forward specific programme initiatives. Through regular meetings, the working group will work out the details of the sports exchange and co-operation programmes with a view to agreeing on an implementation timetable.

Abandoned Packaging Materials

14. **MISS CHOY SO-YUK** (in Chinese): *Madam President, it has been reported that the problem of abandoned packaging materials has increasingly become a cause for concern. However, since "abandoned packaging materials" are not among the types of solid waste classified by the Environmental Protection Department (EPD), there is no way for the public to effectively monitor the seriousness of the problem. In this connection, will the Government inform this Council:*

- (a) *whether it has estimated the quantities of packaging materials abandoned in the past three years and, if it has, of a breakdown by type of the quantities of such materials abandoned each year; and*
- (b) *whether the authorities will consider including "abandoned packaging materials" as a new type of classified solid waste, so as to monitor more accurately the environmental pollution caused by abandoned packaging materials; if so, of the relevant details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President,

- (a) Abandoned packaging materials are not among the types of solid waste under the classification system of the EPD. Generally speaking, materials such as carton/cardboard boxes, plastic bags and polyfoam can be used for packaging. According to the statistics of the EPD, the disposal quantity of the abovementioned materials in the past three years is listed at Annex.
- (b) It is difficult to define abandoned packaging materials given its broad definition. Also, it is not easy to ascertain whether the abandoned materials have been used for packaging or for other purposes. Hence, the EPD has no plan to include abandoned packaging materials as a new classified solid waste type.

Annex

Carton/cardboard boxes, plastic bags and polyfoam
abandoned in the past three years

	<i>Quantity (tonnes)</i>		
	<i>2001</i>	<i>2002</i>	<i>2003*</i>
Carton / cardboard boxes	155 860	137 970	144 540
Plastic bags	281 050	388 360	371 940
Polyfoam	37 230	37 960	41 610

* Initial figures

On-street Public Parking Spaces in Rural Areas

15. **MR ALBERT CHAN** (in Chinese): *Madam President, recently, I have received a number of complaints about the prolonged occupation of on-street parking spaces in rural areas by some people. When drivers park their vehicles at these spaces, these people will threaten them and force them to drive away their vehicles. Also, some people park goods vehicles for prolonged periods at some of the public parking spaces designated for private cars. In this connection, will the Government inform this Council:*

- (a) of the current numbers of on-street public parking spaces in rural areas for private cars and goods vehicles respectively;*
- (b) of the number of relevant complaints received by the authorities concerned in the past three years and the number of prosecutions instituted by the police against the persons concerned; and*
- (c) whether the Administration will consider installing parking meters at these public parking spaces or tendering out the management of these public parking spaces to private operators to curb the prolonged occupation or inappropriate use of public parking spaces?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, currently, there are 4 350 and 310 on-street parking spaces in rural areas for private cars and goods vehicles respectively. In the past three years, the Transport Department received two complaints on long-term occupation of rural on-street parking spaces, one at Lo Wai and the other at Lam Tei. The police keep statistics on the number of complaints relating to illegal parking in the New Territories and the number of prosecutions against illegal parking in the territory (detailed statistics are at Annex). They however do not have separate figures solely in respect of on-street parking spaces in the rural areas.

To facilitate road traffic management, we consider it necessary to retain the authority over the management of on-street parking spaces. Meters are already installed at on-street parking spaces in urban areas and new towns to

discourage prolonged occupation. We will consider installing meters at on-street parking spaces in rural areas, taking into account the parking demand and utilization level, and so on.

Appropriate signs and markings are in place at on-street parking spaces to indicate the types of vehicles allowed and the prohibition against prolonged occupation under existing legislation. The police will continue to take enforcement action against illegal parking in the rural areas.

Annex

Number of Complaints received by the Police
relating to Illegal Parking in the New Territories

<i>Year</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
No. of Complaints	806	987	709

Number of Prosecutions against Illegal Parking in the Territory

<i>Year</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
No. of Prosecutions	18 598	11 516	11 089

Residents Not Using Refuse Collection Point

16. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that although there is a refuse collection point at the junction of Shui Wo Street and Wan Hon Lane in Kwun Tong, residents in the area do not use it but discard their refuse outside the park at Ngan Yuet Lane, Wan Hon Street. Instead of stepping up prosecution efforts in this case, the Food and Environmental Hygiene Department (FEHD) has only arranged for refuse collection outside the park by contractors in the early hours of the day. In this connection, will the Government inform this Council:*

(a) *for how long the above problem has existed;*

- (b) *of the reasons for the residents not using the refuse collection point, and whether the authorities have taken measures to educate the residents on the proper disposal of waste at the refuse collection point; if so, of the effectiveness of such measures; and*
- (c) *why the authorities do not step up their efforts to prosecute residents for discarding refuse outside the park?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese): Madam President, the FEHD received a complaint about the dumping of bagged refuse in the vicinity of Wan Hon Street in October 2003. The buildings in that area are mostly old tenement buildings. As some of those buildings are not properly managed, some residents may deposit their refuse on the street in the evening. In addition, some refuse collectors engaged by the building management dumped bagged refuse on the street during late evening instead of depositing them properly at the FEHD's refuse collection points for their own convenience.

The FEHD has taken various measures to deal with the problem. Warning notices have been posted in the area to remind residents not to discard refuse in public places. In addition, the FEHD has taken enforcement actions against littering offenders in the area, including blitz operations in late evening. Since October 2003, the FEHD has issued four fixed penalty notices against offenders who dumped refuse near Wan Hon Street. Moreover, as one of Team Clean's initiatives to improve environmental hygiene, the FEHD has engaged cleansing contractors to collect bagged refuse found in the area since mid-2003. The hygienic condition of the area has improved as a result of the above measures.

Securities Analysts Disclosing Conflict of Interest

17. **MS EMILY LAU** (in Chinese): *Madam President, according to the Report on Investor Survey on Investment Research Activities released by the Securities and Futures Commission (SFC) in November 2003, retail investors generally do not think that securities analysts and their firms have made sufficient disclosure of conflict of interest in research reports or at public appearances. In this connection, will the executive authorities inform this Council:*

- (a) *of the total number of complaints received by the relevant authorities about the failure of securities analysts to properly disclose their related interests in providing commentaries or analyses on financial markets and tools in the past three years, and how such complaints have been handled;*
- (b) *whether measures are in place to prevent securities analysts from providing commentaries or analyses on financial markets and tools in circumstances where an actual or potential conflict of interest exists; if so, of the details of such measures; if not, the reasons for that; and*
- (c) *whether they have plans to strengthen the supervision of securities analysts and prohibit them from providing commentaries or analyses on financial markets and tools in circumstances where a conflict of interest exists, so as to safeguard the interest of investors; if so, of the details of such plans; if not, the reasons for that?*

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

- (a) In the past three years, the SFC has received only one complaint about the failure of securities analysts to properly disclose their related interests in providing commentaries or analyses on financial markets and tools. The SFC has issued a warning to the person in question.
- (b) According to the "Code of Conduct for Persons Licensed by or Registered with the SFC" published by the SFC, intermediaries and their representatives should, when carrying on the regulated activities (including advising on securities), act honestly, fairly, and in the best interests of their clients. They should try to avoid conflicts of interest, and exercise due care and diligence when providing appropriate advice. Where intermediaries or their representatives have material interests in transactions, or in case there are actual or potential conflicts of interest, they should disclose the interests or conflicts in question to the clients and take all reasonable steps to ensure the fair treatment of their clients.

Without this disclosure and fair treatment, they should not advise on or engage in the dealing of the transactions.

Besides, the SFC requires intermediaries to establish corporate policies and procedures in accordance with the "Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC". These policies and procedures should ensure effective segregation of the sales and dealing functions from the research function where potential conflicts of interest may exist. Compliance procedures should be in place to govern the preparation, approval and dissemination of research reports. Where practicable, the research and the corporate finance functions should be segregated as well to ensure the objectivity of the former. The Guidelines also suggest that intermediaries require their staff members to regularly disclose to the firms (at least semi-annually) details of their transactions in relation to the products with which the firms deal, or on which the firms give advice.

If intermediaries or their representatives fail to comply with the above Code or Guidelines, the SFC may consider them guilty of misconduct or not a fit and proper person to be or to remain a regulated person and take disciplinary actions accordingly. Should it constitute "market misconduct" as specified under the Securities and Futures Ordinance (Cap. 571), they may even be subject to the civil sanctions of the Market Misconduct Tribunal or to criminal prosecutions by the SFC or the Secretary for Justice.

- (c) The SFC is now considering the views of the local market with reference to the practices of the relevant international regulatory bodies or in other international financial centres, with a view to drawing up a more specific proposal of codes or regulations to address the matter. The proposal is aimed to enhance investor protection without compromising the free flow of market information and the quality of research undertaken by analysts. The SFC plans to consult the public on the proposal tentatively in the first quarter of this year.

Meantime, the SFC will step up investor education to enhance investors' awareness on this conflict of interest issue related to securities analysts, so as to safeguard their interests.

Turnstiles of Trams

18. **MR LAU KONG-WAH** (in Chinese): *Madam President, at present, passengers get on the trams through the rear doors of tram compartments installed with turnstiles, and alight from the trams through the front doors, paying their fares then. In this connection, will the Government inform this Council:*

- (a) of the total number of reports received by the relevant departments about passengers being injured while getting on and off the trams in the past three years; and*
- (b) given that there have been complaints from the public that the turnstiles cause inconvenience to the mobility handicapped and pregnant women in getting on the trams, whether it will ask the Hongkong Tramways Limited (the Company) to study how to improve the relevant design or to consider changing the existing arrangement by requiring passengers to get on the trams through the front doors and get off through the rear doors, and to pay the fares on boarding the trams, so that the turnstiles can be removed; if it will not do so, of the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the Administration did not receive any report about tram passengers being injured during boarding and alighting in the past three years.

The Company has reviewed the existing arrangement for payment of fares upon alighting at the front gate. This arrangement has the advantage that the time required for boarding would be less while alighting passengers could make use of the time on the tram to make payments before the tram gets to a stop. Also, in case of a breakdown or serious delay in tram service due to traffic accidents leading to unfinished trips, passengers can get off the tram quickly via the front gate without paying for the trip. If the existing boarding and alighting arrangements are reversed and passengers are to be required to pay the fares upon boarding, it might lead to a complicated refund problem in the above situation of unfinished trips. Having regard to these considerations, the Company has no plan to change the existing boarding and alighting arrangement.

At present, passengers who have difficulties in boarding through the rear gate may use the front gate for boarding. All motormen of the Company have received instruction and training to assist the elderly, disabled and other needy passengers to board the trams. In view of the concern expressed about the possible inconvenience in boarding for the mobility handicapped and pregnant women caused by the turnstiles on trams, the Transport Department will request the Company to remind motormen of the importance of providing assistance to such passengers.

Studies on Sale of Rights to Use of Islands

19. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, it has been reported that starting from this year, the Guangdong Provincial Government plans to sell to private buyers the rights to use uninhabited islands within the province with a view to increasing financial revenue. At present, there are over 200 islands in Hong Kong, some of which are uninhabited and sizeable. In this connection, will the Government inform this Council whether:*

- (a) it has enquired about the above plan from the authorities of the Guangdong Province; if it has, of the details of the plan; and*
- (b) the authorities will conduct studies to find out the number of islands in Hong Kong of which the rights to use are available for sale, the total area of the islands concerned, the restrictions on the sale of the rights to use, the impacts of the sale, and the estimated amount of revenue to be generated from the sale, for future reference when considering whether the rights to use these islands should be sold?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, my replies to the two parts of the question are as follows:

- (a) The Government has not enquired about the Guangdong authorities' plan to sell uninhabited islands to private individuals. The Government of the Hong Kong Special Administrative Region (SAR) is responsible for the management, use and development of the land and natural resources within the SAR. In this respect, if vacant

government land is considered suitable for development, it will be disposed of with reference to the prevailing planning and land disposal policies.

- (b) The development potential of our uninhabited islands has been studied, among other things, in the context of the various sub-regional Development Strategy Reviews. The findings of these reviews show that the development potential of these islands is severely constrained by their physical endowment such as the lack of land capable of development, poor accessibility and lack of infrastructure and related services, for example, water and electricity. Many of these islands have been recommended for landscape protection and conservation purposes in view of their ecological and scenic values. Generally, the scope for commercial development on these islands or for them to be sold is rather limited.

Supply and Prices of Energy

20. **MR FRED LI** (in Chinese): *Madam President, regarding the supply, prices and local demand of energy, will the Government inform this Council whether:*

- (a) *it has forecast the global supply and prices of different forms of energy in five and 10 years' time respectively, in particular those of various oil products, town gas and natural gas; if it has, of the forecasts;*
- (b) *it has forecast the future local energy demand; if it has, of the responsible department, the factors considered, and the respective forecasts concerning the sales volumes of various oil products and the consumption of electricity and town gas in Hong Kong in five and 10 years' time; if not, the reasons for that; and*
- (c) *it has formulated a policy on the sustainable use of energy, including measures to encourage the use of renewable energy, in order to ensure the more effective use of energy in Hong Kong?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, my reply to the questions raised by Mr Fred LI is as follows:

- (a) Energy supply markets are volatile in nature. It is very difficult to make an accurate forecast of energy supply and prices in five and 10 years' time. As such, the Government will not make forecasts for different forms of energy but will make reference to data relating to the energy market produced by internationally recognized expert bodies.
- (b) The energy market in Hong Kong is open, where supply and demand are decided by market forces. The role of the Government is to ensure that the energy needs of the community can be met reliably, safely and at reasonable prices so as to support the economic and social development of Hong Kong.

The Government is not prepared to forecast the consumption or sales volumes of respective local oil products and gas in five and 10 years' time, but will watch closely forecasts made by international organizations and private sector companies.

In the case of electricity, the Government Economist assesses on an annual basis, the trend growth rates of demand over the next 10 years. We also appoint an independent consultant to audit forecasts made by the two power companies. In conducting these assessments, the Government will take into account the latest economic trends and other relevant factors, such as the number of households.

- (c) The Environmental Protection Department imposes stringent environmental standards on the main sources of pollution, including power companies, oil companies and vehicle owners, to minimize damage to the environment caused by their activities. For instance, the construction of new coal-fired power units is not allowed because such units emit more pollutants than natural gas-fired units. On the consumption side, a comprehensive range of energy efficiency programmes, such as raising personal awareness and changing consumption habits, providing consumer information on

energy efficiency of electrical apparatus and vehicles, improving energy management of buildings, and facilitating wider use of water-cooled air-conditioning systems, are actively promoted. In parallel, the Government is exploring the possibility of wider adoption of renewable energy to reduce reliance on fossil fuels and would also consider the role of renewable energy in energy supply in the post-2008 electricity market review.

STATEMENTS

PRESIDENT (in Cantonese): Statement. The Chief Secretary for Administration will make a statement on "Constitutional Development Task Force's Visit to Beijing on 8 - 10 February".

Constitutional Development Task Force's Visit to Beijing on 8 - 10 February

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the Constitutional Development Task Force (the Task Force) was in Beijing yesterday and the day before to have meetings on the constitutional development of the Hong Kong Special Administrative Region (SAR) with the Hong Kong and Macao Affairs Office (HKMAO) and the Legislative Affairs Commission (LAC) of the Standing Committee of the National People's Congress (NPC). As arranged by the HKMAO, the Task Force also had a discussion meeting with a group of mainland legal experts.

During our stay in Beijing, the Task Force has, in the interest of time, briefly mentioned to the media the outcome of the relevant meetings. I also hope to inform Members in detail about such meetings. I have undertaken to ensure high transparency of our overall work, and to maintain mutual communication, and that is to understand the views of the Central Authorities on the one hand, and to reflect the views of the Hong Kong community to the Central Authorities on the other.

The Task Force came back from Beijing last night. I would like to thank Madam President for allowing me to take the opportunity of today's regular meeting to inform Members of the first visit of the Task Force to Beijing.

At the meeting with the HKMAO, I indicated that the Task Force had already set out a number of Basic Law issues on principles and legislative process relating to constitutional development in a discussion paper issued to the Legislative Council. The Task Force had also started collecting views from various organizations and individuals. I also mentioned to the HKMAO that there were different agencies in Hong Kong conducting opinion polls on Hong Kong's future constitutional development, and the media had reported the results of these polls. The HKMAO indicated that they were also fully in the picture.

Regarding the organizations and individuals that we have received, I mentioned to the HKMAO that the Task Force had met 14 individuals and organizations and received 10 submissions, and forwarded the relevant information in their entirety to the HKMAO. I also pointed out that the public had generally accepted certain principles, including:

- that the Central Authorities had constitutional powers and responsibilities to oversee the constitutional development in the SAR;
- that any amendments to the methods for selecting the Chief Executive and for forming the Legislative Council must accord with the Basic Law and the principle of "one country, two systems"; and
- that the development of the political structure shall be in the light of the "actual situation" in Hong Kong, and in accordance with the principle of "gradual and orderly progress".

I pointed out to the relevant departments of the Central Authorities that there was quite a common expectation in the community that there should be improvements in constitutional development, and so we needed to handle the matter in a timely manner. I also mentioned the general wish of Hong Kong people that the entire discussion process should be highly transparent. The public have enormous trust in the Central Authorities, and expect the Central Authorities to listen to their aspirations.

I mentioned to the Central Authorities that, in order to make the best use of time before we met with the Central Authorities, we had submitted a discussion paper to the Legislative Council on 14 January, and had started our meetings with several organizations and individuals, to discuss a number of Basic

Law issues on principles and legislative process relating to constitutional development that the SAR Government had identified so far. There are three main areas on principles, they are:

- (i) issues on principles relating to the relationship between the Central Authorities and the SAR;
- (ii) constitutional development should be in accordance with the "actual situation" and the principle of "gradual and orderly process";
- (iii) the principles of "giving consideration to the interests of all sectors of society" and "facilitating the development of capitalist economy" as mentioned by Mr JI Pengfei in 1990.

There are also five issues on legislative process. The Central Authorities agreed that these issues should be dealt with, in particular those issues on principles which should be accorded higher priority, as they could provide a common foundation which is beneficial to our future work.

During the meetings, I asked the relevant departments of the Central Authorities about their specific areas of concerns. They expressed that the Central Authorities had serious concern over Hong Kong's future constitutional development because the matter would affect the implementation of the principle of "one country, two systems" and the Basic Law, the relationship between the Central People's Government and the SAR, the interests of various strata and sectors of the community, and the long-term prosperity and stability of Hong Kong.

The relevant departments of the Central Authorities emphasized that "one country" was the prerequisite for "two systems" in "one country, two systems" and that the concept of "one country, two systems" cannot be segregated. In accordance with the Basic Law, Hong Kong is an inalienable part of China, and is a local administrative region of China which shall come directly under the Central People's Government. The principles of "Hong Kong people ruling Hong Kong" and "high degree of autonomy" are implemented in the SAR.

They indicated that Hong Kong's constitutional development must accord with the principle of "one country, two systems", the national interests, and should also accord with the legal status of Hong Kong. The SAR should respect the sovereignty of the State.

The relevant departments of the Central Authorities reiterated that in the 1980s, China had set out the basic policies for Hong Kong, and that was that the people who manage the affairs of Hong Kong should be those Hong Kong people who love their country, who love Hong Kong.

The relevant departments of the Central Authorities indicated that the relationship between the Central Authorities and the SAR was a major component of the Basic Law. Hong Kong is a special administrative region with a high degree of autonomy. The executive, legislative and judicial powers exercised by the SAR are derived from authorization by the Central Authorities, and there is no "residual power" for the SAR. Hong Kong's political structure was established by the NPC through the Basic Law in accordance with the Constitution. In studying the methods for electing the Chief Executive and the Legislative Council, the SAR must listen to the views of the Central Authorities. Hong Kong's constitutional development involves the relationship between the Central Authorities and the SAR. As this relates to the systems used to implement "one country, two systems" and the Basic Law, it is not a matter entirely for the SAR. The SAR must fully consult the Central Authorities and obtain their consent.

The relevant departments of the Central Authorities pointed out that when submitting the Basic Law (Draft) and its relevant documents to the Seventh NPC on 28 March 1990, the Chairman of the Drafting Committee for the Basic Law, Mr JI Pengfei made the following explanation: "The political structure of the SAR should accord with the principle of 'one country, two systems' and aim to maintain stability and prosperity in Hong Kong in line with its legal status and actual situation. To this end, consideration must be given to the interests of the different sectors of society and the structure must facilitate the development of the capitalist economy in the Region. While the part of the existing political structure proven to be effective will be maintained, a democratic system that suits Hong Kong's situation should gradually be introduced."

The relevant departments of the Central Authorities indicated to the Task Force that although the above explanation had not been written into the provisions of the Basic Law, it was one of the important principles. When studying the constitutional development in Hong Kong, this principled consideration should not be overlooked. They also indicated that the original intention to include functional constituencies in the current political structure of

Hong Kong was to give consideration to the interests of the different sectors of society, to ensure balanced participation by all sectors, and to facilitate the development of the capitalist economy. They pointed out that the future constitutional development must give consideration to these principles.

The relevant departments of the Central Authorities emphasized to the Task Force that Hong Kong's constitutional development must ensure stability and prosperity in Hong Kong, must accord with the provisions on the methods for electing the Chief Executive and the Legislative Council as contained in Article 45 and Article 48 of the Basic Law, and must accord with the "actual situation" in Hong Kong and the principle of "gradual and orderly progress". They indicated to us that it had only been over six years since Hong Kong's reunification with China. As "one country, two systems" is newly introduced, it was inevitable that there were difficulties which would have to be dealt with collectively during the course of implementation. In view of this, constitutional development must be commensurate with Hong Kong's actual situation and experience.

The relevant departments of the Central Authorities emphasized that one of the important principles of the design of the Basic Law is to have an executive-led system. This is to maintain effective governance in Hong Kong. According to the Basic Law, the Chief Executive shall be accountable to the Central People's Government and to the SAR. In order to achieve both, we must follow the executive-led principle. The future methods for electing the Chief Executive and the Legislative Council must be in accordance with the relevant provisions of the Basic Law, and be conducive to strengthening and improving the executive-led system.

The relevant departments of the Central Authorities expressed their wish to the Task Force that the various sectors of the Hong Kong community should discuss these principles rationally and thoroughly and strive for consensus. They also emphasized that when considering these issues, a wide perspective should be adopted, taking into account in a holistic manner the national interests, the long-term interests of Hong Kong, the legal status of Hong Kong, the economic development in Hong Kong, the implementation of the Basic Law and its actual operation, and the interests of the various strata and sectors of the Hong Kong community.

The Task Force held a discussion meeting with a group of mainland legal experts on 9 February. They included Prof XIAO Weiyun of the Law Faculty of the Peking University, Mr SHAO Tianren, (former) legal adviser of the Ministry of Foreign Affairs, Prof XU Chongde of the Law Faculty of the Renmin University of China, Mr CHEN Xinxin, Secretary of the Hong Kong, Macao and Taiwan Law Research Centre, Chinese Academy of Social Science and Prof WANG Zhenmin, Deputy Dean of Law Faculty of the Tsinghua University. At the meeting, the mainland legal experts explained to us the drafting history of the relevant provisions of the Basic Law, and expressed their personal views on the Basic Law issues on principles and legislative process for the Task Force's reference. They thought that the issues of principles and legislative process were interlinked in the context of constitutional development. They believed that the issues on legislative process were easier to resolve, whereas the issues on principles were more complicated and more important. They needed to be clarified as they formed an important foundation.

Regarding the issues on legislative process, the LAC indicated to us that they needed to study them further as the mainland legal experts had different views on these issues. They would discuss these issues with us in future.

In order to facilitate more in-depth discussion by the Hong Kong community on issues on principles and legislative process relating to constitutional development, the Task Force would put these issues, in the form of questions, onto the website to be set up by the Task Force next week, to enable a more focused and widespread discussion by the public and different organizations. The Task Force will continue its meetings with various organizations and individuals to listen to their views on these issues, particularly on the issues on principles. We would also liaise with the Central Authorities at an appropriate time, to report on the progress made, and to reflect the views of the public.

As a conclusion of this report, I wish to share some personal views with Members. First, I think the Task Force has faithfully played a bridging role this time. On the one hand, we have faithfully reflected the views of the Hong Kong community on constitutional development to the Central Authorities. On the other hand, we have faithfully reflected the concerns of the Central Authorities to Hong Kong people. We believe that this mutual communication is very important.

Second, during our stay in Beijing, we have separately met with officials of the HKMAO and the LAC, as well as a group of mainland legal experts, some of whom have participated in the drafting of the Basic Law and were very much fond of Hong Kong. I can see that they share the same mission as we do, and that is to maintain the stability and prosperity of Hong Kong, and to ensure the successful implementation of "one country, two systems".

In the three sessions of working meetings and discussion held in the past two days, we have had very friendly, open and constructive exchanges with the Central Authorities as well as the legal experts. We all agreed that the issues on principles and legislative process should be further discussed. Other Task Force members and I believe that such exchanges are conducive to a better understanding of the issues by both sides, and would facilitate our work in handling constitutional development on the basis of a common foundation.

Honourable Members, the relevant departments of the Central Authorities have confirmed that the issues on principles that we have set out in the paper submitted to the Legislative Council on 14 January form the foundation for the future development of Hong Kong's political structure, and must be handled as a matter of priority. The Central Authorities have further elaborated on their areas of concern.

I believe this is an important step for Hong Kong's constitutional development. Now that we have a clear platform, Members and different sectors of the community can then focus our discussion on how to realize these principles in the "two methods". The Hong Kong community must have a common understanding with the Central Authorities on this foundation, so as to have a constructive discussion on the specific proposals.

The Central Authorities are concerned and do care about Hong Kong. They hope Hong Kong could maintain its prosperity and stability. The exchanges with the Central Authorities have been open.

Similarly, Hong Kong people have a depth of feelings towards the Central Authorities. They are grateful for the support of the Central Authorities in times of difficulties. They understand that the Central Authorities have all along been strictly adhering to the principle of "one country, two systems" since reunification. Hong Kong people also understand the importance of prosperity and stability.

On the basis of common interests between the Central Authorities and the SAR, I wish that different sectors of the community would discuss the principles relating to the future development of Hong Kong's political structure rationally and thoroughly. We know there are different views in the community. But the important thing is that we can better understand each other and do away with unnecessary allegations and speculation. We should seek to maximize the overall interests of our country and the SAR, and to strive for consensus on Hong Kong's constitutional development. Thank you, Madam President.

PRESIDENT (in Cantonese): In accordance with Rule 28(2) of 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 Chief Secretary for Administration for the purpose of elucidating it.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, I would like to seek elucidation on the 11th paragraph. It says that the relevant departments of the Central Authorities reiterated that the people who manage the affairs of Hong Kong should be those Hong Kong people who love their country, who love Hong Kong. Have the Central Authorities explained the definition of "love the country, love Hong Kong"? Have the Central Authorities mentioned or do they believe that Hong Kong people love their country, love Hong Kong, and that they have the ability to elect those people who love their country and love Hong Kong to manage the affairs of Hong Kong?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I believe Members should have a fair idea of what is "love their country, love Hong Kong". For "loving the country", one will not do anything to harm the interests of the country. For "loving Hong Kong", one will not do anything to harm the interests of Hong Kong. I believe that during our discussion with the Central Authorities, they did mention this long-term policy. This policy had been mentioned as early as in the '80s by Mr DENG Xiaoping when he was celebrating the National Day with compatriots of Hong Kong and Macao. I can repeat his remarks to Members: "For the management of Hong Kong after 1997, there is only one condition for the participants. They should be patriots, who love their country and love Hong Kong. After 1997, those who rule Hong Kong will still have to run a capitalist system, but they will not do anything to

harm the interests of the country, nor will they do anything to harm the interests of Hong Kong compatriots." Then on 16 April 1987, he reiterated, "The people who manage the affairs of Hong Kong should be those Hong Kong people who love their country, who love Hong Kong."

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, I would like to seek your ruling. My question is: At present, do the Central Authorities have any definition on "loving the country, loving Hong Kong"? Is there any definition of "loving the country, loving Hong Kong" which is in line with the present situation? It is because over the past several decades, the Central Government has had different interpretations of "loving the country".*

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong, that seems to be your own view. Then what am I supposed to rule on?

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, it is because in the reply of the Chief Secretary for Administration just now, he only told us what he believed, but not the words that the Central Authorities told him during this visit. However, I asked what the Central Authorities had told him.*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): In my speech, I already stated clearly that the relevant departments of the Central Authorities had reiterated the long-term policies set by the country in the '80s. And they also mentioned the definition cited by me just now. During our conversation, they told me that this definition was still applicable. The policies formulated in the '80s are long-term policies, and thus are still applicable at present.

MS EMILY LAU (in Cantonese): *Madam President, I thank the Chief Secretary for Administration for making this statement. I would like to seek his elucidation on the last sentence of the 12th paragraph on page 6. He said that according to the Central Authorities, Hong Kong's constitutional development involves the relationship between the Central Authorities and the SAR. Thus ultimately, the SAR must fully consult the Central Authorities and obtain their*

consent. In this respect, there are different stipulations in Annex I and Annex II. Can the Chief Secretary for Administration tell us if the Central Authorities are now saying that Annex II is actually equal to Annex I? In other words, whether it is the Chief Executive election in 2007 or the Legislative Council election in 2008, it can proceed only with the consent of the Central Authorities?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I think it is a major issue concerning the future political system of Hong Kong. In order to achieve a consensus on this issue, we have to come up with an option to the satisfaction of all three parties, namely, the Legislative Council of Hong Kong, the Chief Executive and the Central Authorities. Before we formally invoke Annex I and Annex II, I believe the general public would want to achieve a consensus first, and that the election could proceed when every party feels satisfied. My remarks just now are based on an understanding and interpretation of the words of the Central Authorities from this angle.

DR YEUNG SUM (in Cantonese): *Madam President, in regard to the fourth paragraph concerning "reflecting the views of Hong Kong people", may I ask the Chief Secretary for Administration what views he did reflect to the Central Authorities? You said that different agencies in Hong Kong had conducted opinion polls on Hong Kong's future constitutional development. Did you reflect to them the results of the opinion polls conducted by, let us say, the University of Hong Kong, and the Baptist University in relation to the transitional period, indicating that more than 70% of the public were in support of election of the Chief Executive by universal suffrage in 2007? Or did you reflect that the opinions were divergent?*

PRESIDENT (in Cantonese): Dr YEUNG Sum is seeking further elucidation from the Chief Secretary for Administration on whether the results of the opinion polls reported include the results of these two polls.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I did specifically mention the results. However, I feel that the Central Authorities are fully in the picture about the opinion polls conducted in Hong Kong, and also fully aware of the results.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 14th paragraph. Did the Chief Secretary for Administration ask the Central Authorities to clarify the meaning of their remarks as stated in the 14th paragraph? It is because the statement says that the Central Authorities pointed out that one principle had to be considered. Mr JI Pengfei mentioned that consideration must be given to the interest of the different sectors of society. The Central Authorities further indicated that "the original intention to include functional constituencies in the current political structure of Hong Kong was to give consideration to the interests of the different sectors of society". The statement then adds that the Central Authorities pointed out that "the future constitutional development must give consideration to these principles." In this connection, may I ask the Chief Secretary for Administration whether he has sought clarification from the Central Authorities on whether functional constituencies would have to be maintained forever and that would not be changed? Is that the bottomline of the Central Authorities?*

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, do you want the Chief Secretary for Administration to elucidate the content in this regard? Are you seeking elucidation on the actual meaning of this sentence?

MR LEE CHEUK-YAN (in Cantonese): *Yes. Does it mean that functional constituencies can never be abolished?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): No.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, what does it mean? If the answer is no, then how should we interpret "the original intention to include functional constituencies" and "the future constitutional development must give consideration to these principles"? What is the meaning of "the future constitutional development must give consideration to these principles"?*

PRESIDENT (in Cantonese): Chief Secretary for Administration, will you further elucidate on this?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I think what it says here is that we have to consider the actual situation at that time. What we are saying is that when the content of the Basic Law was being drafted, functional constituencies were already included at an early stage, and the reason was to give consideration to the interests of various sectors. Now, this principle of giving consideration to the interests of various sectors will still have to be observed in the future constitutional review. That is the meaning. However, it does not mean that functional constituencies have to be there forever, because the Basic Law has already stated clearly that universal suffrage will be carried out eventually.

MISS MARGARET NG (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 18th paragraph. It says that the Central Authorities believed that the issues on legislative process were easier to resolve, whereas the issues on principles were more complicated. And then in the 25th paragraph, it says that for issues on principles, we must have a common understanding so as to have a constructive discussion on the specific proposals. Can the Chief Secretary for Administration clarify where the complexity lies? Moreover, in respect of reaching a common understanding on the complicated issues on principles, did the Central Authorities mention any criteria and how long before it would be reached?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): In regard to this kind of questions, local discussion has already started. I have already explained to the Central Authorities and they have also expressed their views. I believe our discussion in this regard will proceed positively. At present, we find that public discussion — as in the paper submitted to the Legislative Council — can be divided into two parts. The main text is about the issues on principles while the annex is about the issues on legislative process. We find that the existing discussion is more on the issues on legislative process and less on the issues on principles. The reason is that the principles *per se* carry complexity and historical elements. I think what the mainland experts and officials refer to is the complexity of the principles. We must have a full understanding of the background of these provisions, and these principles must be observed in our future constitutional development. We cannot disregard the underlying principles of these provisions.

MISS MARGARET NG (in Cantonese): *Madam President, my question about the 18th paragraph is that some legal experts said that the issues on principles were more complicated. Did they mention where the complexity lies?*

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

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): The complexity to which they referred can be seen in certain areas. Hong Kong people have accepted the principle of "one country, two systems" or "Hong Kong people ruling Hong Kong". But their understanding appears to be different. We should have an in-depth discussion of what they embody. They said that for the general Hong Kong public to understand their complexity and deeper meaning, it needs time and it needs even more our explanation, guidance and discussion. Therefore, from their angle, the issues are more complicated. This is different from the procedural issues. It is because the issues on legislative process are usually legal matters that are easier to solve. From the provisions, we can easily figure out whether we should follow the procedures of one, two, three or the procedures of a, b, c. As regards the issues on principles, we need to have rather objective discussion as well as subjective judgement. And then there should be discussion by both parties in order to arrive at a consensus. Thus, these issues are more complicated.

MR TAM YIU-CHUNG (in Cantonese): *The 19th paragraph mentions the issues on legislative process, and the mainland legal experts had different views on these issues. During the meeting, did they give any examples of the legislative process on which mainland legal experts had different views, and what were those views?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): In regard to whether or not Article 159 of the Basic Law should be invoked in amending the method for the selection of the Chief Executive and the method for the formation of the Legislative Council, they have different views. Besides, concerning the wording of "subsequent to the year 2007", the mainland legal experts also have

different views. I have heard the views of two experts and they differed. Their situation is just like Hong Kong. Hong Kong people also have different views on these two issues. I believe we need to have open discussions to determine which view is more reasonable.

MS CYD HO (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the word "focused" in the 20th paragraph and the function of "a clear platform" being to facilitate our discussion as mentioned in the 25th paragraph. In case during the process, some of our views go beyond the existing understanding of the Central Authorities concerning a clear platform, how would these views be handled? Will they not be considered?*

PRESIDENT (in Cantonese): Ms Cyd HO, I am sorry. I think you cannot take this as a point of elucidation, as you are asking what will happen in the future. You can now only seek elucidation on the content of the statement. Perhaps you can think about how to relate the question to the content of the statement.

MS CYD HO (in Cantonese): *Madam President, can I ask the Chief Secretary for Administration to explain whether the focus of the "focused" discussion and the platform mentioned by him are only limited to the several areas of concern of the Central Authorities as stated in this paper?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I think "focused" discussion refers to this stage of discussion on the issues on principles and legislative process. In our paper submitted to the Legislative Council, we have set out seven issues on principles. They could be summed up as around seven issues. Besides, there are five issues on legislative process. At this stage, I, of course, want to listen to the discussion on various aspects. However, I very much want to focus our study on these issues. As to other issues on principles and legislative process which are considered to have been omitted by us, I also want to discuss them at this stage. Concerning other suggestions, such as some concrete proposals, we will surely accept views from various sectors. But I hope to deal with them at the next stage.

MR MICHAEL MAK (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 28th paragraph, which says to "do away with unnecessary allegations and speculation". What kind of allegations and what people are making speculation on what issues the Chief Secretary for Administration referred to?*

PRESIDENT (in Cantonese): Chief Secretary for Administration, do you have further elucidation on this?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): No. It was only my feeling after reading some media reports and listening to various views. *(Laughter)*

MR MICHAEL MAK (in Cantonese): *The Chief Secretary for Administration has not answered my question. What are the allegations and speculation? What allegations are they? Are the allegations on our intended secession of the country as suggested by some people?*

PRESIDENT (in Cantonese): Mr Michael MAK, I think the Chief Secretary for Administration has already made it clearly that it is his feeling. If you want to pursue your question, then I will think that it is no longer a point of elucidation. I believe you will have an opportunity to raise this question again in the future.

MS AUDREY EU (in Cantonese): *Madam President, I would like to follow up the point of elucidation sought by Miss Margaret NG. Miss Margaret NG asked the Chief Secretary for Administration about the 18th paragraph, which says that "the issues on principles were more complicated They needed to be clarified as they formed an important foundation." Miss Margaret NG asked the Chief Secretary for Administration where the complexity of these issues on principles lay? Why were they so complicated and how long did it take to resolve the problem? In answering the question of Miss Margaret NG, the Chief Secretary for Administration mentioned the principle of "one country, two systems". Hong Kong people think that they understand the principle of "one country, two systems" very well. But the mainland authorities seem to think that*

this is very complicated and reckon that Hong Kong people still do not understand the principle of "one country, two systems". Can the Chief Secretary for Administration further elucidate, during his meeting with the Central Authorities, in which areas they think that Hong Kong people are still unable to understand the real meaning of the principle of "one country, two systems"? Besides, may I ask him to answer the other part of Miss Margaret NG's question, that is, how long it would take to clarify these issues on principles?

PRESIDENT (in Cantonese): Ms Audrey EU, I want to clarify a point. Please be seated first. Your question actually is that the issues on principles are more complicated. When you said "complicated", did you mean that the concept of "one country, two systems" was not clear and thus you find it complicated?

MS AUDREY EU (in Cantonese): *Madam President, when the Chief Secretary for Administration explained why the issues on principles were more complicated, he cited "one country, two systems" as an example. He said that Hong Kong people would think that they understood the principle of "one country, two systems" very well and they did not have any problem in this aspect. All of us had accepted it. However, the Chinese authorities thought that this was a very complicated issue and that Hong Kong people had actually not grasped the real meaning of "one country, two systems". Therefore, I would like the Chief Secretary for Administration to clarify in which areas Hong Kong people are unable to grasp the deeper meaning of "one country, two systems". On which point can Hong Kong people be seen to be lacking in that perspective, and how long will it take to clarify these issues on principles so that we can further discuss the work of the next stage? How long will it take?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): When I mentioned the principle of "one country, two systems" just now, I was only citing an example. The complicated issues mentioned by me cover the three main areas, which are the areas on principles with intrinsic complexity: The first area covers the relationship between the Central Authorities and the SAR, which brings up the issue on "one country, two systems". The second area covers the understanding on the principle of "gradual and orderly process" and the "actual situation". In this respect, there are a great many different views and there lies

the complexity. The third concerns the area mentioned by Director JI Pengfei, as I explained in my speech just now. There has been little discussion on these areas by Hong Kong people. At least from the point of view of the related officials from the Central Authorities, we have had no in-depth study on these issues and have not touched upon matters of concern to them, thus not having seriously considered the worries of the Central Authorities. Therefore, in developing the political system, if we have not taken these concerns into consideration, we may be unable to address the worries of the Central Authorities in that perspective. In these few areas, we thus hope that we can have more discussion. With more discussion and understanding, we hope that a consensus can be reached. In regard to the timetable for discussion on the issues on principles and legislative process, I have already met with more than 10 organizations in Hong Kong, and some 50 organizations and individuals are going to meet with us. I hope that some organizations can come together to meet with us and focus on the discussion of issues on principles and legislative process. I believe this work will be carried out in February and early March. However, during the process, I do not know whether some people will raise other new issues or reckon that these issues are so complicated that more time will be needed for better understanding. However, I think that it is very important to sort out the issues on principles, as they form the foundation of any constitutional development in the future. If they are not clarified, we will be unable to reach a consensus on any proposal in the future. For this reason, I opine that this is very important. At this stage, I thus do not want to forcibly limit our scope of discussion so that we are unable to go through a stage of full discussion and unable to have time to fully communicate with the Central Authorities. However, I see that in my discussion with the Central Authorities and with the public of Hong Kong, they were very positive. A lot of organizations want to meet with us to air their views, and I also want to finish such work as soon as possible.

MR FREDERICK FUNG (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 13th and 14th paragraphs of his statement, and his response to other Members citing the remarks of Mr DENG Xiaoping on the National Day in 1984 and in 1987 when addressing the business sector. In the 13th paragraph, there was a quotation of the remarks of Director JI Pengfei when he announced the Basic Law. In fact, it is an excerpt from a very long speech. Then, two quotations from Mr DENG Xiaoping were cited. The last part of the 14th paragraph says that their*

remarks may have mentioned some principles to which we must give consideration. Indeed, I think we must realize that in addition to these two persons who had spoken on the Basic Law or the principle of "one country, two systems" of Hong Kong, a lot of legal experts, such as Mr SHAO Tianren, have also written some books on the same. Then, how many books or people's speeches do the Central Authorities think that we should read, understand and learn well? It is because a speech from Mr DENG Xiaoping may be quoted today, a speech from someone else may be quoted tomorrow and a book from another person may be quoted the day after. Of course, we should note the speech of Director JI Pengfei concerning the Basic Law. Then, apart from these two persons, are there any other persons, or is it sufficient to note only these two persons or this couple of speeches?

PRESIDENT (in Cantonese): Mr Frederick FUNG, you have raised a very good question. However, I do not see how any part of it is directly related to the content of the statement. Can you point out which paragraph you are referring to make it easier for us to follow?

MR FREDERICK FUNG (in Cantonese): *I am referring to the 13th and 14th paragraphs.*

PRESIDENT (in Cantonese): The 13th and 14th paragraphs say

MR FREDERICK FUNG (in Cantonese): *It is because he mentioned JI Pengfei.*

PRESIDENT (in Cantonese): That is true.

MR FREDERICK FUNG (in Cantonese): *And then, in answering the questions of Members, the Chief Secretary for Administration also mentioned the remarks of DENG Xiaoping.*

PRESIDENT (in Cantonese): Yes.

MR FREDERICK FUNG (in Cantonese): *I thus want to ask apart from these two persons, are there other.....*

PRESIDENT (in Cantonese): You have already strayed from the content of the statement. I can only allow you to raise your point of elucidation if your question is directly related to a certain paragraph or the content of the statement. This is stipulated in our Rules of Procedure.

MR FREDERICK FUNG (in Cantonese): *Madam President, then can I phrase my question in another way?*

PRESIDENT (in Cantonese): Yes, you can.

MR FREDERICK FUNG (in Cantonese): *In the speech and in answering the questions of Members, the Chief Secretary for Administration mentioned JI Pengfei and DENG Xiaoping. May I ask the Chief Secretary for Administration, in his meetings with the mainland officials, that is, the officials of the Central Government or legal experts, if they had cited any quotations from other speeches or books?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I only faithfully relayed the two examples cited by an official of the Central Authorities.

MR HOWARD YOUNG (in Cantonese): *Madam President, first of all, I would like to seek elucidation on the last sentence of the 24th paragraph, which says, "The Central Authorities have further elaborated on their areas of concern." And some principles were mentioned in the first part of the 24th paragraph. As regards the so-called further elaboration of the Central Authorities, on which areas was there further elaboration? Were they worried that these principles, that is, the principles of "one country, two systems" and "gradual and orderly progress", were not fully understood and thus they were concerned about them? Or did they elaborate that before these principles had been clarified, we had already gone to the next step of commencing discussion on some concrete proposals? On what issues was there any elaboration?*

PRESIDENT (in Cantonese): Chief Secretary for Administration, it is about the 24th paragraph.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, the 24th paragraph is a conclusion. The areas of concern of the Central Authorities to which I referred are those areas stated in the 17th and 18th paragraphs, and they are the items that the Central Authorities are concerned about. The further elaboration that I mentioned earlier is stated in the 14th paragraph to the 17th. I am sorry, it should be from the 8th paragraph to the 14th.

MR FRED LI (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the word "consensus". The 17th paragraph says that the Central Authorities expressed their wish that the various sectors of the Hong Kong community should discuss these principles rationally and thoroughly and strive for consensus. This was what the Central Authorities said. In the 28th paragraph, the Chief Secretary for Administration himself said, "I wish that We should seek to maximize the overall interests of our country and the SAR, and to strive for consensus on Hong Kong's constitutional development." May I ask the Chief Secretary for Administration whether the consensus of the Central Authorities cited by him and the consensus that he mentioned at the end of the 28th paragraph are identical, and what is consensus?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): On the one hand, we faithfully reported the views of the Central Authorities, and on the other, I was expressing my own wish. That means on this issue, I hope that we can have a satisfactory solution. The meaning of the word "consensus" has a wide meaning. During international negotiations, this issue is often discussed. As far as negotiation is concerned, while the English word "consensus" is the source, it refers to the option generally acceptable to the people concerned. It is a proposal acceptable to most of us, but it is not necessary to be totally in line with my personal views. However, for the sake of common interest, the proposal concerned can be supported. As far as I know, this is the meaning of the word "consensus". But other Members may have different interpretations.

MR FRED LI (in Cantonese): *Madam President, I am not asking about the meaning of the word in the dictionary. While the Chief Secretary for Administration has faithfully reported the remark of the Central Authorities on the word "consensus", is his own understanding of the word "consensus" identical to that of the Central Authorities?*

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

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): My own understanding of the word "consensus" lies in the definition that I mentioned just now. After the Central Authorities have talked to me, I did not pursue what was "consensus", as I thought that I knew the meaning of that word, *(laughter)* and I also adopted the same word and interpretation.

MR ALBERT HO (in Cantonese): *Madam President, in the 20th paragraph, the Chief Secretary for Administration mentioned that he would try his best to listen to the views of various organizations and individuals in the community. He later said that he would liaise with the Central Authorities at an appropriate time. However, he did not say when "the appropriate time" was or how much longer we had to wait. Did he mean that after listening to the views, it would be "the appropriate time"? Or only after these organizations have really learned those complicated principles, understood the meaning of them and have reached a consensus, would it be the appropriate time? What is his understanding of the appropriate time?*

PRESIDENT (in Cantonese): Chief Secretary for Administration, please further clarify the meaning of "the appropriate time".

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I believe I already explained to Members earlier that at the moment, I am still having meetings with individuals and various organizations from the community. This task will carry on until early March. Afterwards, I believe that if there are

other matters or some minor problems, we of course will have to give it more time. As I already made it very clear a moment ago, I do not want to forcibly limit the scope of the work concerned. However, I hope that during that period of time, I would be able to do a sum-up. After listening to the views of the general public, when there seems to be repeating views and no more new ideas are expressed, I would like to do a sum-up. After that is done, I would ask to meet the Central Authorities again.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 12th paragraph, which says, "In studying the methods for electing the Chief Executive and the Legislative Council, the SAR must listen to the views of the Central Authorities." May I ask the Chief Secretary for Administration to elucidate, firstly, during our studying, if the Central Authorities do not have any views, if the study will be unable to proceed? Because it is clearly stated in here that "the SAR must listen to the views of the Central Authorities". I would like the Chief Secretary for Administration to make a response on this. Besides, I also want the Chief Secretary for Administration to explain the meanings of "listen to", "the Central Authorities" and "the views". What is the meaning of "listening to"? It is because we often hear Mr TUNG say that he has listened to our views. For instance, Mr TUNG has listened to our views on demanding universal suffrage or direct elections. But at the end, nothing has been done. Thus, can we say that after listening to the views of the Central Authorities, we do not have to follow the views after listening?*

Secondly, what is the meaning of "the Central Authorities"? In regard to the Central Authorities, since a lot of people have come to Hong Kong from the Mainland recently and expressed many views, are the views expressed by these people from the Mainland being considered the views of the Central Authorities, or only those views expressed by the officials of the Central Government will be considered as the views of the Central Authorities?

Finally, what is the meaning of "the views"? Are "areas of concern" tantamount to "the views"? Because the phrase "areas of concern" is mentioned in the 24th paragraph. Are "areas of concern" here tantamount to "the views"? I hope that the Chief Secretary for Administration can explain these several points.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): As regards the remarks relating to the areas of concern, they were expressed by the HKMAO or the LAC of the Standing Committee of the NPC. They were the official views of the Central Authorities. The Central Authorities mentioned by me are the sources where views are relayed to me, instead of those collected from the community level or from other legal experts — these views can also be very important, but only have reference value. As regards the meaning of "the views", "listening to the views" has the meaning as it stands and has no other interpretation.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Chief Secretary for Administration has not explained one point. My question is: As regards the sentence "In studying the methods for electing the Chief Executive and the Legislative Council, the SAR must listen to.....", does it mean that before the Central Authorities have expressed any views, the study cannot be carried out? It is because we do not hear any views.*

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

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, we are at present actually listening to the views of Hong Kong people. We must not say it is a must, but the Central Authorities also encourage us to listen to others' views. In the conclusion earlier, I said it is my hope that we can do away with any speculation or inference. If we can discuss the issues in a candid and open manner, we can discuss anything.

MR ANDREW CHENG (in Cantonese): *Madam President, I would like to seek elucidation from the Chief Secretary for Administration on the 28th paragraph. He mentioned "doing away with unnecessary allegations and speculation" in this paragraph. Would these serve as an impetus for the Central Authorities to make the reiteration in the 11th paragraph that the people who manage the affairs of Hong Kong should be those people who love the country? Do these so-called "allegations" come from some people holding different views, or those*

who even took to the streets on 1 July, thus giving the Central Authorities an impression that Hong Kong people do not love the country and therefore unable to select their own leaders to rule Hong Kong, and consequently, the Central Authorities made this reiteration in the 11th paragraph? I would like the Chief Secretary for Administration to clarify this point.

PRESIDENT (in Cantonese): Mr Andrew CHENG, your question is not seeking elucidation, and it should be raised on another occasion. I believe you surely will have an opportunity to raise this question in the future.

MR ANDREW CHENG (in Cantonese): *I only want to explain my.....*

PRESIDENT (in Cantonese): Unless the question raised by you is simple, which can then be regarded as a point of elucidation, or I cannot allow you to ask this question. Please put it in another way.

MR ANDREW CHENG (in Cantonese): *In that case, I will ask from another angle.*

PRESIDENT (in Cantonese): Fine.

MR ANDREW CHENG (in Cantonese): *In the conclusion of the Chief Secretary for Administration earlier, he said in great feeling that as the Chief Secretary for Administration, he hoped to play a bridging role between Hong Kong people and the Central Authorities and wanted to do something on constitutional development. In this connection, he mentioned "doing away with unnecessary allegations and speculation". May I ask the Chief Secretary for Administration, insofar as these "allegations and speculation" are concerned, if he thinks that they refer to those dissidents, or those who took to the streets for demonstration on 1 July, asking for constitutional reform? Are you asking us not to make too many allegations? That is the point that I want the Chief Secretary for Administration to elucidate.*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): The answer is negative. What I said just now only reflected some of my feelings after reading the media reports recently on the views of various sectors of Hong Kong: it seems that there is speculation from some people, and allegations from some other people. I opine that this may not be a constructive approach in discussing this issue. It has never occurred to me that there are any special events or special incidents in the past or last year which drove us into making this decision. It is only recently that the Chief Executive appointed me to take charge of this task after Christmas. Since then, I have been airing my personal feelings about various news reports and commentaries. It has no direct relation to what I saw, that is, the things that I saw and the views that I heard during my last trip to Beijing. This is purely my personal feeling after watching or reading the media reports and the coverage of certain events by individual media recently.

MR LAU CHIN-SHEK (in Cantonese): *Madam President, I would like to follow up the last part of the 14th paragraph, on which Mr LEE Chuek-yan also asked a question earlier. Mr LEE Chuek-yan asked whether the seats of functional constituencies would be retained or not, and the Chief Secretary for Administration answered "no" as the ultimate aim stipulated in the Basic Law was universal suffrage. Reviewing that paragraph, it mentions "When studying the constitutional development in Hong Kong, this principled consideration should not be overlooked." Then it says that the political structure includes functional constituencies, and this is the principle that should not be overlooked in the implementation of constitutional development. May I ask the Chief Secretary for Administration whether the reply given by him earlier is his own interpretation of "the future constitutional development must give consideration to these principles" or he has actually asked the Central Authorities whether functional constituencies would be abolished? Has he ever asked?*

PRESIDENT (in Cantonese): Mr LAU Chin-shek, Mr LEE Chuek-yan has already asked this question and the Chief Secretary for Administration has already made an elucidation on this.

MR LAU CHIN-SHEK (in Cantonese): *Not quite. Although he said that he had made a reply, what I asked was whether it was the reply after he had*

consulted the Central Authorities or a reply according to his own interpretation. They are very different. It is because if he says that it was a reply according to his own interpretation, it is okay, as we understand the Basic Law also states clearly that the ultimate aim is universal suffrage. However, I am still worried whether universal suffrage covers the functional constituency elections. If so, will that also be regarded as universal suffrage? This is not so important anyway. However, has he ever asked the Central Authorities and the Central Authorities explained: yes, functional constituencies may be abolished? That is the point that I want to seek a clear reply.

PRESIDENT (in Cantonese): Do you want to know whether this is the view of the Central Authorities or the view of the Chief Secretary for Administration?

MR LAU CHIN-SHEK (in Cantonese): *Yes, thank you.*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): In regard to the question of whether or not functional constituencies will still be included eventually, this is of course my own conclusion after reading Articles 45 and 68 of the Basic Law. Besides, in mentioning functional constituencies in the paper, I only wanted to illustrate that at the time when the SAR was established and when designing the political structure, it was hoped that various sectors could participate. It was thought that functional constituencies could help achieve that principle of balanced participation. Then, what will be the approach in future? In future, the principle to which the Central Authorities will definitely give attention and consideration will be the principle of balanced participation, instead of the issue for which I quoted a special example earlier. I also want to reiterate one point. During my two days' discussion with the Central Authorities this time, we never touched upon the issue concerning the proposal on constitutional reform in the future. We only discussed the issues on principles and legislative process.

MR LAU CHIN-SHEK (in Cantonese): *Madam President, I do not quite understand the answer. I hope that the Chief Secretary for Administration can furnish a simple answer. Will functional constituencies be included in the future political structure? Has he ever asked the Central Authorities about this? If*

not, he can simply say "no" and what he said just now was only his personal interpretation.

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

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I seemed to have answered just now. But maybe my reply was a bit "clumsy". I only said that I had not mentioned or asked this specific question. In answering the question of Mr LAU Chin-shek, I only said that it was a conclusion from our interpretation of Articles 45 and 68 of the Basic Law.

MR SZETO WAH (in Cantonese): *Madam President, in the 11th paragraph, the Chief Secretary for Administration said, "The relevant departments of the Central Authorities reiterated that in the 1980s, China had set out the basic policies for Hong Kong, and that was that the people who manage the affairs of Hong Kong should be those Hong Kong people who love their country, love Hong Kong." I remember clearly that, in the 1980s again, the State leaders once said that the triads were also patriotic. To the remark that "triads are also patriotic", I wonder if they have reiterated, clarified or amended it this time.*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I only faithfully conveyed the views of the Central Authorities, and I did not hear any reference to the "triads".

MR WONG SING-CHI (in Cantonese): *I would like to seek an elucidation from the Chief Secretary for Administration on the 17th paragraph of the statement, on which a question has also been raised by Mr Fred LI. It says, "The relevant departments of the Central Authorities expressed their wish to the Task Force that the various sectors of the Hong Kong community should discuss these principles rationally and thoroughly and strive for consensus." A "wish" is mentioned here. If a consensus cannot be reached among Hong Kong people, will the remark has a meaning that the Central Authorities would not allow Hong Kong people to make certain decisions on political reform?*

PRESIDENT (in Cantonese): Mr WONG Sing-chi, I am sorry. Not to mention elucidation, even if it is an ordinary question, I will not allow you to ask it, as your question is hypothetical: "If it is like this, what will happen?" During our question session, hypothetical questions are not allowed.

MR WONG SING-CHI (in Cantonese): *Madam President, I want to ask the Chief Secretary for Administration whether he has a better understanding of this. That is, after seeking a consensus, and if it is found that a consensus cannot be reached, will there be such a meaning — as the "wish" is only indicated here, while it does not carry any mandatory element — will there be such a meaning that if a consensus really cannot be reached, the Central Authorities will not allow Hong Kong people to make certain decisions? What I want to ask is whether the "wish" here has such a meaning?*

PRESIDENT (in Cantonese): Do you want to know if the Chief Secretary for Administration has sought a further understanding of these two words?

MR WONG SING-CHI (in Cantonese): Yes.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): If there is no consensus, as I said in the statement, it would not be possible to have constructive discussion. Besides, as I also mentioned earlier, on this serious issue, if we are to strive for a satisfactory result, we need the agreement from a few parties (especially three parties), namely, the Central Government, a majority of the Legislative Council Members and the Chief Executive.

MR JAMES TO (in Cantonese): *I would like to seek an elucidation from the Chief Secretary for Administration on the 16th paragraph. It says, "The relevant departments of the Central Authorities emphasized that one of the important principles of the design of the Basic Law is to have an executive-led system. This is to maintain effective governance in Hong Kong. According to the Basic Law, the Chief Executive shall be accountable to the Central People's*

Government and to the SAR." Then, it says, "The future methods for electing the Chief Executive and the Legislative Council must be in accordance with the relevant provisions of the Basic Law, and be conducive to strengthening and improving the executive-led system." The Central Authorities emphasized that the future methods for electing the Chief Executive and the Legislative Council must be conducive to strengthening the executive-led system. Can the Chief Secretary for Administration clarify this part of the remark, and is there any supplementary information? How can the method for the formation of the Legislative Council be conducive to strengthening the executive-led system?

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): That is exactly our challenge in our future constitutional review.

MR ALBERT CHAN (in Cantonese): *Madam President, in the 11th paragraph of the statement, the Chief Secretary for Administration mentioned that the relevant departments of the Central Authorities had reiterated that in the 1980s, China hadI am sorry, Madam President, it should be the 10th paragraph. It says, "They indicated that Hong Kong's constitutional development must accord with the principle of 'one country, two systems', the national interests, and should also accord with the legal status of Hong Kong. The SAR should respect the sovereignty of the State." In regard to the interpretation of "SAR", Madam President, can the Chief Secretary for Administration clarify whether the term "SAR" refers to the leading team of the SAR, the Government of the SAR, the officials of the SAR or all the people in the SAR?*

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): According to my understanding, this is a general term. It means that Hong Kong people should respect the sovereignty of the State — it refers to Hong Kong people generally.

MR MARTIN LEE (in Cantonese): *Madam President, may I ask if the three-member Task Force has reflected to the Central Authorities this time that Hong Kong people are not seeking independence? This is a point of elucidation as the subtitle here is "reflecting the views of Hong Kong people". (Laughter)*

PRESIDENT (in Cantonese): Chief Secretary for Administration, in the beginning.....

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Which paragraph is it?

PRESIDENT (in Cantonese): In the beginning, you mentioned that you had reflected the views of the Hong Kong community. Which paragraph is it?

MR MARTIN LEE (in Cantonese): *It is the second paragraph.*

PRESIDENT (in Cantonese): It is the second paragraph. The last sentence is ".....and to reflect the views of the Hong Kong community to the Central Authorities on the other." Chief Secretary for Administration, Mr Martin LEE wants you to clarify whether the view just mentioned by him has been included.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): I recall that I have never mentioned any Hong Kong people are seeking independence, nor have I said that a lot of Hong Kong people seek independence.

PRESIDENT (in Cantonese): In regard to the statement of the Chief Secretary for Administration, 21 Members have asked for elucidation. We have spent a total of 55 minutes on the statement and the elucidation, and I believe we should draw a line here. If Members have other questions — not points of elucidation but questions, I believe they surely will have the opportunity to raise them.

BILLS

First Reading of Bills

PRESIDENT (in Cantonese): Bills: First Reading.

**UNDESIRABLE MEDICAL ADVERTISEMENTS (AMENDMENT) BILL
2004****CONSTRUCTION INDUSTRY COUNCIL BILL**

CLERK (in Cantonese): Undesirable Medical Advertisements (Amendment)
Bill 2004
Construction Industry Council Bill.

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

Second Reading of Bills

PRESIDENT (in Cantonese): Bills: Second Reading.

**UNDESIRABLE MEDICAL ADVERTISEMENTS (AMENDMENT) BILL
2004**

SECRETARY FOR HEALTH, WELFARE AND FOOD: Madam President, I move that the Undesirable Medical Advertisements (Amendment) Bill 2004 be read the Second time.

Under the existing Undesirable Medical Advertisements Ordinance (UMAO) (Cap. 231), it is an offence to publish, or cause to be published, an advertisement likely to lead to the use of medicines, surgical appliances or treatments for prevention or treatment of certain diseases or conditions, as specified in Schedules 1 and 2 of the Ordinance.

We have noted in recent years an increasing number of so-called "health food" products on the local market. Some of these orally consumed products which are not subject to the regulation of the Pharmacy and Poisons Ordinance (PPO) or the Chinese Medicine Ordinance (CMO), may however be labelled or advertized with claims of specific beneficial health effects which are in the domain of drugs, but are currently not specified in the UMAO. This has led to confusion relating to their claims of medicinal effects.

These claims are considered undesirable as they not only take advantage of credulity and fear of ill health, but also may result in improper self-medication, thereby causing harm as a result of either the improper self-medication itself, or delayed proper treatment that the consumer should receive. There have been complaints from consumers against misleading or exaggerated claims of these products. There are calls from the public and from the Legislative Council that control on these irresponsible claims should be introduced for the sake of public health.

The Bill, therefore, seeks to widen the scope of the Ordinance in two aspects, namely, to extend the prohibition or restriction on advertizing to six additional groups of claims specified in the proposed Schedule 4, and to apply the prohibition or restriction on advertizing of claims specified in Schedule 4 to all orally consumed products, except those customarily consumed as food or drink.

There are two levels of restriction based on the risk-based approach in the new Schedule 4. The first level of restriction would apply to the most risky claims. The making of such claims will not be allowed under any circumstances. For the second level of restriction which is applicable to three other types of claims, we propose to specify two permissible claims for each type of claim. For products making the specified claims under the second level of restriction and which are not registered under the PPO or CMO, they must explicitly say so in the form of a disclaimer, both on the packaging and in the advertisement. The claims permissible would facilitate the public's ability to distinguish the product from conventional drugs.

It is not our intention to regulate conventional food like cereals, cooking oil, fruits and vegetables, but some conventional food may be affected under the new regulation as they can be described as orally consumed products. We propose to define "orally consumed products" in such a way that a product which is customarily consumed only as food or drink to provide energy, nourishment or hydration, or to satisfy a desire for taste, texture or flavour, would not be subject to regulation.

Under existing section 7 of the UMAO, the Director of Health has the power to amend the new Schedule so as to add or delete claims for orally consumed products and to vary the exemptions. We propose in addition that the Director of Health should have power to authorize public officers to be

inspectors, and that they should have investigative powers to enable them to enforce the UMAO.

After the passage of the Bill, penalty for offences under the Ordinance will increase to \$50,000 and imprisonment for six months on first conviction, and \$100,000 and imprisonment for one year on subsequent conviction. Upon the enactment of the new schedule of prohibited claims, the health food industry would be given a grace period of at least 18 months to enable them to make changes and preparation in order to comply with the new requirements.

We conducted a public consultation in the last quarter of 2003 on the regulatory framework for nine groups of health claims, based on the advice of an Expert Committee. We found that in general, the medical professional bodies and academics are supportive of the proposal, while the major opposing views come from the trade. Taking into account the opinions from the public and the trade, and comments proposed by Members of the Legislative Council Panel on Health Services, we have further revised Schedule 4 of the Amendment Bill to exclude three types of claims, namely, regulation of the immune system, promotion of detoxification and slimming or fat reduction, since these claims pose relatively lesser risk to public health and views on their regulation are divided.

We have also taken the opportunity to review other parts of the UMAO. Based on the risk assessment approach, we consider that some permitted claims can be added to Column 2 of Schedule 1, while some restrictions on the permitted claims can be removed. We also propose to amend the Chinese Short Title in order to better reflect the object of the Ordinance.

I hope Members will be able to support the Bill. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Undesirable Medical Advertisements (Amendment) Bill 2004 be read the Second time.

The debate is now adjourned and the Bill referred to the House Committee.

CONSTRUCTION INDUSTRY COUNCIL BILL**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Cantonese): Madam President, I move the Second Reading of the Construction Industry Council Bill (the Bill).

The Bill proposes the establishment of a new statutory body to be known as the Construction Industry Council (CIC) to pool the various sectors of the industry, promote a culture of self-regulation in a market-driven environment, and motivate the industry to continuously upgrade their performance, in pursuit of excellence.

All along, the construction industry is fragmented, displaying varied quality and performance. The Government agrees to the proposals put forward by the Construction Industry Review Committee in January 2001. It considers that a council, acting as the co-ordinating body of the industry, must be established. This council will forge consensus on strategic issues, provide communication channels to enable the industry to convey their needs and aspirations to the Government, as well as to enable the Government to solicit advice on all construction related matters, sparing no efforts to implement the reform measures.

The Bill will also establish the mode of self-regulation for the industry. The CIC will formulate codes of conduct, administer registration and rating schemes, steer research and manpower development, facilitate adoption of construction standards, promote good practices of operation and compile performance indicators for the industry. It will lead the industry to innovate and look for changes.

To tie in fully with the reforms of the construction industry, the industry levy will be assessed and collected by the CIC, and will be appropriately allocated. Compared to the current practice of having the Construction Industry Training Authority (CITA) collect the levy and use it solely for training purposes, the Bill allows more flexibility for the deployment of resources, thus benefiting the whole industry. To ensure its transparency, the CIC has to submit an annual activity plan and budget to the Government, including the expenses for its daily operations coming from the levy. Moreover, the CIC also has to lay work reports and statements of accounts on the table of the Legislative Council.

Meanwhile, a Construction Industry Training Board will be set up under the CIC. The Board will employ all incumbent staff of the CITA on the original terms, and will take over CITA's work to provide training and trade tests. The CITA will be formally dissolved afterwards.

The CIC carries the heavy responsibility of leading the industry to innovate. Its membership encompasses major sectors of the industry, including companies entrusted with works, professionals, consultants, contractors, subcontractors, suppliers, workers, and also academic and research institutions, government representatives and independent persons of the industry.

Early last year, the Provisional Construction Industry Co-ordination Board consulted extensively the industry bodies on the proposed legal framework of the CIC, and gained the support of the industry. We will continue to discuss with the organizations concerned details of the arrangement, so that the industry can, through the establishment of the CIC, concentrate its strength on taking forward reforms, enhancing efficiency, quality, productivity and competitiveness, and improving the overall performance of the construction industry in environmental protection, workplace safety and sustainable development.

I hope Members will support this Bill so that the CIC can be established at an early date.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Construction Industry Council Bill be read the Second time.

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

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Construction Industry Levy (Miscellaneous Amendments) Bill 2003.

CONSTRUCTION INDUSTRY LEVY (MISCELLANEOUS AMENDMENTS) BILL 2003**Resumption of debate on Second Reading which was moved on 9 April 2003**

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

MR LAU PING-CHEUNG (in Cantonese): Madam President, in my capacity as Chairman of the Bills Committee on Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bills Committee), I now report on the main deliberations of the Bills Committee.

One of the proposals of the Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bill) is to extend the application of construction industry levy to electrical and mechanical (E&M) works in the construction industry. The Construction Industry Training Authority (CITA) will use the extra levy collected to expand the scope of E&M training courses and trade tests relating to the construction industry, so as to enable the requisite training and trade tests to be provided to E&M workers.

Members of the Bills Committee have no objection to this proposal. However, some members and some deputations are concerned about the fees charged for the E&M trade tests. They have urged that the E&M trade tests fees should be maintained at a level not higher than the existing fee of \$150 charged by the Vocational Training Council. Ms LI Fung-ying has requested the Administration to provide an undertaking in the speech to be delivered by the Secretary for Education and Manpower during the resumption of the Second Reading debate on the Bill that the fee charging principle adopted by the CITA to determine the fees for E&M trade tests would be the same as that for the fees for the construction trade tests.

The Administration has explained that since the CITA's establishment in 1975, its operation has been funded by the construction industry levy without government subvention. As its source of funding comes from the industry, the CITA has full autonomy in determining the fees for its training courses and trade

tests. The Government is therefore not in a position to make any undertaking that the fee charging principle for determining the fees for E&M trade tests would be the same as that for the fees for the construction trade tests.

The Administration has further explained that, at present, the fees for the construction trade tests are heavily subsidized for only the material costs are charged. According to the CITA, the same fee charging principle will likely be extended to the E&M trade tests. However, the CITA is unable to finalize the testing fees for E&M tests at this stage as the actual test contents have not yet been finalized.

Ms LI Fung-ying considers that in the absence of an undertaking, the principle for determining the E&M tests fees could be revised in future. She has urged the Administration to adopt remedial measures to ensure that the future fee charging principle for the E&M trade tests would be the same as that for the fees for the construction trade tests. The Administration has undertaken to convey to the CITA Board members' concern about the E&M trade tests fees.

Madam President, one of the major concerns of members is related to the proposal to amend the composition of the CITA Board. The Bill proposes to add to the CITA Board's membership a person nominated by the Hong Kong E&M Contractors' Association Limited (HKEMCA), an academic staff member of a university in Hong Kong and two persons from the construction industry. The Bill also proposes to reduce the number of representatives of the Hong Kong Institution of Engineers (HKIE) sitting on the CITA Board from two to one, exclude two representatives nominated by the Building and Civil Engineering Industry Training Board, and delete existing section 7(1)(i) of the Industrial Training (Construction Industry) Ordinance which provides for a person not being a public officer or person connected with any of the organizations mentioned in section 7(1) to be appointed as member of the Board.

Members have suggested that among the two proposed additional members to the CITA Board who are to be persons engaged in the construction industry, one of them should be specified as a representative of an E&M trade union in the construction industry. After consulting the CITA Board, the Hong Kong Construction Association Limited and the HKEMCA, the Administration will introduce an amendment to this effect.

Dr Raymond HO is gravely concerned about the proposed reduction of the HKIE representation on the CITA Board. Dr HO has pointed out that the HKIE has not been consulted on the proposal, and queried the basis for the proposed amendment.

The Administration has explained that in the light of the need to enhance the scope and content of courses run by the CITA, the Construction Industry Review Committee recommended that the composition of the CITA Board be reviewed with a view to achieving an appropriately balanced membership to cope with its expanded responsibilities. The Working Group on Skills Development for Construction Workers subsequently formed by the Provisional Construction Industry Coordination Board (PCICB) suggested that a representative of E&M contractors be appointed for this purpose. Since only one seat is allocated to each of the other professional bodies, that is, the Hong Kong Institute of Architects and the Hong Kong Institute of Surveyors, on the CITA Board, the Working Group also recommended that the number of seats allocated to the HKIE be reduced from two to one. This proposal was endorsed by the CITA Board at its meeting in May 2002.

Dr Raymond HO is of the view that the number of seats allocated to the HKIE on the CITA Board should not be reduced. Dr HO has pointed out that to his knowledge, the two HKIE representatives opposed the proposal. Dr HO is of the view that discussion of the proposal by the CITA Board and the PCICB was by no means tantamount to having consulted the stakeholders in the industry. The HKIE, being the stakeholder, should be formally consulted by the Administration.

Members have also expressed concern about the way in which consultation was conducted. Some members consider that organizations and professional bodies affected by the proposed changes to the composition of the CITA Board should be directly consulted, instead of indirectly through their respective representatives on the Board. As the HKIE is directly affected by the proposal, it should be consulted in a formal manner. To address Dr HO's concern, members have requested the Administration to consider expanding the composition of the CITA Board from 13 members to 14, so that the existing two seats for the HKIE on the Board could be retained.

The Administration considers that the CITA Board, which is composed of representatives from all major stakeholders in the industry, is a proper channel

through which consultation should be conducted. The Administration takes the view that the CITA Board has been operating smoothly with 13 members, and the retention of the two seats for the HKIE as suggested by members can be made without enlarging the size of the Board.

In order that minimal changes will be made to the composition of the CITA Board, the Administration will introduce amendments to the Bill so that the existing two seats for the HKIE on the CITA Board will be retained, while maintaining the membership of the Board at 13 members. In this regard, amendments will also be made so that the only changes to the existing composition of the CITA Board are the deletion of the two representatives nominated by the Building and Civil Engineering Industry Training Board, to be replaced by representatives of E&M contractors and workers.

The Administration will also move various amendments to reflect its policy intent, and to resolve the technical and operational problems, so as to make the provisions clear and consistent.

Thank you, Madam President.

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

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, we in the Democratic Alliance for Betterment of Hong Kong (DAB) support the Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bill).

The Bill aims to:

- (a) extend the application of the construction industry levy to electrical and mechanical (E&M) works in the construction industry;
- (b) empower the Construction Industry Training Authority (CITA) to provide training courses to E&M workers, and to assess the skills level of its workers;
- (c) extend correspondingly the levy under the Pneumoconiosis (Compensation) Ordinance to E&M works;

- (d) amend the composition of the CITA Board; and
- (e) make adaptations to related ordinances.

The Government has readily accepted our advice and made some changes to the Bill. However, we in the DAB are concerned about the fees for the E&M trade tests and training courses, and hope that the Government can refrain from increasing the burden of trade practitioners.

Madam President, I so submit.

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

(No Member indicated a wish to speak)

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I would like to thank Mr LAU Ping-cheung, Chairman of the Bills Committee on Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bill) and other members of the Bills Committee for their untiring effort in scrutinizing the Bill, and for their constructive input in respect of the contents and drafting of the Bill. I would also like to express my gratitude to industry associations for the valuable views received in the course of deliberation. In considering the Committee stage amendments, the Government has taken into account proposals raised by members and industry associations.

Madam President, let me repeat here the primary objective of the Bill which seeks to amend the Industrial Training (Construction Industry) Ordinance and the Pneumoconiosis (Compensation) Ordinance, so as to extend the levy imposed on the construction industry to cover E&M works in the construction industry. The additional levy collected from E&M works would be used by the Construction Industry Training Authority (CITA) to expand the scope of construction industry related E&M training courses and trade tests presently not offered by the CITA. It is estimated that over 45 000 places for E&M trade tests and 2 500 places for training would be provided in the first three years after the implementation of the new legislation, thereby upgrading the skills of E&M workers.

The additional E&M training courses and trade tests will help enhance workers' quality, productivity and safety awareness, thereby benefiting the construction industry as a whole. The new services relating to the collection of levy will also facilitate the full implementation of the Construction Workers Registration System (CWRS). Under the proposed CWRS, construction workers including E&M workers will be required to pass relevant trade tests or intermediate trade tests in order to register as skilled or semi-skilled workers respectively.

In view of the proposed new services related to E&M training courses and trade tests to be provided by CITA, the Bill proposes relevant amendments, such as to modify the composition of the CITA Board to include a representative from the E&M trade, and to allow the CITA to appoint other bodies as training agents for the provision of services. There are also other amendments in the Bill which seek to set down more clearly the procedural matters relating to the collection of levy.

In conclusion, the proposal to extend the existing levy to cover E&M works in the construction industry, so as to enable the CITA to provide new E&M training courses and trade tests, will ultimately benefit the construction industry, the real estate sector and the community as a whole. I hope Members will support the Bill and the essential amendments to be proposed by me at the Committee stage.

Madam President, I move the Second Reading of the Bill. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Construction Industry Levy (Miscellaneous Amendments) Bill 2003 be read the Second time.

Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Construction Industry Levy (Miscellaneous Amendments) Bill 2003.

Council went into Committee.

Committee Stage

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

CONSTRUCTION INDUSTRY LEVY (MISCELLANEOUS AMENDMENTS) BILL 2003

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Construction Industry Levy (Miscellaneous Amendments) Bill 2003.

CLERK (in Cantonese): Clauses 1, 2, 6, 9, 13, 14, 15, 17, 19, 23 to 29, 33, 34, 35, 37, 38 and 41.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clauses 3, 4, 5, 7, 8, 10, 11, 12, 16, 18, 20, 21, 22, 30, 31, 32, 36, 39 and 40.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam Chairman, I move that the clauses read out just now be amended as set out in the paper circularized to Members. All proposed amendments have been scrutinized and endorsed by the Bills Committee on Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bills Committee).

The amendments to clauses 3, 16 and 36 seek to change "獲授權人", as appeared in "根據《建築物條例》第4條所委任的獲授權人" in the Chinese version of the Industrial Training (Construction Industry) Ordinance (ITCIO) and the Pneumoconiosis (Compensation) (Assessment of Levy) Regulations, into "認可人士" to bring it into conformity with the Chinese translation of the same expression in the Buildings Ordinance.

The amendments to clauses 4 and 20 seek to empower the Construction Industry Training Authority (CITA) and the Pneumoconiosis Compensation Fund Board (PCFB) to, in the event that the consideration of a contract has been undervalued, replace the consideration of the contract with the open market value of the construction operations for the determination of the value of the operations.

The amendments to clauses 5 and 21 seek to clarify the exemption provided under the ITCIO and the Pneumoconiosis (Compensation) Ordinance for construction operations carried out for a person who occupies any domestic premises, the purpose of which is to decorate, alter, repair, maintain or renovate the premises.

The amendment to clause 7 deals with the concern expressed by the Bills Committee about the composition of the CITA Board. To complement the measure of imposing a levy on electrical and mechanical (E&M) works, we have proposed that two representatives from the E&M industry be included on the Board. In order to make minimal changes to the existing composition of the CITA Board, it is proposed that the two representatives nominated by the Building and Civil Engineering Industry Training Board of the Vocational Training Council be deleted. The amendment to clause 7 seeks to implement this change.

The amendments to clauses 8, 22, 39 and 40 seek to provide fairer and practicable transitional arrangements for construction operations without a tender. Subsequent to the amendments, the contract date or the date on which construction operations actually commence will become the cut-off date.

The amendments to clauses 10, 11, 30 and 31 seek to perfect the drafting of the evaluation of the total value of construction operations.

The amendments to clauses 30 and 31 seek to clarify that the notice given by a contractor or authorized person to the PCFB should be "in the form specified by the Board", instead of "in the form approved by the Board" as currently stated in the Bill.

The amendments to clauses 11 and 31 set out a more reasonable notice requirement with respect to a term contract. Where a payment is made to a contractor in any calendar month under a term contract, the contractor shall, within 14 days after the last day of that month, give notice of such payment to the CITA or PCFB.

The amendments to clauses 12 and 32 seek to simplify the provisions related to the current time limits on assessment of levy or imposition of surcharge.

The amendment to clause 18 provides a more specific definition for the expression "construction operations" to better reflect its meaning and scope.

Thank you, Madam Chairman.

Proposed amendments

Clause 3 (see Annex)

Clause 4 (see Annex)

Clause 5 (see Annex)

Clause 7 (see Annex)

Clause 8 (see Annex)

Clause 10 (see Annex)

Clause 11 (see Annex)

Clause 12 (see Annex)

Clause 16 (see Annex)

Clause 18 (see Annex)

Clause 20 (see Annex)

Clause 21 (see Annex)

Clause 22 (see Annex)

Clause 30 (see Annex)

Clause 31 (see Annex)

Clause 32 (see Annex)

Clause 36 (see Annex)

Clause 39 (see Annex)

Clause 40 (see Annex)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): If no Member wishes to speak, I now put the question to you and that is: That the amendments moved by the Secretary for Education and Manpower be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clauses 3, 4, 5, 7, 8, 10, 11, 12, 16, 18, 20, 21, 22, 30, 31, 32, 36, 39 and 40 as amended.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Schedules 1 and 2.

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

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bills

PRESIDENT (in Cantonese): Bill: Third Reading.

CONSTRUCTION INDUSTRY LEVY (MISCELLANEOUS AMENDMENTS) BILL 2003

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

Construction Industry Levy (Miscellaneous Amendments) Bill 2003

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

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Construction Industry Levy (Miscellaneous Amendments) Bill 2003 be read the Third time and do pass.

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

(Members raised their hands)

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

(no hands raised)

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

CLERK (in Cantonese): Construction Industry Levy (Miscellaneous Amendments) Bill 2003.

MOTIONS

PRESIDENT (in Cantonese): Motion. Proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I move that the motion on the Agenda be passed. The motion seeks to amend sections 14(4) and 15(2) of the Housing Ordinance so that the statutory functions of the Chief Secretary for Administration under the two sections may be transferred to the Secretary for Housing, Planning and Lands.

Sections 14(4) and 15(2) of the Housing Ordinance provide respectively that the Chief Secretary for Administration shall lay a statement of accounts, an audit report and an annual report of the Housing Authority on the table of the Legislative Council each year before specified dates. Given that the affairs of the Housing Authority are under the responsibility of the Secretary for Housing, Planning and Lands, the Government proposes that the above functions be transferred to the Secretary for Housing, Planning and Lands.

In exercise of the powers conferred to him under "Specification of Public Offices" (L. N. 471 of 1996), the Chief Secretary for Administration has delegated the above functions to the Secretary for Housing, Planning and Lands. As such, upon the transfer of the above functions to the Secretary for Housing, Planning and Lands, "Specification of Public Offices" (L. N. 471 of 1996) can be repealed. Subject to the approval of the motion by the Legislative Council, the amended provisions will come into force on the date of their publication in the Gazette.

I hereby move the motion.

The Secretary for Housing, Planning and Lands moved the following motion:

"That -

- (1) the functions exercisable by the Chief Secretary for Administration by virtue of sections 14(4) and 15(2) of the Housing Ordinance (Cap. 283) be transferred to the Secretary for Housing, Planning and Lands;
- (2) for the purpose of giving full effect to paragraph (1) -
 - (a) sections 14(4) and 15(2) of the Housing Ordinance (Cap. 283) be amended by repealing "Chief Secretary for Administration" and substituting "Secretary for Housing, Planning and Lands";
 - (b) the Specification of Public Office (L.N. 471 of 1996) be repealed."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Housing, Planning and Lands 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 as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee. I trust Members are very familiar with the time limits for speeches, so I am not going to repeat them here. I only wish to point out that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Demands on the Budget.

DEMANDS ON THE BUDGET

DR LAW CHI-KWONG (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

Madam President, there is precisely one month before the announcement of the Budget by the Financial Secretary on 11 March. One of the objectives of this motion proposed by me today is to enable Members to publicly make their views known to the Financial Secretary in this Chamber. Today, a proposed budget entitled "安民治本，在於足用" (Sufficient means is the key to maintaining social stability and providing fundamental solutions) has just been published by the Democratic Party. Later on in the debate, Dr YEUNG Sum, Chairman of the Democratic Party, and Mr SIN Chung-kai, spokesman for the Democratic Party on economic issues, will elaborate on the Democratic Party's recommendations. I would like to begin this motion debate by discussing one of the highlights of the motion with respect to calling on the Government not to substantially reduce its spending on social welfare, medical services and education. We are not requesting the Government not to make any adjustments to its spending in these areas. I will elaborate on our views later.

(THE PRESIDENT'S DEPUTY, MS MIRIAM LAU, took the Chair)

While we are duty-bound to enhance the cost-effectiveness of medical and social welfare services, it must be borne in mind that there has been an enhanced productivity, or efficiency savings, as it was later called, of 6.8% between 2000 and 2004. Coupled with pay cuts, there has been a slash in resources of up to 12% over the past four years. During the motion debate on the policy address last week, I made it clear already, and I am not going to repeat it here, that it is most inadvisable to slash medical expenditure. There is only one point I wish to raise for the consideration of the Government, particularly the Financial Secretary. As we should already know, even if we look at the matter from the economic angle, not from the angle of the well-being of the public, undermining the strength of our medical system is tantamount to undermining our ability to fight epidemics. We have learned from the experience gained from fighting SARS last year that the community will thus be made to pay a heavy economic cost.

Insofar as social welfare is concerned, in addition to a combined 12% cut effected over the past four years as mentioned earlier, I would like to remind Members that, in order to achieve the objective of having one social worker for each school, social welfare service providers have enhanced their efficiency by an amount equivalent to 7% of the overall youth services. For these providers, there has been a combined cut of 20% over the past four years. The part mentioned by me just now is the slashed part.

But still, social service organizations still have to face certain planned reductions, or the "first sword", an expression used by me to refer to the reduction in lump sum grant. As Members probably should have known, social service organizations started to implement the lump sum grant arrangement in 2000. It has been planned that, starting from 2006, the amount of funding received by some organizations will be adjusted and the transitional subsidy be scrapped, and these combine will be roughly equivalent to 8% of the overall funding. I hope Members can understand that this is only an average — some organizations will have to face a reduction of more than 20%.

The "second sword" refers to the funding cuts made by the Community Chest. As Members should be aware, the Community Chest has been in the red every year since 1997, with an annual deficit reaching approximately \$600 million on average. Last year, the Community Chest started to cut expenditure in the hope of achieving its target of slashing \$600 million over a period of two years. Insofar as the overall funding for social service organizations is

concerned, the cut in expenditure is equivalent to a 6% reduction in resources, with elderly services being hit the hardest.

The "third sword" refers to the discussions recently held between the Jockey Club and social service organizations on slashing funding. Although the rate of the cut is still not known, this sword is expected to produce a significant impact.

The "fourth sword" refers to budget cuts, also part of the theme today. I wonder if the Government and the Financial Secretary would consider sparing the battered social welfare sector? The major function of social welfare services is to promote social integration, build up social capital, and help the disadvantaged to become self-reliant, in order to stabilize society and cushion the negative impact of economic fluctuations. Despite the exclusion of social capital from statistical data on traditional economic activities, social capital is an important element contributing to the well-being of the public. Slashing such an integral social component will render the general community and the public less capable of addressing social and personal problems. This is indeed a blunder in administration.

Just now, I mentioned social welfare, and before that, medical services. Mr CHEUNG Man-kwong will talk about education later, so I am not going to dwell on this topic. However, I would like to talk about spending on social welfare, medical services and education, a point raised in the motion. Many people will ask this question: As spending on social welfare, medical services and education already accounts for half of government expenditure, how can the deficit be eliminated without slashing spending in these areas? First, we are not proposing that not a single cent be slashed. It is perfectly right for the Government to examine ways to eliminate redundancy in order to enhance effectiveness. However, substantially slashing these three items of expenditure will greatly reduce the Government's investment in society and the quality of the people, thereby undermining the competitiveness of society as a whole in the long term. This is not conducive to achieving the goal of eliminating the deficit too.

But how can the target of eliminating the deficit by 2008-09, as stated by the Financial Secretary earlier, be achieved without substantially slashing spending? The Democratic Party has actually proposed to postpone the target for one more year. Many people will say that this is not feasible because, in addition to arousing global concern, the resultant problems of postponing the

target for one year will cause concern among rating institutes as well. We have to make it clear that this is a basic consideration in budgeting strategy. Insofar as a budget is concerned, postponing our target for one year is actually an attempt to bring home to the world our determination to eliminate the deficit. If the target can be postponed for one more year, extra efforts in slashing funding and increasing taxation will become unnecessary, and stimulating the economy will become even more important. Should the Government resort to substantially increasing taxation and reducing expenditure in order to reach its target of eliminating the deficit one year earlier, the economy might further weaken and the chances of eliminating the deficit will actually become more remote. Postponing the target strategically for one year may, on the contrary, help stimulate the economy, and the ensuing economic growth will help eliminate the deficit. From a budgetary angle, this strategy of "retreating in the interest of advance in future" can basically better enable us to reduce the deficit, or even increase our chances of achieving the target of eliminating the deficit at an earlier date.

Therefore, this is an issue of strategy in overall budgeting. What is involved is not purely figures concerning an individual or a family, rather the interaction of the community as a whole, that is, the overall socio-economic interaction with government expenditure and revenue. We hope the Government can seriously consider not to substantially reduce its overall social investment and its investment in upgrading the quality of the people, because this is important to the long-term economic development of Hong Kong in general, and even the Government's efforts in eliminating the deficit in particular.

Madam Deputy, I will offer my response after listening to the views of other Members. Thank you, Madam Deputy.

Dr LAW Chi-kwong moved the following motion: (Translation)

"That this Council demands that, when drawing up the 2004-05 Budget, the Government do not substantially reduce its spending on social welfare, medical services and education, and continue to freeze the government fees and charges which directly affect people's livelihood."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LAW Chi-kwong be passed.

DEPUTY PRESIDENT (in Cantonese): Mr CHAN Kam-lam and Mrs Selina CHOW will move amendments to this motion respectively. Mr SIN Chung-kai will move an amendment to Mr CHAN Kam-lam's amendment. Their amendments have been printed on the Agenda. The motion and the amendments will now be debated together in a joint debate.

I will first call upon Mr CHAN Kam-lam to speak, to be followed by Mrs Selina CHOW and Mr SIN Chung-kai respectively, but no amendments are to be moved at this stage.

MR CHAN KAM-LAM (in Cantonese): Madam Deputy, I will move an amendment to Dr LAW Chi-kwong's motion later to clearly express the Democratic Alliance for Betterment of Hong Kong (DAB)'s expectations of the SAR Government and of the imminent Budget, particularly our expectations of the Government's macro economic policies. Dr LAW Chi-kwong's motion is relatively simple in wording. In discussions on the budget, we think that the development of the economy should be the major premise, whereas cutting expenditure should come only second.

First, I would like to talk about the development in respect of banks in Hong Kong participating in the operation of Renminbi (RMB) business. In fact, many initiatives to develop the economy will require the Government to provide support and formulate policies before they can become practicable or viable.

In September last year, the Central Government announced its permission for banks in Hong Kong to operate on a trial basis personal RMB business under the framework of CEPA, and agreed that Hong Kong be given priority to operate off-shore RMB business when the conditions are ripe. Time flies. Two weeks later, banks in Hong Kong can officially launch RMB deposit and exchange services. For various reasons, the market has anticipated that part of the deposits in Hong Kong dollar will be converted into RMB deposits. So, the launch of RMB services may probably change the ecology of the local banks progressively. Meanwhile, the financial authorities of Macao are not willing to lag behind and have actively held discussions with the mainland authorities recently on the operation of RMB business. It shows that this measure of the Central Authorities is well-received and given much weight by all sectors.

Although the idea of an off-shore centre for RMB will have the conditions to materialize only after the liberalization of capital items in RMB, that is, when RMB can be fully and freely convertible, it is obvious that the financial reform in the Mainland has been expedited over a period of time. Allowing banks in Hong Kong to engage in RMB business is only one of the measures of the Central Authorities. Moreover, the Mainland is expected to announce shortly its permission for an institution outside China, namely, the World Bank or the Asian Development Bank, to issue RMB bonds for the first time. When RMB has yet become fully and freely convertible, all these are steps taken by China to pave the way for full and free conversion of RMB, thereby exploring and accumulating capital items, with the objective of drawing on the experiences of liberalization. This, we think, is a very important milestone.

That banks in Hong Kong can operate RMB business on a trial basis is the result of the "internationalization" of China's foreign trade and RMB. It is also in line with the need for the further reform and liberalization of the financial system in the Mainland and for RMB to become freely convertible and internationalized. This will immensely benefit both Hong Kong and the Mainland.

Firstly, we can see that this measure can help enhance Hong Kong's function in regulating the circulation of RMB outside China. RMB-related activities may then shift from underground to the banking system, thus enabling the authorities to grasp the actual amount of RMB in circulation and facilitate the implementation of the relevant monitoring work.

Secondly, the operation of RMB business by banks in Hong Kong is also conducive to promoting the development of the banking industry in the territory. In the long term, it can facilitate the development of Hong Kong as an off-shore centre for RMB in the world. If Hong Kong can become an off-shore centre for RMB, then we will be the only off-shore centre for RMB internationally over a long period of time. To Hong Kong, this will be an additional unique advantage which will not only consolidate Hong Kong's present position as an international financial centre, but also make Hong Kong an important city and financial hub of China. Like London, Hong Kong will be given an opportunity to capitalize on its role as an off-shore RMB centre and open up new horizons for the development of the financial services industry.

As regards the benefits to China, the current reform of the financial system in China, whether in respect of the development of the market system or the reshaping of banks towards commercialization, hinges on the successful establishment of a mechanism in the market for the formation of interest rates. Allowing banks in Hong Kong to accept RMB deposits and then launch other types of RMB business when the conditions are ripe can, to some extent, make up for the inadequacies and provide effective reference for the formation of interest rates for RMB. The fact that the London Interbank Rate serves as an important indicator for the formation of interest rates for US dollar precisely points to the pivotal role played by an off-shore centre in the formation of interest rates for RMB in Hong Kong.

As a major financial centre both in the region and in the world, Hong Kong has a sound system of market supervision and should, therefore, have all the necessary conditions to become an off-shore centre for RMB in the future. Having said that, however, it must be noted that the question of which particular city would be selected as the off-shore centre for RMB does not hinge on the approval or preference of the Central Government. Rather, it will depend on which city has the most desirable and the best conditions and also the trend of market demands and orientations. So, a decision will come forth in the course of time when all the necessary factors are present.

The question of whether or not Hong Kong can become an off-shore centre for RMB in the future as a matter of course depends on the adequacy of the measures taken by the SAR Government now and in the future towards this end. Otherwise, even if Hong Kong should be able to achieve very soon the goal of becoming an off-shore centre for RMB, the opportunity would still slip through our fingers and this would greatly undermine Hong Kong's status as an international financial centre. For this reason, we urge the Government to expeditiously draw up explicit measures in line with the pace of the Mainland's financial reform, with a view to making Hong Kong an off-shore centre for RMB in due course, rather than wasting the policies initiated by the Central Government in favour of Hong Kong.

Later, Mr Jasper TSANG of the DAB will put forward the views of the DAB on the implementation of CEPA and on strengthening Hong Kong's economic co-operation with the Mainland and also countries in Southeast Asia.

Now I would like to focus on the remaining issues of public expenditure and government fees and charges. Given signs of an economic pick-up in Hong Kong, the DAB supports some of the views proposed in Dr LAW Chi-kwong's motion. We agree that the Government should not substantially reduce its spending on social welfare and medical services and should continue to freeze government fees and charges which directly affect the people's livelihood. But regarding the view in the original motion concerning expenditure on education, we beg to differ. In lumping all the three areas together, he appears to be suggesting that the Democratic Party agrees with the reduction of expenditure on education to some extent. This runs counter to our original policy of hoping that the Government can maintain its spending and investment on education at the present level. So, we take exception to his view.

Medical services are essential services of immediate concern to the public. They have to do with the protection of the lives and health of the people. The DAB considers that the SAR Government should maintain its spending on public medical services, so that people in need can have access to suitable medical services. We consider that in the overall review of the expenditure on medical services, the Government should first seek a consensus in society on what level of public medical services should be provided. It is because after the SARS incident, we have suddenly come round to the fact that there is a serious imbalance in our measures for the prevention of contagious diseases and distribution of resources for hospitalization services. It is now time we properly reviewed the public medical and health care system and determine anew a positioning that can enable it to cope with changes in society. As for the expenditure on social welfare, last year, the Government already reduced the Comprehensive Social Security Assistance (CSSA) by over 10% in accordance with deflation, and this has greatly affected families on CSSA. Now, as the economy has begun to turn the corner and the revenue of the Government has increased, we hope the Government will not again substantially reduce its spending on welfare services on the ground of eliminating the fiscal deficit, so that the impoverished can take a respite.

We support the amendment proposed by Mrs Selina CHOW, which urges the Government to freeze fees and charges which directly affect the business environment. As the economy has just begun to pick up, the Government absolutely should not impose additional obstacles to undermine the vigour of economic recovery. So, we have been urging the Government to maintain the

concessions in respect of the sewage charges and the Trade Effluent Surcharge and also the concessions in the duty rates on liquefied petroleum gas and ultra low sulphur diesel. We hope that the Government can consider these views of the DAB in drawing up the new Budget. Thank you, Madam Deputy.

MRS SELINA CHOW (in Cantonese): Madam Deputy, the motion moved by Dr LAW Chi-kwong today on "Demands on the Budget" obviously seeks to urge the SAR Government to, while achieving its target of eliminating the deficit, avoid substantially reducing its spending on three major public services closely related to the people's livelihood, appreciate the people's hardship at a time when the first signs of an economic revival have just appeared, and not increase public service charges affecting the people's livelihood.

I would like to point out that Hong Kong economy has suffered badly due to the SARS outbreak last year. The impact of the outbreak is so strong that not a single trade and industry has been able to recover fully. In other words, both the business sector and the community badly need an environment to "take a respite", as stated by Mr TUNG in the policy address, in which changes, new measures and burdens are kept to the minimum. Is the Government not going against the major philosophy of "taking a respite" outlined in the policy address should it decide that the freeze on some of the charges directly affecting the people's livelihood and the business environment be lifted?

Today, I have proposed an amendment on behalf of the Liberal Party in the hope that the Financial Secretary can appreciate the business difficulties and refrain from pinpointing business operators by raising charges that might affect the business environment. This Council has actually discussed repeatedly the relationship between charges related to and charges unrelated to the people's livelihood. I trust Members will agree that there is a close relationship between these two kind of charges. Increasing charges that affect the business environment may in the end increase the people's expenses, thus victimizing both the business sector and the people.

In a motion debate held last year on the following year's Budget, an amendment proposed by Ms Miriam LAU requesting not to affect the business environment was passed by Members. I hope Members can maintain this position today.

Madam Deputy, despite the saying that our economy has rebounded since it hit the rock bottom last year during the SARS outbreak, and there are signs of recovery in the market situation, I would like to point out that the so-called rebound means recovering at the most the ground lost during the SARS outbreak. Our economy is still at an early stage of recovery and not yet stabilized, not to mention the great number of uncertainties facing the market, now that we are threatened by the avian flu epidemic that has been plaguing Asia in full fury. The Government will only destroy the local business environment which has just "regained its strength" and stifle the pace of economic recovery once it decided that charges affecting various trades and industries should no longer be frozen.

The Financial Secretary announced at the end of last month to set up a super committee by merging four advisory bodies pinpointing the economy and employment for the purpose of performing a more efficient role in advising on the relaunch of the economy. If the freeze on charges is lifted now, will it appear that the Government is taking the lead in destroying the business environment despite its recent public announcement of its determination to relaunch the economy? Is it not a great irony?

Let me cite the retail trade as an example. Besides the requirement of applying for general business licences, there are various licence fees and other government charges. Let me now cite an example to illustrate my point. A supermarket has to, apart from paying the business registration fee, apply for a food factory licence and a frozen confection permit. In addition, it has to apply for a bakery licence in order to sell bread and cakes, a cigarette licence and a liquor licence in order to sell cigarettes and beers, an appropriate licence for selling such snacks as sushi, a fresh provision store licence for selling fish and fresh meat, and a "siu mei" shop licence for selling "siu mei". These charges will add up to an enormous sum.

The burden will be further aggravated if rates, water charges, sewage charges and trade effluent surcharge are factored into all this, and the suffering thus inflicted is so great that it is indescribable. Should business operators charge consumers more or bear the burden by themselves? Under the present circumstances when only little profit can be made by all trades and industries, it is simply impossible for them to bear the burden by themselves. However, customers will be driven away should they be required to share the burden. The trades and industries are precisely being trapped in the middle. What matters is that the Government is undoubtedly taking the lead in raising charges

if it increases charges that affect business costs at a time when the economy has just begun to see some small improvement. This is definitely not good to business operators and the people.

Some licence fees apparently not associated with the people's livelihood are actually closely associated with the daily lives of the people, only that Members may generally not notice if they are not highlighted for discussion. I mentioned earlier a number of licences required for the retail trade. These licences actually add up to more than 20. Other licences include: general restaurant licences, light refreshment restaurant licences, bakery licences, fresh provision store licences, liquor licences, frozen confection permits, permits for selling milk, and so on. In addition, there are licences for the sale of non-bottled drinks, Chinese medicine retail licences, and so on. All these licences involve the charging of fees.

Owing to the great diversity in the business operation of many shops nowadays, the licence fees indeed have a huge impact on consumers.

The findings of a survey conducted during the Lunar New Year show that the amount of spending made by the people of Hong Kong during this year's Spring Festival holidays was more or less the same as that of last year. The absence of a remarkable growth thus demonstrates that the people's confidence in spending has not yet fully recovered. How can the freeze be lifted at this very critical moment, thus rendering the charges that may likely be transferred onto consumers on a rise?

As for some of the proposals put forward in Mr CHAN Kam-lam's amendment, such as actively promoting Hong Kong as the off-shore centre for Renminbi, consolidating Hong Kong's status as an international financial centre, continuing to perfect the details relating to CEPA, further enhancing Hong Kong's economic co-operation with the Mainland and other countries of the world, relieving the tax burden on the public, and so on, are actually identical with what the Liberal Party has all along advocated. We have actually repeatedly urged the Government to speed up its work in these areas, and made a number of concrete proposals. As regards his call for the Government to "keep its pledge to invest in education", Mr CHAN has already explained it clearly. Actually, the Liberal Party is of the view that, given the gravity of the Government's existing deficit, there should be a shared commitment among various policy areas. The education sector can hardly justify itself should it

maintain that not a single cent can be slashed. We will therefore abstain on Mr CHAN's amendment. Mr Tommy CHEUNG will give a more detailed response on issues pertaining to government expenditure later on in the debate.

As for the call made in the original motion on the Government not to substantially reduce its spending on three major public services, namely social welfare, medical services and education, the Liberal Party does understand and share that there is a keen public demand for these services, and that the Government should not reduce expenditure in these areas without sound justifications. The Liberal Party will definitely lend its support if the so-called substantial reduction, as stated by Dr LAW Chi-kwong, is in excess of reasonable proportions. We will support the original motion, subject to our amendment that seeks to add the business environment rider. Yet I have to state it clearly that the Liberal Party absolutely supports reductions made in the interest of eliminating wastage or enhancing efficiency. We will also support reductions considered by us to be reasonable.

Thank you, Madam Deputy.

MR SIN CHUNG-KAI (in Cantonese): Madam Deputy, the Democratic Party proposes an amendment to Mr CHAN Kam-lam's amendment, adding a part to call for improvement to corporate governance and enhancement of the protection of small investors' interests and also studies on how to promote CEPA to a higher level and form a Greater China Free Trade Area covering the Mainland, Hong Kong, Taiwan and Macao.

The Democratic Party considers that Hong Kong is a major financial centre in Asia, with an average daily turnover of about \$10.3 billion in the local stock market. If we look at the market value in 2003, Hong Kong ranked the eighth in the world, which was remarkable performance. Nevertheless, the protection of small investors' interests is obviously inadequate. So, we hope that supervision of the securities market can be stepped up, particularly by introducing a demerit points system for approved sponsors and granting to the Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission the authority of recourse, so that they can impose sanctions against sponsors in breach of the listing rules. Besides, we also propose to establish the right of investors to take derivative actions, so that in the event of market misconduct, small investors can bring legal proceedings against the defaulters.

The right to take derivative actions has been enshrined in the statutes of other major financial markets. The merit is that small shareholders can, in the event of market misconduct, institute proceedings against the defaulters.

On the other hand, in order to upgrade the development of CEPA, Hong Kong should study how CEPA can be promoted to cover the Greater China Free Trade Area made up of the Mainland, Hong Kong, Taiwan and Macao, thereby consolidating Hong Kong's advantages in the areas of finance and services in the region. In the proposals put forward by the Democratic Party on the 2002-03 Budget entitled "香港經濟前景" (economic prospects of Hong Kong), there is also a detailed analysis on this.

Concerning this year's Budget, our response is that the Democratic Party opposes the substantial reduction of government expenditure by \$18 billion in five years from \$218 billion to \$200 billion. We believe it will mean substantially cutting government spending on education, medical services and social services. Cutting expenditure in these areas will no doubt deal a further blow to the economy which is already weak now and will create a heavy burden on the ordinary citizens who have not yet felt any improvement in the economy.

Yet, the Democratic Party does appreciate the gravity of the deficit problem now faced by Hong Kong. So, we have suggested a diversity of measures to ease the deficit. We have suggested, among other things, deferring the target date for eliminating the deficit by one year, issuing bonds on government assets, accounting to government revenue a greater proportion of the investment return from the Exchange Fund, and slightly increasing government fees and charges which do not directly affect the people's livelihood.

First, the Democratic Party suggests that the target date for eliminating the fiscal deficit be deferred by one year, in order to ease the pressure of having to resolve the deficit speedily. According to estimation by the Democratic Party, even with a deferral of one year to 2009-10 — the target of the Government is to eliminate the deficit by 2008-09 but we think that it can be deferred by one year to 2009-10 — our fiscal reserves can still be maintained at as high as \$116 billion, which is equivalent to six months of government expenditure and will be sufficient to meet the financial needs of the Government. But this can reduce the rate of public expenditure cut and spare the community of having to shoulder an excessive burden as a result of the expenditure cut.

Second, we suggest that the Government should consider securitizing more government assets. In respect of the 2003-04 Budget, the Democratic Party already suggested the Government to issue bonds to raise \$100 billion from the public as a buy-in of a number of government assets. Issuing bonds may not fully resolve the structural problems of our finances, but it can "buy" time. No doubt issuing bonds can ease the impact of the fiscal deficit and give the Hong Kong economy more time to take a respite, thus improving the economy. It can even promote the Government's objective of developing the bond market in Hong Kong.

Third, the Democratic Party calls on the Government to assign a greater proportion of the investment return from the Exchange Fund to be the revenue of the Government. At present, the Government only allocates the return from the fiscal reserves in the Exchange Fund to government revenue. The Democratic Party considers that given a relatively large balance of the Exchange Fund and the budgetary constraints faced by the Government, and given the abundant assets and surplus of the Exchange Fund, the Government can consider allocating more investment return from the Exchange Fund — and I stress investment return from the Exchange Fund, not from the principal, but the "retained earning" and that is, the return of investment — to the revenue of the Government. We suggest that after deducting from the investment return of the Exchange Fund the Government's share, half of the balance of the return should be designated as the additional general revenue of the Government. Certainly, we think that it should be capped at \$10 billion.

In that case, if the Government intends to reduce its spending now, that is, to reduce it from \$218 billion to \$200 billion in five years, then we think that the rate of reduction can be smaller. It is because we think that if we can draw \$10 billion from the return of the Exchange Fund, the accounts will break even. Of course, this is something for the Government and the Financial Secretary to consider. Dr YEUNG Sum will further explain this in detail later.

The Democratic Party also agrees that government fees and charges which do not involve the people's livelihood be adjusted with the ultimate objective being cost recovery. These fees and charges include mainly business registration fees and fees unrelated to the people's livelihood, various licence fees relating to professionals, and also fees and charges which do not affect the daily lives and basic rights of the people.

In effecting such fee increases as a transitional arrangement, the Government should confine their average rate of increase to a certain percentage, because the fees may have to be increased considerably if cost recovery is to be achieved in one attempt. So, even though the Government effects fee increases with the objective of achieving cost recovery, there should still be some limits.

Finally, the Democratic Party opposes the introduction of the goods and services tax under the very poor conditions now, because the introduction of a sales tax will deal a hard blow to the economy of Hong Kong which is now turning the corner. In the long term, it will not be conducive to the development of Hong Kong. These measures will only adversely affect the general image of Hong Kong, particularly our image as the Shopping Paradise.

We also hope that the Government can look into the abolition of the estate duty in the coming year, because some people think that the estate duty is certainly a stumbling block in Hong Kong's development into an asset management centre. I hope the Government can consider the suggestions of the Democratic Party. The details of our suggestions are included in this proposal entitled "安民之本 在於足用" (Sufficient provisions — the foundation of peace and stability). This is also the objective and theme of the motion proposed by us today, and I hope Honourable Members will support it.

MR LAU CHIN-SHEK (in Cantonese): Around this time every year, Madam Deputy, the Democratic Party would propose a motion on the expectations or demands on the Budget to give Members and the public one more opportunity of debate before the formal publication of the Budget. While this is good in the sense that there will be an opportunity for more discussions, this practice reflects the very limited channels through which this Council can participate formally in the formulation process of the Budget. Before the publication of the Budget, both this Council and its panels do not have any opportunity to conduct meaningful discussions on matters ranging from the overall strategies of the Budget to the priority of resource allocation. Sometimes, it can even be said that this Council and its panels have no right at all to participate in this process.

Such a top-down style of decision-making is often the root cause of the disputes and conflicts surrounding the Budget. Without the participation of this Council and the public in the decision-making process, the decisions made in the

Budget often lack adequate acceptance. Naturally, the community will not act in the way pointed by the Government. To radically resolve this problem, it is not enough to rely solely on the presentation of proposals to the Financial Secretary by individual Members once or twice every year. The Government should strengthen the role played by this Council in the formulation of the Budget to make this Council or relevant panels an open platform for meaningful discussions on the Budget by Members and the public.

To prevent the quality of education from being compromised in the future, Madam Deputy, teachers and students from tertiary institutions are prepared to stage a procession on Sunday. They might even resort to class boycotts in opposition to the substantial cuts in education funding. Following the introduction of the lump sum grant arrangement, the social welfare sector has to face yet another blow from funding cuts by the Jockey Club and the Community Chest. The hardships borne by the sector are indescribable. To prevent the quality of the services provided from being affected, we earnestly hope the Government can apply a lenient hand. The disputes we have today can certainly be attributed to the Government's failure to consult properly and fully consider the views of the sector. Moreover, the Government's unnecessary plan to reduce its operating expenditure to \$200 billion by 2008-09 is partly to blame.

On the surface of it, the new timetable for eliminating the deficit unveiled by the Financial Secretary in October last year was meant to postpone the original target by two years to allow the community more room to pant. But, actually, the new proposal hurts more deeply than the previous one, for the rate of reduction has risen from 9% to 11%. According to the Government's Medium Range Forecast of Hong Kong's economic growth, and assuming we agree to the proposal of containing public expenditure at 20% of Gross Domestic Product, the Government's operating expenditure can still be maintained at \$210 billion in 2008-09. I believe the education and social welfare sectors will find it easier to adapt and accept, and the voices of opposition will not be so loud should \$200 billion, instead of \$210 billion, be set as the target of expenditure reduction. In doing so, the whole community can concentrate its energy on addressing other more important issues, and this will surely do Hong Kong more good than harm.

Madam Deputy, I believe it is difficult to discuss in this forum today each of the proposals raised by Members in respect of the Budget. As the Hong Kong Confederation of Trade Unions already presented its proposals on the

Budget to the Financial Secretary at the end of last year, I do not intend to repeat them here. Today, I am going to raise two most important proposals. The first proposal concerns "promoting" and "stabilizing" employment. Although we have seen a recent fall in the unemployment rate, it is nonetheless still very high. I hope the Government can consider allocating additional resources to policy areas with actual needs and expand its temporary job programme, in order to help general wage earners to survive the period when jobs are extremely scarce.

Second, we propose that all investment income from the Exchange Fund be directed to the government revenue account for a period of two years, in order to inject an extra \$50 billion to \$60 billion into our fiscal reserves. We seek to make use of this family asset not because we see that the Exchange Fund managed to make a handsome return last year. Our proposal was actually made two years ago when we still had no idea that Chief Executive Joseph YAM could have performed so well. Neither do we intend to abandon the required fiscal discipline by substituting this proposal for the plan to eliminate the deficit. The primary objective of this proposal is to, without lowering the current total assets level and aggregate balance of the Exchange Fund and undermining the ability of the Exchange Fund in maintaining the linked exchange rate, maintain the fiscal reserves at a relatively high level, thereby boosting the Government's share of the return in future. Even the former Deputy Chief Executive of the Hong Kong Monetary Authority, Mr A R LATTEER, agreed that it was not necessary for the Exchange Fund to keep its aggregate balance at such a high level. The Government should consider if there are other options that can enable us to make better use of the assets of Hong Kong people. I hope the Government can seriously examine this proposal.

Thank you, Madam Deputy.

MR NG LEUNG-SING (in Cantonese): Madam Deputy, with the full support from the Central People's Government, the economy of Hong Kong recently displays a momentum of recovery and people from all quarters agree that the community should take a respite and build up its strength. This is the broad direction proposed by the Chief Executive in the policy address. The community also agrees that we should endeavour to ensure sustained growth in the Gross Domestic Product, reduce deflation, taking closely into account changes and the restructuring in society and what people from all quarters can

sustain and to strike a careful balance between reducing the fiscal deficit and safeguarding people's livelihood. In my opinion, while the Budget for the coming year should put into practice the objective of enabling the community to take a respite and build up its strength, it should continue to follow the major principle of prudent financial management, demonstrate a determination on the part of the Government to bring operating expenditure under control, and adhere to meeting the revised target date of restoring fiscal balance by 2008-09.

The key to sound public finance in Hong Kong is stringent control on the operating expenditure. Work towards this end will invariably clash with the requirements in the expenditure in social welfare, medical services, education, and so on. With the economic recovery and improvements in the employment situation, the pressure exerted on the government spending in such areas as social welfare can hope to be eased. This is seen, for example, in the close to 2% fall in the number of recipients of CSSA unemployment assistance recently. Despite this, much pressure can still be felt in the recurrent expenditure of the Government, especially that in social welfare, medical services, education, and so on. While an attempt is being made to strictly control expenditure, and another to look after the sustainability of the community in the payment of taxes and fees against the need to strike a balance with the needs of people's livelihood, it will have to resort to new thinking to bring about reforms and address various demands on public expenditure.

In my opinion, to effectively relieve the pressure on public health care expenditure, there should be a continued review of the services and fees structure of public health care institutions. On the premise of assured public access to essential primary medical services, studies can be made on devising a varied scale of fees charged for services offered by public hospitals and other charitable or subsidized hospitals according to the quality of services provided. This will enable the public to choose medical services of different quality according to the fees they are prepared to pay. Choices in care and attention services can likewise be classified into different classes according to the fees charged. In the end, the level of subsidy for medical services can hopefully be lowered to a reasonable level.

In addition, as I have pointed out in the past, in making out social welfare payments, consideration can be given to the idea of offering assistance in kind or coupons instead of cash. These would include coupons covering needs in clothing, food, accommodation and transportation. This would reduce the cash

incentive and hence problems like abuse of public resources and it would also prevent recipients from using the assistance not on basic necessities. At the same time, the authorities should also consider providing effective and even mandatory employment assistance to CSSA recipients who are chronically unemployed. I have suggested in the past that the Government should give out subsidies rather than dole and to provide employment to those unemployed and the chronically unemployed who want to find employment as domestic helpers. Employers should also be encouraged to give priority to hiring these social welfare recipients. For example, if employers pay a monthly salary of \$3,500, the recipient can also get a monthly subsidy of \$1,500 for a period of two years. This will enable the recipients to get a monthly income of about \$5,000. Such an idea would be of benefit to the employers, the CSSA recipients and the taxpayers. As a matter of fact, even if the Government will not offer this kind of employment subsidy, it will have to spend a great sum of money in retraining and even CSSA payments. Through the payment of salary subsidies, these unemployed recipients can hope to re-enter the job market, their confidence will be boosted and their reliance on CSSA reduced. So that is really a good idea.

While public finance has to cope with the practical problems of reduced revenue and continual pressure on expenditure, there is also the need of adherence to the principle of prudent financial management and to strike a balance against safeguarding people's livelihood. Therefore, those officials responsible for public finance matters will need to use all kinds of flexible and innovative thinking to rationalize all items of public expenditure and in the end demonstrate to the community and the market that they have the determination and the ability to eliminate the deficits according to schedule. At a time of economic recovery and restructuring, I also agree that there is a need for the Government to continue with its policies of promoting economic growth and to strive to build an environment and also adopt measures that are conducive to regional economic co-operation. As someone who works in the financial sector, apart from sharing the public's gratitude to the Central People's Government for its support, I also appreciate the hard effort made by the Government, the regulatory bodies and members of the local banking sector which has made possible the launch of the Renminbi personal banking business in Hong Kong. Such a service will not only benefit the public but also promote the development of the financial services sector in Hong Kong. I hope the Government and the regulatory authorities will continue to maintain close partnership and dialogue with the related departments on the Mainland, seize the opportunities of the

reforms and developments in the mainland financial market so that Hong Kong can in time grow into the first off-shore centre of Renminbi.

Madam Deputy, I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, last week when government officials gave replies in the debate on the policy address in this Council, they pointed out repeatedly that the Government attached great importance to the four core industries, that how the local economy was to be boosted and how favourable opportunities in employment were to be created, and so on. The Secretary for Economic Development and Labour also emphasized that despite the devastation inflicted by SARS last year, the tourist industry still registered a record number of 15.53 million visitors, of which the number of visitors from the Mainland rose by 24%. As for the logistics industry, the freight volume going through the land crossings rose by 33%. Hong Kong handled a total of 20 million containers last year, representing an increase of 4.5% over that of 2002. The financial services sector employed 180 000 people in total. My opinion is that while all these figures sound very attractive and pleasing to the ear, unfortunately, they only reflect part of the reality. Though the officials told us some stories, they did not pinpoint all the actual problems.

Madam Deputy, if the economy of Hong Kong is really as good as depicted by these top officials, there would be no cause for us to worry. Many people would not need to worry about the meals every day and many people would not need to spend a lot of time hunting for jobs. Now many people are not only worried about the security of their rice bowls, they are worried that they would not be able to find a rice bowl to eat with. What we can see is, as pointed out by a report, that Hong Kong tops the list of some 30 countries or places with the highest standards of living but we also have the greatest disparity between the rich and the poor. In other words, the disparity between the rich and the poor in Hong Kong is very, very critical.

Nowadays in Hong Kong, there are as many as 2 003 600 households with a monthly income of \$4,000 or below. And the six companies controlled by the billionaires have a combined asset value of as much as \$511 billion. In other words, a family with a monthly income of \$4,000 will have to work for 10.64 million years before it can earn a sum equal to that asset value. From this it can be seen that the so-called improvements in the economy may actually benefit

only a very small minority. For the ordinary people, the benefits they get from this so-called improved economy are minimal.

As Mr TUNG points out in his policy address, "globalization brings not only opportunities but also severe challenges". What are these challenges? Madam Deputy, the Chief Executive is referring to challenges like "intensified competition, corporate restructuring, loss of jobs, more poverty and the marginalization of certain communities." Mr TUNG is really amazing, for he is able to see where the problems lie. However, and unfortunately, nowhere in his policy address has Mr TUNG mentioned anything about how these problems will be dealt with. Why? I think the answer is simple, because the Government has placed the responsibility for solving the problem of eliminating fiscal deficits which is of the utmost importance, onto the shoulders of the ordinary people and simply left it there.

Why am I saying that? It is because of what I have seen. For example, Financial Secretary Henry TANG says that he wants to slash the recurrent expenditure of the Government by 11% in five years, that is, to revert to the original level of spending at \$200 billion. How is the task going to be accomplished? By cutting expenditures. What then is the result? The ordinary people will have to bear all the consequences. Actually, the figures are obvious. The policy address says that originally there were 19 000 temporary jobs last year, but at the end of this March, there will only be 11 600 such jobs left. That means 7 000 jobs are gone. So for these 7 000 people, they used to have a job, but now they do not anymore. Just imagine how miserable they will become. Madam Deputy, yesterday I went with some 300 to 400 temporary workers of the Food and Environmental Hygiene Department to the Government Headquarters to hand in a petition. Why? It is because their outsourced work has been cancelled. These workers are those who wash our streets and clear up the dirt on our streets. Now the Government is telling them that since SARS is over, their service will not be required anymore, and so their jobs are also over and done with.

These workers have done so much hard work for us during the SARS outbreak. How can we treat them like this? This is really like calling them in when there is a need for them and sending them off when they are not required. Would it not be a tragedy as they are forced out of work? They are a group of people short on financial means and they rely on the job very much. They have only managed to find such a job after so much hard work as they are handicapped

by their age and employability. But the Government has never cared about this and they are just dumped. I cannot help but ask, "Is this the way to help people in need?" I fail to see that. In fact, if they are just sent back to the labour market, they will not be able to find any jobs. So what can be done? We can also see that even if they can stay on and do that job, that is not desirable either. Why? For they are just getting some \$4,000 a month and that is true. A stark contrast to this is a hot topic of conversation we have had today and that is, the Hunghom Peninsula project. And our Government is giving away more than \$1 billion to the giant conglomerate. And that is what we see. The Government is so generous to the giant conglomerate, but it is very mean to the ordinary people. This is a true reflection of our society today.

In any case, Madam Deputy, now the Government is constantly slashing expenditure to balance the deficits, this is really objectionable to us. For we can see that the social service sector is now desperately in need of government assistance, but the Government is now slashing resources and even some of these single-parent centres which offer some opportunities to single parents to live with their children or to solve some problems for the community are having their resources relentlessly slashed or even forced to close down. So do we still think that our Government is a caring government? Does it care anything at all about the actual needs in our society?

I would like to reiterate one point here. The Government is always saying that the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) will boost our economy and solve a lot of our problems. But unfortunately, when the Chief Executive came to attend a meeting of the Panel on Manpower in this Council last time, when many Members asked him what evidence he had that CEPA would promote our economy and help create jobs, the officials replied that they could only tell us that they could offer no evidence to Members because they were not sure. So even to date, the benefits of CEPA are still an unknown.

So in such circumstances, what kind of expectations can we have for future developments? It will never promote the economy. Madam Deputy, I think what we should stress is that the Government should never place the responsibility for solving its deficits onto the ordinary people. And as a matter of fact, some of the causes leading to the fiscal deficits are the blunders made by the Government itself. *(the buzzer sounded)* So, I hope the Government can rethink this issue.

MR CHEUNG MAN-KWONG (in Cantonese): Madam Deputy, the Chief Executive did make an undertaking in education. It was made in the policy address of 2001, in which he mentioned that, the SAR Government's "resolve to invest in education is unshaken". TUNG Chee-hwa even explicitly stressed that "Education is an investment, not an expenditure item." However, the Budget of Henry TANG violates the undertaking of TUNG Chee-hwa by slashing the education funding substantially. The Government's "resolve to invest in education is unshaken" has becomes the Government's "resolve to cut education funding is unshaken". The Government is adopting two sets of policies which are contradictory to each other. It breaks its own undertaking with the people.

In the past, the Government has also committed to implementing the four-year university system; establishing the target of achieving a 60% participation rate of university education; implementing education reforms in primary and secondary schools; and advocating pluralistic education. However, on the other hand, the substantial cut in educational resources has betrayed all such undertakings for education. Facts speak louder than words. The overall education funding for 2003-04 has already been slashed by \$1 billion. If the reduction trend should continue, our education will dwindle substantially. Students of all levels, be they pursuing kindergarten, primary, secondary or university education, may have to pay higher tuition fees. Yet there is no guarantee that they would receive quality education. This is because the slash in education funding would mean that some of the educational services have to be terminated, and that small-class teaching for which the educational sector has been fighting for for so many years has become a distant ideal now.

In the policy address debate held in this Council last week, Prof Arthur LI said that the unit cost of our university education is roughly on par with the international standard, whereas the unit cost for our primary and secondary education is just 60% of the international standard. In other words, if the expenditure of our universities shall be subject to further cuts, it will erode our international competitiveness. The investment in our primary and secondary education has been too mediocre, so what the Government should do is to increase, instead of reducing, the funding for education in this area. In fact, a government with vision should insist more firmly on making investment in education and training up talents when it is facing an economic recession. Only in this way will we be able to fulfil the aspirations of parents who attach great significance to the education of their children. This is the aspiration of the people, how can a government act against it? In this connection, I oppose the

reduction in funding for primary, secondary and university education because the different phases of education are in fact articulated. The Government should not cut the funding of one part of the education system in order to increase the funding of other parts. This will only create conflicts in detriment to the quality and interest of education.

There is indeed room for reduction in education spending. For example, given a declining student population, the Government still plans to spend several billion dollars on building new schools. This has led to the creation of a large number of vacant school places, reduction of classes and closures of schools. It has distorted the planning of school places, which has evolved into an elimination competition among schools. This is not just attributable to errors in the planning of school places, but also errors in policies on education as well. Madam Deputy, the Government should build schools with reference to the local population, the needs of students, the improvement of school environment as well as the needs of whole-day primary schooling, so as to avoid any wastage of resources. The principle of saving educational resources should be "What has been taken from education should be spent on education." So the saved resources should be expended on improving education. In order to satisfy the public aspiration for quality education, the Government should implement measures to achieve three targets: First, expediting the implementation of the policy of small-class teaching in primary and secondary schools. This should be implemented first and gradually in districts with a declining population. Second, implementing the four-year university system, and the costs incurred should not be passed onto students and parents. Third, financing associate degree courses presently offered by the universities so as to pre-empt deterioration of the quality of the courses and rectify the incorrect discriminatory attitude towards associate degree students. This should safeguard the major principle of fairness in education.

The whole Legislative Council should unite together to demand Henry TANG to stop cutting education funding. The slashing of education funding and the implementation of small-class teaching are closely related to the quality of university education. In fact, the universities have started to streamline and eliminate certain faculties and lay off staff members. The primary and secondary schools are already operating under very tight financial constraints. Should their funding be subject to further cuts, small-class teaching will never be implemented, in spite of successful trials. Most of the primary and secondary students will continue to learn in the crowded environment of 40-student

classrooms. In fact, small-class teaching is helpful to improving the quality of education and stabilizing the teacher ranks. It is a policy that yields dual benefits.

A government must honour its words in order to gain the trust of its people. How can TUNG Chee-hwa go back on his own words and break his own promise so casually. He should not overlook Henry TANG's move to cut education funding, nor should he overlook the financial needs arising from implementing education reforms; he should not ignore the expectations of the people on education, nor should he overlook the existence of two sets of policies in the Government. He should not ignore the ridiculous scene of one of his subordinates fighting with another. Therefore, I support the motion and hope that the Government will uphold its commitment to investing in education.

MS LI FUNG-YING (in Cantonese): Madam Deputy, the Budget is an important building block to put the policy address proposals into practice. The debate today can largely be seen as a continuation of the debate on the policy address last week. Here I would like to elaborate on the issues which I have touched upon during the policy debate in the hope that these will be given a positive response in the Budget to be delivered next month.

The disparity between the rich and the poor in Hong Kong is getting worse than ever. But this gap between the rich and the poor can be narrowed by means of certain measures proposed in the budget. During the policy debate, I cited some information comparing this disparity between the rich and the poor in Hong Kong and abroad. Today, I would like to cite some information on the mobility of jobs in Hong Kong. According to the monthly data released by the Census and Statistics Department on the working population classified according to income, there is a serious drain of middle-level jobs with a monthly pay of \$10,000 to \$15,000. Figures for the third quarter in 2003 are almost 1% less compared to those in the second quarter and those for the second quarter are 1.6% less than those in the first quarter. The pay trend is being polarized, that is, it moves towards the low-income jobs and the high-income jobs. There has been growth in the number of jobs fetching a monthly salary of \$30,000 and those between \$4,000 and \$6,000. The most marked growth is in those jobs fetching \$9,000 to \$10,000. This is believed to be the result of the dwindling of middle-level jobs in the \$10,000 to \$15,000 bracket. The pay trend shows that the income of the salaried class is being polarized and that illustrates a worsening of the disparity between the rich and the poor in Hong Kong.

The Financial Secretary pointed out in his reply during the policy debate that the tax base in Hong Kong was much too narrow and only a very small portion of the taxpayers was paying the bulk of salaries tax and profits tax. So in the long run, there would be a need to broaden the tax base. My response to that is that when the household income of people in Hong Kong is divided into 10 percentile, the percentage of the household income of the percentiles with the highest income is more than 60% of the total household income in Hong Kong. When salaries tend to flow to the highest and lowest extremes, the taxpayers and companies with a high income will bear the bulk of the salaries tax and profits tax, and this should not be surprising at all. When there are criticisms that it is unfair for a minority of people to bear the great part of the salaries tax and profits tax, have those critics considered the fact that it is also unfair and unreasonable that the fruits of economic growth are highly concentrated in the hands of a minority? Therefore, I hope that when the Financial Secretary says that the tax base should be broadened, he is referring to an increase in tax types, instead of catching more low-income people into the tax net. When the Financial Secretary was soliciting opinions on the Budget, I put forward my views, saying that I would support government efforts in exploring the possibility of introducing a sales tax. I also see this as a starting point to achieve the goal of broadening the tax base and it will give play to the redistribution of wealth and narrowing the gap between the rich and the poor.

I support what the Chief Executive says in the policy address, that "In the transition to a knowledge-based economy, we need to strengthen training and retraining before economic growth can bring about increased employment." I would like to point out that the workers at the grassroots find it hard to benefit from the vocational training and measures in encouraging further studies introduced by the Government. In order to benefit the grass-roots workers, a solution which addresses the problem at roots is to prescribe reasonable working hours and a minimum wage as protection. Only by so doing that the grass-roots workers will not see their livelihood and rest time being affected by training and further studies. I am aware that this is still a goal which the labour sector is striving to achieve. However, as some sort of compromise, a concession or a starting point, can the Government offer some tax concessions to employers so that they will be encouraged to support their employees earning an income below the median wage to pursue on-the-job training and further studies? I think measures consistent with the social reality must be put in place before the quality of the workforce in Hong Kong can be effectively enhanced and the gap between the rich and the poor narrowed.

Madam Deputy, on the eve of today's debate, I received a statement from some social welfare organizations and trade unions, urging the Financial Secretary not to slash social service resources. The view is quite similar to my view and I hope that, while the Government strives to become a small government and realign civil service resources, it must take into account the needs of society and the impact on civil service morale.

Madam Deputy, during the debate on the policy address, I also made the criticism that the Chief Executive had evaded addressing the problem of the disparity between the rich and the poor. I do not wish to see the Budget make the same error. The focus of today's motion and amendments calls for the Government not to substantially reduce spending in social welfare, medical services and education. But what is meant by "not to substantially reduce"? Though every person may have a different yardstick, I wish the yardstick which the Financial Secretary holds will not be too different from that of the grassroots.

Madam Deputy, I so submit.

DR YEUNG SUM (in Cantonese): Madam Deputy, in the cover of its booklet, *Proposals for the 2004-05 Budget*, the Democratic Party uses two lines from *Quan Yan Xun* in *Huai Nan Zi* of the Qin-Han dynasties which are to this effect: "The key to security in the people is to give them enough of what they need." As we can see, the handwriting of these lines is by Mr SZETO Wah. These lines also epitomize the major convictions of the Democratic Party with regard to the proposals for this year's Budget, that is: The key to security in the people is to give them enough of what they need. The literal reading of these lines is that the key to security in the people is to instil a sense of security in the people and that the means to imbue this sense of security in the people is to give them what they need and to help them solve the practical problems in life. When there is harmony and stability in society, and when the people are living comfortably and working happily, then these will become the indispensable conditions to social development and stability. When there is no sense of security in the people, how can there be any stability in society?

The Democratic Party calls on the Government to put into force the following policies in 2004-05 as suggested in order to improve the economic development of Hong Kong.

These policies include the three broad directions of improving the financial situation of the Government, introducing a new industrial policy which walks on two legs and enhancing the other sectors of Hong Kong economy. With respect to improving the financial situation of the Government, the Democratic Party suggests deferring the target date for restoring fiscal balance to the year 2009-10, that is, by one more year. The measures to be adopted include changing the sale of government assets into the issuance of bonds in order to raise capital and to increase profits tax by some measure and abolish the standard rate for salaries tax, and so on.

With respect to improving the financial situation of the Government, the Government should defer the target date for the elimination of deficits by one year. This would ease the pressure felt by the Government to slash public expenditure drastically and hence reduce the adverse impact on society. The securitization of government assets will serve the long-term interest of Hong Kong better than simply selling government assets. The Democratic Party would encourage the Government to, after the scheme of the securitization of the five tunnels and one bridge is implemented, raise capital by issuing bonds on the assets it proposes to sell. It is expected that \$100 billion can be raised this way. Issuing bonds is more preferable than selling the assets for good. In addition, the Democratic Party agrees with the Government's proposal to raise the salaries tax rate for the high-income group slightly, that is, by adopting a progressive tax regime and abolishing the standard rate for salaries tax which single persons earning about \$120,000 monthly would have to pay under the existing tax regime. These will pre-empt the possibility of raising taxes for all the people in order to increase public revenue in the future.

With respect to the new industrial policy of walking on two legs, the Government should adopt a progressive mentality and reassess and undertake planning for the development of industries. It should look into the proposals of a border industrial zone or an industrial zone along the river loop with a view to attracting mainland and overseas enterprises to come to Hong Kong and set up factories. On the other hand, the Government should offer tax and land concessions to promote the development of high value-added and hi-tech industrial projects such as those in technology, telecommunications, hi-tech electronic instruments and biotechnology, and so on. Apart from fostering hi-tech and innovative industries in the Science Park and the Cyberport, we should also not neglect the traditional industries. Irrespective of whether these

industries are returnee industries or not, they are actual users of new technologies and they can create many jobs. If only they can find some suitable positioning, these industries may be crucial to the future development of our economy.

Apart from that, the trade and financial industries are the backbone industries in the economic restructuring of Hong Kong. When the new economy is still at its infancy, these economic activities would still have great room for development.

With respect to trade, the Government should continue to give full play to the advantages we enjoy under CEPA. Negotiations should be made with the Governments on both sides of the strait to develop a Greater China Trade Area which will encompass Taiwan, the Mainland, Hong Kong and Macao.

Regarding the strengthening of our financial services industry, the interests of small shareholders have always been overlooked. The Democratic Party suggests the establishment of a right to derivative actions for investors and the introduction of a demerit points system for approved sponsors. It is because the maintenance of an investment market with high transparency and fairness is very important to the development of a mature financial system.

Lastly, the Democratic Party suggests transferring the income from the Exchange Fund to non-recurrent government revenue. We suggest transferring an additional investment return from the Exchange Fund to the Treasury. This will increase public revenue while prevent a slashing of public expenditure drastically. When the profit share of the Government from the investment returns of the Exchange Fund is deducted every year, we suggest transferring half of the return balance to the Government as public revenue, with the upper limit set at \$10 billion. This transfer of the investment return of the Exchange Fund to the Government as part of its recurrent revenue is actually deriving interests without affecting the capital. It will only affect the nominal value of the Exchange Fund assets while not doing any damage to its function of guarding our exchange rate. Nor will it violate any requirements under the Exchange Fund Ordinance.

Madam Deputy, at a time when our neighbours are constantly injecting resources to improve their economies, Hong Kong is going in the opposite

direction by slashing resources for education, social welfare and health care. We are afraid that this will further damage our declining competitiveness and increase the burden borne by the community. Therefore, the target of governance to be adopted should be security in the people and the principle of governance should be giving enough to the people of what they need.

Madam Deputy, now I would like to talk about education. Education is an important link in the sustained development of a society. But apart from having to cope with the frequent changes in education policies made by the SAR Government, we have to deal with the abuses of power wielded in the name of restoring fiscal balance and reductions in education funding. This is simply sickening.

With respect to reforms in higher education, what the Government is doing now is to govern universities from a business administration approach. This includes the delinking of university staff salaries, the self-financing mode of operation of associate degree courses, the promoting of market-orientation in education, and so on. The result will be an undermining of our competitiveness.

Apart from universities, the basic education in Hong Kong is also confronted with slashes in education funding. The Government and members of the public may ask, "If improvements are to be made to education, but as the Government is facing a deficit problem, so where can the funding come?" The education sector and the community have reached a consensus and that is: the implementation of small-class teaching, the introduction of a four-year academic structure for the universities, and the continuation of funding for the associate degree courses. In order that these objectives can be met, the Democratic Party suggests that the Government should transfer a further \$10 billion from the Exchange Fund as government revenue as I have mentioned, so as to avoid any cuts in spending on education, health care and social welfare. Moreover, all donations in education should be fully tax-deductible. This will encourage individuals and consortia to make donations to education and scientific research. Moreover, university tuition fees for non-local students should be raised by a reasonable rate so that higher tuition fees can be charged.

Madam Deputy, I hope the Government can consider the above proposals made by the Democratic Party. Thank you.

MISS CHAN YUEN-HAN (in Cantonese): Madam Deputy, over the past few years the Government of the Hong Kong Special Administrative Region (SAR) has practically exhausted every means to resolve the fiscal deficits. These include, for example, reducing expenditure and manpower, outsourcing, cutting services, increasing taxes and selling government assets, and so on. These tools mentioned by me are, strictly speaking, not very positive. That is, they are only adding one thing while deducting another. What the Government has done after an efficiency enhancement programme is to slash resources. Public services are always being cut. While for taxes, there has been an additional duty on legalized soccer gambling. I would think that the Government is being very passive and is not aggressive at all. A money keeper would have a very easy job if he is just doing the additions and deductions, that is, somethings are added or taken away when there is no money in the coffers. That is easy. However, an aggressive money keeper can create wealth from what he has originally got. What I have seen from the performance of the Government over the past few years has been mostly passive. The Financial Secretaries we have had are all adopting this practice. That could be attributed to the fact that there had been no worries about revenue as the Hong Kong economy had always been on the rise since the Second World War. There was a time when we used to make fun of some previous Financial Secretaries, for example, when one of them said that the surplus left would only be a few hundred million dollars, but in the end the surplus for that year was far more than that figure. We all said that he was merely trying to scare people. So it could be due to that absence of worries about revenue that when faced with the deficit problem after the reunification, what the public sees is that the abovementioned tools are all used in a bid to find a solution to the problem.

I think that such an approach can be said to represent philosophies of various schools of thought. But with respect to our Government, I do not think that it has any sound philosophy of governance. Mr TUNG, for example, talks about taking a respite and building our strength this year. If that is adopted as the major policy direction, that should not cause any adverse impact on the people. But we find that some of the policies introduced are really disturbing to the people. One good example of that is the proposal to levy a sales tax which is raised again recently. I think that if it is expected that the deficit problem can be solved in a few years' time, and if the reserves are still there, then that should be taken as some sort of a goal that gives us incentive to ride out the difficult times. When the Government says that it is having a difficult time, the public would have an equally difficult time. When the bosses are hard up, so are the

wage earners. We are all in the same boat. But what the Government should not do is to say that it is having a difficult time and then start to cut everything. That has caused a lot of grievances among the people, including the civil servants.

In these few years, I can see that when the Government goes about tackling the deficit problem, as it does not have any sound philosophy, what it has been doing is only building up grievances among the people, including the civil servants. If the Government fails to sum up its experience over these past few years and seize the current opportunities, I am worried that even if there is some turning for the better in the recent economic situation, any new external problems will cause the Government to back off. And if the Government is still using these tools or tricks to tackle the deficit problem, I am afraid the public would have some even stronger opinions.

Madam Deputy, it seems that I have been making criticisms and nothing else. Some people may ask, "What in fact is CHAN Yuen-han trying to drive at and does she have any philosophy behind what she says?" I have always been thinking, actually it is the Hong Kong Federation of Trade Unions (FTU) that has been thinking, that when the community is having a hard time, the people should be given a respite. That would allow us to go forward when opportunities arise again. For example, since the end of last year, the Individual Visit Scheme has improved the economic sentiments and when added to this the signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), the economic sentiments have become more relaxed. People are displaying a stronger sentiment of spending. The cold weather also helps the retail sector to reap a soaring turnover. Generally, things are doing fine for the catering and retail businesses and from a business point of view, this is really a good opportunity.

However, has the Government done anything? No, nothing has been done. We find that a government which has been practising a high degree of non-intervention, which has always held the view that revenue comes by easily, is making some reaction of all a sudden. But some of the concepts are held so fast that they are difficult to remove. For example, ever since the FTU knew in last June that CEPA was concluded, it kept proposing to the Government persistently that we should make use of the zero tariff to make our industries more competitive and revitalized. The industries we refer to are not those like the logistics industry but the labour-intensive industries and those value-added

industries. But so far, the Government has only been saying something like this: Now there is such an opportunity here, you should grab it. For many times I have pointed out here that many industries in our neighbouring places are competing with us, and they include the transport and logistics industries which you, Madam Deputy, are very familiar with. They are competing with us. Now that we have an opportunity, so why do we not capitalize on it? Why should we not take some positive actions? I think that is very important.

Madam Deputy, as a matter of fact, the people in Hong Kong have a great degree of forbearance. During the hard times we have had in these recent years, many people have lost their jobs. Those doing business are likewise having a lot of troubles. The civil servants face a constant threat to their jobs. We need to ride out the storm together. I would be very worried if, in this year when the economy is faring better, the Government is still unable to do things to allow people live a secured life.

That is why I hope very much that the Government will think about this. Now that there are many groups outside the Legislative Council Building and some of these are non-profit-making social service organizations. They point out that the Government is constantly cutting, trimming and slashing their resources. Not just for this year, but in the next few years, an 11% will be cut. They want to protest to the Financial Secretary against this, for the scrapped services will affect the service-users direct. So when they came to meet with members of the Panel on Welfare Services, the members did not side with the Government. It is because when the economy is in bad shape, many people will need welfare assistance. But as every government department has got the envelope, so there is no room for negotiation. They do not care whether they have to face the poor or the number of people who are in need of services. The Government does not care about it at all. So, I wish to reiterate here that if the Government still tries to handle this situation where the community is simmering with resentment in this manner, I am very worried that more things will happen in Hong Kong.

Madam Deputy, I wish to mention one more point briefly. That is, when talking about tax revenue, the Government should have a comprehensive philosophy. Like when the Government adopts a clear, mainly progressive tax regime where the principle of equity is applied, then it should refrain from saying remarks like only very few people are paying taxes in Hong Kong. As Ms LI Fung-ying has said, that is a true reflection of the problem of the disparity

between the rich and the poor. So the Government should stop thinking about things like the sales tax. I hope it can take on a progressive attitude and collect taxes in a way which will build Hong Kong a better place.

DEPUTY PRESIDENT (in Cantonese): Miss CHAN, please stop speaking.

MISS CHAN YUEN-HAN (in Cantonese): Thank you, Madam Deputy.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, I am sure Members do not need me to tell them how acute the fiscal deficit is. The SAR is left with merely \$244.5 billion in fiscal reserves, which is just enough for a year or so of government expenditure. Even if the original timetable for eliminating the fiscal deficit is adhered to, it will not be possible to restore fiscal balance until 2008. The fiscal deficit this year will be close to \$70 billion; with this and also the fiscal deficits in the coming few years, I am afraid that the fiscal reserves will not be sufficient to meet even half a year of government expenditure.

Lest our fiscal reserves may drop to a dangerous level that induces foreign exchange speculators to attack the linked exchange rate, the Liberal Party agrees that we must set down a definite timetable for eradicating the fiscal deficit. The Basic Law already sets down a number of principles governing the Government's management of public finances. For example, Article 107 states that "the Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits.....". In other words, we must not allow the fiscal deficit to persist indefinitely and must somehow set down a timeframe for its eradication. The Financial Secretary has recently revised the target date for deficit eradication, deferring it to 2008-09, thus allowing members of the public to have a longer period of adjustment. We think that this is appropriate.

However, the Liberal Party also agrees that the Financial Secretary may need to apply flexibility in the light of practical needs in his handling of the acute fiscal deficit. In other words, he should not be so rigid as to slash the expenditure of all departments by 11% in the coming five years without considering any special circumstances. Since the three major policy areas

mentioned in the original motion today, namely social welfare, health care and education, are closely related to the people's livelihood and will also affect the long-term competitiveness of Hong Kong and our future generations, we agree that the Government should not unreasonably slash the funding for these policy areas. The Financial Secretary has agreed to apply flexibility in slashing the funding for these three policy areas. This is an appropriate approach to adopt.

Regarding the advocacy of Mr CHAN Kam-lam's motion, the advocacy that the pledge to invest in education should be honoured, we hold the view that given the acute deficit, all of us must each make certain sacrifices in order to achieve the common objective of eradicating the fiscal deficit. However important education is, the Government must not be asked to guarantee that there will not be any funding reduction for this policy area, not least because the three reports of the Audit Commission released earlier on all point out that wastage of resources is still found in many areas of university, secondary and primary education. Is it really true that the education sector is free of any fat, thus having no need for any "slimming"? I do not think that this is necessarily the case.

I now wish to say a few words on what the catering industry expects from the Budget. I have actually raised my points over and over again these days. Last week, during the policy debate I proposed to reduce the rate of duty on wine to zero. The Financial Secretary was not in the Chamber then, and neither is he now. I hope that the Secretary can relay my views to him. A zero-duty on wine will not only confirm the status of Hong Kong as a paradise for shoppers and gourmets, but will also stimulate consumption desire directly, thereby boosting the business turnover of food establishments. With improved business turnovers, employers will pay more in profits tax, and the Treasury will in turn be benefited.

Over the last couple of years, many in the industry have turned to me for assistance, saying that the Drainage Services Department has approached them on the recovery of the Trade Effluent Surcharge (TES) for the past six to seven years, which ranges from several ten thousand to several hundred thousand dollars in amount. We can easily imagine the horror felt by those operators whose business has yet to recover when they receive the demand note. I must reiterate that back in 1994, the authorities actually overestimated the mean concentration of trade effluent discharged by food establishments, and that the

appeal mechanism has existed in name only largely due to the extremely high costs involved. Although there is an appeal mechanism, it is nonetheless of no practical use because the costs of appeal will be higher than the surcharge payable for one year. For this reason, the catering industry has had to bear some 80% to 90% of the TES levied by the Government. It is absolutely unfair to make one single industry bear such a burden.

When it comes to the appeal mechanism for the TES, we think the exorbitant costs involved are inextricably related to the very high service costs of the various government departments. The Liberal Party has expressed many views on the "user pays" and "cost recovery" principles, and in 1999, it even moved a motion, urging the Government to cut down unnecessary bureaucratic and administrative expenses, so as to reduce service costs. The motion was endorsed unanimously by this Council, and the Government also approved of the spirit underlying the motion.

I am sure not many people will oppose the adoption of the "user pays" and "cost recovery" principles for government services. But if the "costs" to be recovered are higher than normal market prices, there will be problems. One point I wish to raise is that the licence fees paid by food establishments are actually used for paying Health Inspectors to supervise the operation of these establishments. And, believe it or not, the frequency of our inspections is the highest in the world, numbering several hundred thousand a year. This explains our very high licence fees. The fact is that the existing penalties are already very heavy; in some cases, violations are even criminal offences punishable by imprisonment and heavy fines. That being the case, is there still any need for such a high frequency of inspections? Is it possible to reduce the number of inspections, so that licence fees can be lowered? How can the costs of enforcement go down when the salaries of civil servants are so high? If the Government does not reduce its expenditures but instead transfer its administrative costs onto food establishments, it is highly unlikely that it can ever make the public convinced.

Following some signs of improvement recently, the business of food establishments has again turned worse over the past few days. It is still largely unknown whether good business is here to stay. In any case, the profits made these days cannot possibly enable food establishments to make up for the losses resulting from SARS. That is why food establishments hope that the

Government will not consider any increases in the various fees payable by the catering industry so very quickly, lest this may plunge them into difficulties again. After all, employees and their families will be the worst-hit.

Therefore, I very much hope that the Government can realize that the market is still not so stable, instead of rushing to increase the fees concerned. If not, increases may result in bigger losses. I hope that the Government can think twice.

Madam Deputy, I so submit.

DR LUI MING-WAH (in Cantonese): Madam Deputy, after six years of hard struggle, the economy of Hong Kong is finally showing a momentum of recovery. Although it looks as if the economy will continue to improve, the existence of huge deficits in the Government is still potentially unnerving. What Hong Kong faces is a structural deficit and this shows that the kind of economic recovery spurred on by the Individual Visit Scheme alone cannot restore fiscal balance within a short time. Now when adjustments are to be made to the foundation of the economic structure, the way in which the Government will implement measures aiming at eliminating the fiscal deficit effectively will have an important bearing on the economic outlooks of Hong Kong.

(THE PRESIDENT resumed the Chair)

Figures from the Government show that as at 31 December 2003, the deficit stood at \$71 billion. Though the figure has somewhat dropped as compared to \$75.4 billion last November, that is still quite a huge amount. To alleviate the deficit problem, the long-term solution is to adjust the economic structure and the immediate measures to be implemented include those that aim at increasing revenue and reducing expenditure. The former would entail increases in taxes and various fees and charges that would affect people from all walks of life and cover a wider spectrum of the community. The latter would include the downsizing of the government structure, reducing CSSA payments, cutting funding for education, social welfare, and so on. These would have a direct impact on the people's livelihood. It can therefore be seen that irrespective of measures to increase revenue or reduce expenditure, they are all

deeply-felt pains for the masses and these are the last things they want to see. Having said that, large sums of money are needed for the Government to operate and so is the provision of social services. And these resources are collected by the Government on behalf of the people in Hong Kong and most of them are used on the people. Therefore, I do not think that we should flatly object to these measures aiming at increasing revenue and reducing expenditure. However, these measures must be proper, justified, reasonable and be able to serve the interests of all sections of our society and acceptable to all.

To take these deficit-elimination measures forward, there is a need for the community to commit and sacrifice, as well as making concerted efforts to ride out the storm together with oneness of mind. If calls are made on the one hand for the Government not to reduce expenditure on education, health care, social welfare, and so on and to freeze government fees and charges, but objecting to increases in taxes and introducing new taxes on the other, then the Government will be at a loss as to doing anything. For it cannot reduce expenditure, nor can it increase taxes to gain more revenue. How then can the deficit be eliminated? How then can the Government operate? Therefore, with respect to this overriding issue which determines fortunes or disasters for Hong Kong, I hope all members of the public will consider the long-term benefits of the community and support government efforts in eliminating the deficits so that this time bomb can be defused before it explodes and the business environment of Hong Kong stabilized to enable Hong Kong economy to scale new heights.

Thank you, Madam President.

MR WONG SING-CHI (in Cantonese): Madam President, I wish to reiterate the position held by the Democratic Party against drastic cuts in social welfare spending.

Social services have always been people-oriented work the return and effectiveness of which cannot be measured in money or profit terms. It is unfortunate that in recent years the Government has disregarded the importance of social services and slashed social welfare expenditure repeatedly. Since the beginning of 2000, the Government has been trying to use all sorts of ways and means and under different names, such as the Enhanced Productivity Programme, lump sum grant arrangement, salary revisions, integration of services, and so on, to reduce more than 20% of social services expenditure. For the coming five

years, the Government plans to slash a further 10% from welfare expenditure. This kind of constant reductions has knifed welfare expenditure to the bones. Maybe the Government is fond of knifed noodles, like the kind of noodles people eat in Beijing, and so it keeps on knifing and chopping, until there is no meat left.

Colleagues in social services appreciate that the Government is financially hard up and people from all quarters would want to play a part to tackle the deficit problem. Those who work in the social services sector have had their salaries reduced and their workload increased. The entry pay for many newcomers to the sector has been greatly slashed and most of them are employed on short-term contracts. If the Government continues with its slashes, the result will not just mean greater pressure felt by those in the sector but that both the quality and quantity of social services will suffer.

In the next few months, we will be seeing the closure of some social service centres. For example, the service centres for new arrivals to Hong Kong may close down even though the service users have stressed that the service is of positive help to them. But the Government is bent on closing the centres and it has turned a blind eye to needs in society. For the Government wants to eliminate fiscal deficits and so it disregards any pledge it has made on people-oriented services and any other overriding principle that it used to adhere to. That is simply frustrating!

With the economic restructuring of Hong Kong and the various social changes taking place, the Democratic Party is of the view that more resources should in fact be expended to provide a greater variety and amount of social services to respond to different needs in society.

For the past few years, cases of domestic violence and suicide have been growing. According to figures from the Government, for the year 2002, there were 3 034 cases of spouse abuse which is an increase of 200% over that in 1998; there were 520 child abuse cases in 2002, or an increase of 27% over that in 1998. Apart from growth in domestic violence, suicide figures for the same period also surged. A total 1 025 suicides were recorded in 2002 and that is an increase by almost 20% over the figure in 1998. The increasing prevalence of domestic violence and suicides is related to the current economic conditions, for unemployment figures over the past few years have been climbing new heights with a peak of 8.5%. Now the unemployment figures have gone slightly down, but still it is a vast difference from those of 2.2% in 1997. Youth

unemployment is even more serious. Not only are those out of work having a bad time, those who are lucky enough to have a job do not enjoy any good times as wages are constantly dropping, working hours constantly increasing and hence pressure at work is rising all the time.

In circumstances as these, the life of the people in Hong Kong is extremely difficult. At this moment in time, how can the Government put forward an excuse that the deficit should be eliminated and have the expenditure on social services cut again and again? If social service expenditure is constantly cut, some social services which should be provided to the public will be terminated and this will aggravate social problems. The costs for solving these problems will be much higher if they are to be tackled in future. For this reason, the Government should ponder over the problem in order that it will not do anything which will lead to great losses at the expense of small gains.

As I have already said, social service expenditure has been reduced by 20% over the past five years. The Democratic Party hopes that the Government can give the sector a break. The Democratic Party hopes that the Government can accept the "00X" plan proposed by the welfare sector. The plan calls for a freeze on welfare expenditure for 2005 to 2007, putting a brake on the reductions in funding, and as for the funding arrangement for 2007-08, that would depend on the situation at that time. If by that time the Hong Kong economy is still weak, then the Government may reduce social service expenditure in the light of its financial position.

The merit of this plan lies in giving the welfare sector a breathing spell and enabling the Government to make a fresh review of the current demand for social services. For many years the Government has not introduced any white paper on social service planning or made a five-year review. It seems that the guiding principle for social services is to reduce expenditure rather than providing services to meet new needs in the light of social changes. The Democratic Party thinks that the Government may make use of this opportunity to review afresh the way forward for social services in the hope that a truly just and caring society can be built.

Madam President, it will be the last thing that the majority public would like to see if social services are sacrificed in the name of restoring fiscal balance. Findings from a survey by the Democratic Party show that the people are not willing to see social services affected when the Government seeks to eliminate

deficits. They would not like to see single-parent centres closed down, the occasional care service of child care centres cancelled and the after-school care service for children from low-income families slashed. For all these would affect the life of the people.

I hope the Government will think twice before it takes any action. It should make its actions people-oriented, follow the wishes of the public and stop slashing welfare expenditure anymore.

With these remarks, I support the motion.

DR TANG SIU-TONG (in Cantonese): Madam President, last week when we debated on the policy address, the Financial Secretary said that the Government was still beset by financial stringency for the current year. There would not be any room to reduce taxes in the Budget due to be announced in March, but he also pointed out that the Government had no plans to introduce any measure that would impede economic recovery. In my opinion, after experiencing an economic downturn during these few years, the people have not managed to steer out of the predicament of layoffs, pay cuts and persistent deflation. As mentioned in the policy address, the community should be given a respite and build up its strength. So in compiling the Budget for the next financial year, the authorities should continue to impose a freeze on all government fees and charges that will have a direct impact on people's living and business costs. No new taxes should be introduced in order that the burden on the common people and small business operators can be eased and that the pace for economic recovery can be quickened.

It is beyond doubt that the Government is under tremendous pressure to restore fiscal balance, however, the Government should make the revival of the economy its foremost task. In other words, it should increase its revenue as the economy recovers, instead of increasing its revenue by fleecing the people. It is reported that, as estimated by KPMG Hong Kong, ever since the local economy has started to recover, there will be an additional increase of \$24 billion in revenue for the Government in terms of investment returns from properties and stocks, stamp duty and direct taxes. As a result, the deficits for 2003-04 have been revised from \$78 billion last October to \$54 billion. I am glad to see such an estimation and I believe that the increased revenue gained from economic recovery would be more effective in reducing the deficits than having

expenditure slashed. However, government efforts in reducing expenditure and downsizing must continue, for our deficits are closely related to the continued expansion of the government structure and the increases in operating expenditure. The Government must stop squandering, save on public money and make good use of the resources. The Hong Kong Progressive Alliance (HKPA) has always been urging for the establishment of a mechanism with pegs the results of the findings made by the value-for-money audits of the Audit Commission to the level of annual expenditure of government departments. We hope that the Government can give serious thoughts to this idea.

The greatest expectation from the public on revitalizing the economy is to see an increase in job opportunities and a rise in salaries. The Budget should state specific proposals to create employment and alleviate unemployment. In the face of severe competition brought about by globalization and the increase in competitiveness of our neighbours, our economy must proceed with a restructuring of our industries in the direction of high value-addedness, high technology and high intellectual input and original branding. While it is important that the industries should strive to better themselves, the Government should also give encouragement and assistance as necessary. For example, efforts should be put in manpower training, R&D facilities, subsidies or tax concessions, as well as in the introduction of advanced enterprises from abroad. These will hopefully create an environment conducive to the development of high value-added industries, especially those which will make use of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). The aim is to make Hong Kong a bridgehead for the opening up of the mainland market for products with high quality, designer label, high intellectual property input, and high value-addedness. It will also attract local, mainland and foreign enterprises to set up facilities in Hong Kong for R&D, design and high value-added production processes, hence paving the way for the sustained development of our economy and the capacity for continual creation of jobs.

However, the present unemployment in Hong Kong is structural. Part of the workforce may shift to high value-added industries after proper training. But for about 1.5 million people in the workforce who only have an educational attainment of Secondary Three or below, most of them will still have to make a living by doing low-skilled work. Therefore, as the Government propels the territory to move in the direction of knowledge-based economy, it has to continue to promote the development of other commercial and industrial activities. This applies especially to the tourist industry. The Government

should inject resources to improve the local tourist facilities and various software, as well as to engage in manpower training, enhance overseas publicity efforts and strengthen joint tours with Guangdong, Macao and other neighbouring places so that both the coverage and attraction of our tourist resources can be expanded and that stimulation is given to our retail, catering and other industries, and in the end more jobs at different ranks and levels will be created.

Hong Kong is a community which treasures self-reliance and flexibility. With respect to the problem of unemployment, the Government should adopt a positive approach of creating more jobs instead of handing out dole. The HKPA thinks that a time limit should be imposed on the receipt of CSSA unemployment assistance and those who are unable to find a job after the expiry of the time limit should be required to do more social service. This kind of encouragement from an institutional perspective and urging the unemployed to re-enter the community and work will have a favourable effect on rebuilding the self-image of the chronically unemployed and enabling them to live a positive life. However, that does not mean that I am in favour of a continued slashing of welfare assistance by the Government. On the contrary, Hong Kong as a cosmopolitan city has the ability and the need to maintain a safety net for the marginalized groups in society, but efforts must be made to prevent the receipt of welfare from undermining the will to strive for a better life. The principle of the rights and responsibilities of people from all classes should be taken into account so that the possibility of an unchecked growth in welfare spending will be pre-empted.

To eliminate the deficits, the Financial Secretary plans to reduce the Government's operating expenditure by 11% within five years. The extent of the reduction will not increase by more than 2.5% for each year. The HKPA urges the Government to put this into practice, but reductions should not be made across the board. For what is more important is to make a review of the improper spending made in the past, make good use of the resources and reduce all unnecessary expenditure. In my opinion, investments in education have a bearing on our development in the direction of knowledge-based economy and so a certain level of investment must be maintained. However, there must be careful consideration of priorities on the use of funding to prevent valuable resources from being put into duplicated construction of facilities or into luxurious hardware, for this will imply a disregard of enhancements to software and quality.

Madam President, I so submit.

MR IP KWOK-HIM (in Cantonese): Madam President, as the spokesman for the DAB on housing affairs, I will focus my speech on a theme and that is, we hope that the Administration will consider extending the eligibility period for the salaries tax deduction for home loan interest from five years to 10 years.

Madam President, for the past six years, the property market in Hong Kong has plummeted and the blow dealt to the owners is devastating. Though recently the property market has turned somewhat better, it is not known if the turn is definitely complete. Amid favourable comments aired in the market, the unemployment figures in Hong Kong are still high and the salaries of wage earners, especially the middle class who used to have the strongest spending power, have been constantly falling over these few years. There has not been any rise in salaries yet. Now the Government is trying to increase taxes in order to fill the gaping deficits. And wage earners are still facing a hard time in the face of the multiple blows inflicted on them.

Some people may say that now the interest rates have come down and the mortgage loan interests paid by home owners and the burden on them have reduced greatly. That is true, now the interests charged by the banks are low and if people buy a flat, they may get a loan at an interest of almost 2.5% below the premium rate. The rate can even get lower because banks are competing for customers. But we should never forget that most of the owners of negative equity properties all bought their flats six years ago when property prices were at their peak. The interest rates at that time were generally above the premium rate and no matter what concessions offered by the banks then, it would never be the same interest rates as those who purchase new flats now. If owners of negative equity properties who do not possess some means want to transfer their mortgages, they are not likely to get any reduction in interest rates from the banks.

Moreover, although the prime rate is low now, it must be noted that there are signs of an economic recovery in the United States. It is estimated that starting from the second half of this year, the United States will enter a new cycle of rising interest rates. If this prediction comes true, that will be the start of another nightmare for those families whose affordability has stretched to the limits.

Madam President, the salaries tax deduction for home loan interest was introduced in 1998 for a period of five years. The arrangement is greatly

welcomed by property owners. I remember that when this initiative was introduced, we received many calls from people saying that they were very happy to hear that. Now five years have passed and those people who have enjoyed the deduction since 1998 will no longer be eligible for it in 2003-04.

Just how important is this deduction to property owners? I have made a rough estimate and collected some information. Now I would like to share these with Members. For a family of two with a monthly income of \$40,000, if the interest on the mortgage loan used to be \$6,000 per month, that would be \$72,000 per year. If the amount is fully deductible, then the family will need only to pay \$22,000 in tax in 2002-03. For the year 2003-04, suppose the family income and the house loan interest payments remain unchanged, when the family is no longer eligible for the salaries tax deduction for home loan interest, then the family will have to pay about \$40,000 in tax. So all of a sudden the tax burden will increase by almost 80%. From this example, Members can see how important and beneficial is this deduction for the middle class.

Madam President, from the above example it can be seen that the salaries tax deduction for home loan interest is a very effective measure that can target at the middle-class families who have the greatest tax burden and who have to pay heavy mortgage repayments. The measure can greatly reduce the burden of owners of negative equity properties who are doing the best they can to repay their home loans. The measure will greatly help ease the pressure of life on these people and will also help alleviate the grievances they may hold against the Government. Therefore, the DAB hopes that the Financial Secretary will accept this proposal from the DAB and extend the eligibility period for salaries tax deduction for home loan interest for another five years, and that this pleasant surprise can be given to the people of Hong Kong in the forthcoming Budget.

I so submit. Thank you, Madam President.

MS CYD HO (in Cantonese): Madam President, my discussion will be focused on expenditure items of medical and health services.

In 2000-01, expenditure on medical and health services grew by 6% to \$30.54 billion, but with an increase in workload. The rise in workload of more than 6% was attributed to the fact that we have to deal with problems relating to the ageing population, food hygiene, such as the sudden outbreak of avian flu,

and so on. Therefore, despite a rise in figures, actual expenditure has actually fallen. Besides, Policy Bureaux and departments have achieved their productivity enhancement targets as scheduled; the Hospital Authority (HA) has also succeeded in cutting the pay of its staff through the re-signing of new contracts. Coupled with the commitment made by front-line staff, members of the public have to bear the rising charges of public medical services. But, unfortunately, on top of reduced funding for 2003-04, further cuts will be effected in 2004-05 in a bid to bring funding back to its 2000-01 level.

While the original motion calls on the Government not to substantially reduce its spending, the amendment seeks to change the wordings of the motion into calling on the Government not to further substantially reduce its spending. Both the original motion and the amendments are indeed too conservative. Madam President, I wish to read out part of the HA response to the HA SARS Review Panel: "After years of productivity gain, the HA does not have sufficient "surge capacity" to cater for major infectious disease outbreaks of such magnitude as the last SARS epidemic. Resource constraints in the face of rapidly escalating demand also mean overcrowded wards and tight manpower both at the front line and in the managerial and support services. The new demands on facilities and manpower to cater for a new standard of service provision will require additional resource input." I believe it is unnecessary for me to explain any further for the meaning is very explicit, and that is, it is fundamentally impossible for the existing resources to cope if we are to provide additional facilities, improve the design of wards, boost manpower, and increase the supply of protective gear to medical and health care workers for the purpose of combating infectious diseases.

The Department of Health (DH) is no better. This is because the Chief Executive has ordered the setting up of a CDC-like organ to study and monitor infectious diseases. The DH has to recruit epidemiologists without the Government because of the lack of professionals in this field. Money will once again be needed. We can thus see that both the HA and its executive arm will no longer be able to bear the burden with less resources.

The SARS epidemic in 2003 has seriously affected the business environment and the economy. Not only has tourism in Hong Kong been badly hit, the spending confidence of the public has been seriously undermined as well. First, people were reluctant to spend because of their fear of losing their jobs; second, there was a fear that frequenting public places would increase the risk of

infection. Consequently, there was a further rise in the unemployment rate, and thus a further delay in the economic recovery. These domino effects must be examined in detail before considering slashing resources. It was estimated in an economic analysis that economic growth would adjust downward by approximately 3% in the event of another SARS outbreak.

Today, with the frequent flow of passenger and goods flows, public health is no longer Hong Kong's internal business. We have to conduct joint studies and co-operate with our neighbours to ensure food safety and the physical well-being of the public. As a result, there will be a rising workload in terms of immunization and quarantine. At the same time, new developments in diseases and epidemics will bring the Government greater and newer challenges. Without sufficient resources and failing to exercise strict control immediately at the initial emergence of an epidemic, we will lose more than we gain.

Madam President, these nominal calculations are merely figures that reflect economic implications. Actually, it is more important to note that family bonds and human lives are priceless. Should the whole community be plunged into collective depression because of the impact of inadequate medical services on the lives and physical well-being of the public, as what happened last year, nothing can be done to rectify the damage afflicted on the city.

As such, I cannot see any room for reductions in medical spending. Even if we set up funds or special grants, as we did last year, we are merely trying to invent all sorts of names to keep the money in some "hidden pockets" before later returning it to the "front pocket". These spendings are unavoidable indeed. Before launching a medical financing programme acceptable to all sectors, the Government is duty-bound, and is required, to provide adequate resources and make proper planning for the provision of medical services to safeguard the physical well-being of the public. Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): Madam President, in regard to the formulation of the Budget, I must warn the Government very seriously that in the course of formulation, it must think twice and proceed cautiously and prudently when dealing with the reduction of social welfare expenditure. It is indeed ironical that I should be asking the Government to exercise prudence, because I have always been noted for my radicalism. The point is that when even a person like me also describes the Government as not being prudent, it must be caught in a very great crisis.

Three organizations, namely, the Hong Kong Council of Social Service, the Hong Kong Social Workers Association and the Social Work General Union, once wrote a joint letter to Members, lashing out at the Government in a number of ways. With respect to tight resources, the letter points out in particular that the slashing of resources has accumulated to 23.8% so far, meaning that a further reduction of 10% will increase the rate to 33.8%, thus dealing a heavy blow to the overall social welfare expenditure.

Given the signs of instability in Hong Kong now, the Government must proceed cautiously. An enumeration of the problems will certainly horrify us all: the unemployment rate is high, more people are being impoverished, the wealth gap is ever widening, bankruptcy cases are still large in number, there are lots of suicide cases, the youth problem is worsening, the problem of youth unemployment is acute, divorce cases are on the rise, domestic violence and crimes are on the increase, many families are on the verge of disintegration and the law and order situation is deteriorating.

In the past, whenever social instability and conflicts intensified, the Government would invariably increase its expenditure on social welfare. After the 1969 riots, there came a huge increase in youth services. In the mid-1970s, when the wealth gap problem worsened, the Government introduced the Comprehensive Social Security Assistance (CSSA) Scheme to deal with poverty. In 1975 and 1976, when the economy was sluggish, the Government relaxed the requirements on CSSA eligibility. In the 1980s, to cope with family and youth problems, the Government took vigorous steps to train up more professional social workers by increasing the funding for subvented organizations. In the early 1990s, as the wealth gap widened further and posed serious problems, the Government increased the amounts of CSSA payments. The existing problems are far more serious than the difficulties encountered in the past 30 years, and politically, there is also a confidence crisis, so the Government must not ignore the current problems.

Another point is that the Government very often regards social welfare as a kind of burden. I must correct its mentality by pointing out that the original intent of social welfare should be to restore or enhance the function of the individual or the family in society. Besides, social welfare is also meant to restore or enhance the productivity of the individual or the family. The significance of social welfare has been demonstrated time and again by various studies and experiments. Social welfare also serves as a social lubricant which is helpful to pre-empting the depletion of society resulting from conflicts.

Social welfare is even a vital ingredient in upgrading productivity and reducing social depletion. Therefore, one must never regard social welfare as a burden; instead it must be treated as a form of investment. If money is invested properly in social welfare, there will definitely be improvements to our productivity and social fibre. If the Secretary can do a better job, there will be fewer "anti-TUNG" activities. That is why if the Secretary does not wish to see so many "anti-Mr TUNG" activities, he should increase the funding for social welfare. This will certainly help reduce grievances and "anti-TUNG" sentiments. The Secretary must believe my words in this respect, because I am the bitterest opponent of TUNG.

Madam President, I wish to put forward several Budget proposals to the Government. First, I oppose any tax increase targeting at the grass-roots people. I hope that the Secretary will not even think about it, because such a direction is definitely wrong. I would say nothing more to the Secretary except this: Do not even think about it. Second, do not introduce a sales tax. Hong Kong has become reliant on the Mainland's travel relaxation, which brings in more shoppers and leads to the recovery of the tourism industry. If a retail tax, or a sales tax, is introduced, the relevant industries will certainly sustain a heavy blow. Besides, I hope that the Secretary can give some thoughts to the deduction for home mortgage interests. The five-year period has already expired because the deduction was introduced in 1998, and it expires this year. It is hoped that the period can be extended by five more years to provide more relief to those owners of negative equity properties whose salaries have been cut but who still have to repay their mortgages. Without this deduction, they will have to pay exorbitant interests, and the high interests they have to pay account for a very large proportion of their incomes. These owners of negative equity properties are indeed very miserable.

I also wish to put forward a new proposal for the consideration of the Secretary. There is now a very serious problem of old buildings. The owners of these buildings (I am talking about the owners of those old buildings, buildings aged between 30 and 40, which are of very little value) will have difficulties in meeting the costs of building maintenance. I hope that the Government can offer them tax exemption for building maintenance. For an old flat aged 40 or above, the value of which is very low, say, less than \$1 million, if there is a need for maintenance, the Government should make the expenses deductible for property tax, so as to encourage these owners to improve their living environment.

Another issue is the tax allowance for dependent children. At present, many people aged 18 or above who have not finished their education, or who are unemployed, still have to rely on their parents' support. However, their parents are not thus entitled to any tax deduction. It is hoped that the Government can make a new arrangement whereby parents can apply for the dependent child allowance in case they have any children over the age of 18 who once worked but are now jobless and have to depend on them as the sole support.

One point I am going to raise is different from what I advocated before, and it is about tobacco duty and wine duty. I do not support any increases in these duties by the Government this year. There have been many complaints which all highlight the gravity of the illicit tobacco problem. Many youngsters are buying illicit cigarettes because duty-paid cigarettes are just too expensive. The sale of illicit tobacco is found almost everywhere, in Tin Shui Wai, in Tsuen Wan and even in Mong Kok. It can be said that the problem is rampant. Any further increases in these duties will only aggravate the problem of illicit sale. That is why I hope that the Secretary can give some thoughts to the problem.

Lastly, I wish to offer the Government a piece of advice. It must avoid slashing any expenditure related to the people's livelihood. Under the current circumstances, there should not be any slashing at all. Besides, I hope that the expenditure on infrastructure construction can be maintained at the level of \$29 billion to \$30 billion a year. If this can be done in the next five years, the Government will be doing immense good to the people.

Thank you, Madam President.

MR JASPER TSANG (in Cantonese): Madam President, I rise to speak to add a few words on two of the points mentioned in Mr CHAN Kam-lam's amendment to Dr LAW Chi-kwong's motion, namely the points on "actively promoting Hong Kong as the off-shore centre for Renminbi" and "continuing to perfect CEPA". I shall also explain why the DAB cannot support Mr SIN Chung-kai's further amendment to Mr CHAN Kam-lam's amendment.

Madam President, in the amendment he puts forward on behalf of DAB, Mr CHAN Kam-lam says that the Government should take steps on "actively promoting Hong Kong as the off-shore centre for Renminbi", "so as to consolidate Hong Kong's status as an international financial centre". We are

actually looking at the development of Hong Kong into the off-shore centre for Renminbi (RMB) from the strategic perspective of maintaining Hong Kong's status as an international financial centre. The reason is that we are convinced that as China's development continues, and as Hong Kong and the Mainland continue to co-operate ever more closely in economic and even financial matters, if Hong Kong fails in the end to develop itself into the off-shore centre for RMB, meaning that it cannot operate any RMB business in listing, financing and issuing bonds and other financial products, we will be unable to maintain our position as an international financial centre in Asia. We are actually looking at things from this angle.

Some may perhaps wonder whether it is still too early to put forward any idea on the off-shore centre for RMB because the State still has some security considerations, and it also has great reservations about liberalizing capital accounts and the free conversion of RMB. But we must not forget the fact that the Mainland's financial reforms are picking up momentum. And, in the long run, as pointed out by some experts, as the State, the entire country, continues with its financial reforms and development, Hong Kong will certainly benefit should it be able to turn itself into the off-shore centre for RMB. Some mainland academics, for example, have pointed out that one major obstacle to the Mainland's marketization reforms is precisely the failure to marketize the financial system itself. As a result, there is the absence of any marketized indicators for RMB interest rates within the mainland financial system. In other words, right at the start of marketization, the financial system already runs into obstacles. On the other hand, mainland academics have also pointed out that if Hong Kong can develop itself into the off-shore centre for RMB, it will help solve the problem of marketized indicators for RMB interests, to the benefits of both places. We can see that the trend — the free conversion of RMB — is very obvious, so obvious that we can treat it not only as the ultimate objective, but also as an objective that can be attained much earlier than we have expected. That is why our raising of this point now already carries realistic significance.

Mr SIN Chung-kai's amendment to Mr CHAN Kam-lam's amendment proposes to insert "and improving corporate governance and enhancing protection of small investors' interests" between "..... promoting Hong Kong as the off-shore centre for Renminbi" and "continuing to perfect CEPA". There is admittedly nothing wrong with this because at all times, we should improve corporate governance and enhance protection for small investors' interests. The DAB is in support of all this. But we do also think that such an amendment

will obscure the original intent of our amendment, because the two are intricately related — in order to consolidate Hong Kong's status as an international financial centre, we must, from the strategic perspective, strive to make Hong Kong the off-shore centre for RMB. That is why the insertion of the phrase will instead obscure the focus.

Regarding CEPA, we have noticed and read "the Democratic Party's Budget Proposals" now laid on the table — I am sure that this is not the budget for the Democratic Party, but just its proposals on how the SAR Government should formulate the Budget. I think it should be interpreted this way — in which the amendment of Mr SIN Chung-kai is also mentioned. He thinks that following the implementation of CEPA this year, the Government should promptly explore how to extend the scope of CEPA to form a Greater China Trade Area comprising China, Hong Kong, Taiwan and Macao. This looks ambitious, but we also realize that the full name of CEPA is the "Mainland/Hong Kong Closer Economic Partnership Arrangement", meaning that is basically about the Mainland and Hong Kong.

We must first find out what problems we have to deal with now. CEPA has been implemented, but the real benefits to Hong Kong enterprises, manufacturing and services industries alike, have only just started to be felt. According to statistics, as at early February, of the 170 000 manufacturing enterprises in Hong Kong, only some 100 had applied for the Certificate of Origin, or for zero tariff, in other words, and only some 100 applications had been approved. This is indeed much too small. The situation in the services industries is similar. As at early February, the 50 or so registered companies in Hong Kong had just submitted some 100 applications in respect of the 18 services liberalized under CEPA. Members can all see that the number of applications is disproportionately small, proving that there are actually still many obstacles standing in the way.

We may understandably feel very elated to see the finalization and signing of CEPA. But in order to enable the Hong Kong economy and Hong Kong manufacturing and services industries to really benefit from the agreement, the SAR Government must still negotiate with the Central Government and the Mainland on a lot more issues. The DAB has conducted many surveys and lots of consultation on how the thresholds of entering the mainland market can be lowered for Hong Kong services or even various other trades and professions. The most pressing problem now should be how we can remove the obstacles

standing in the way of those manufacturing enterprises seeking access to the Mainland. This is precisely the reason why we cannot support the amendment of Mr SIN Chung-kai.

MR HENRY WU (in Cantonese): Madam President, there is just four weeks to go before the Financial Secretary announces the first Budget in his term of office. Many people say that Mr Henry TANG is a "luck star" because soon after his assumption of office, the Hong Kong economy started to pick up again gradually. People therefore do expect a lot from the Budget. Frankly speaking, unlike other sectors, the industry I represent does not have any special demands. We have all along simply hoped that the Hong Kong Government can maintain sound finances, the Hong Kong economy can develop healthily, and society can remain stable and prosperous. But then, the industry still has one little hope. It hopes that the Financial Secretary can honour the Government's promise of abolishing the stamp duty on stock transactions.

I already mentioned this point during the policy debate earlier on. Hong Kong is an international financial centre, and government officials always say that we must follow international practices. But the point is that the levying of stamp duty on stock transactions is no longer an international practice. That is why the Government should really follow the international practice and abolish the stamp duty on stock transactions, so as to lower the costs of such transactions, thereby upgrading the competitiveness of the local securities market in the world and fostering the further recovery of our economy.

As a matter of fact, over the past two years, whether in this Council, or on various occasions, including the debates on policy addresses and Budgets, or through various channels, I have spoken repeatedly on this matter, requesting the authorities to honour their promise of abolishing the stamp duty on stock transactions following the abolition of minimum brokerage. It has been almost a year since the abolition of minimum brokerage, but the authorities are still trying to stall the abolition of the stamp duty on various excuses, and they even seem to be suffering from amnesia, forgetting all about the promise made.

Madam President, the fiscal deficit still stands at a very high level now. If the Government maintains with the freeze on fees directly affecting the people's livelihood and the business environment, it will have to introduce other policies to increase revenue before it can attain the ultimate aim of eradicating the fiscal deficit. The securitization of the five tunnels and one bridge is one of

the ways to help eradicate the fiscal deficit, and in order that this securitization project can be implemented smoothly to achieve its objective of reaching the retail levels, the Government should better utilize Hong Kong's unique and excellent network of small investors. I hope that the Budget can put forward some positive policies on further encouraging small and medium securities brokers in Hong Kong to participate in this securitization project and others in the future. This will give full play to the advantage of the local market and lead to the formation of a more effective and diversified market.

Besides encouraging and helping small and medium brokers to actively participate in market diversification, the Government should also adopt policies that avoid posing any hindrance or dealing any blows to the operation of the industry (particularly small and medium brokers) as much as possible. In the past, perhaps due to some imperfections in the relevant laws, some isolated incidents occurred, thus inducing the authorities to look at the industry with tinted glasses, and this in turn led the public to form a negative impression about the industry. However, those black sheep involved in the isolated incidents years back were already brought to justice; tight securities laws also started to take effect last year, and with these laws, the regulation of the industry has become much too harsh, to the extent of becoming excessive control. The authorities should really take off its tinted glasses and refrain from stirring up so much ado about trivialities, lest this may do unreasonable and unfair damage to the industry's reputation.

Securities brokers and employees are by now highly professional, which is why the authorities concerned should now vindicate the securities profession by changing its negative image among members of the public, so that all can join hands to develop an efficient and healthy market, to consolidate Hong Kong's position as a financial centre of the world, and to give added impetus to our economic recovery.

Madam President, in a healthy market, the interests of all must be balanced, and we must never place sole emphasis on investor protection to the neglect of the normal development of the industry. Quite the contrary, the authorities concerned should work hard to assist the industry in improving the business environment. In regard to improving the business environment, the Securities and Futures Commission (SFC) should lower the licence fees it charges. For one reason, the SFC currently holds an enormous fiscal reserve, and for another, under the new securities laws, securities brokers must pay many types of licence fees in order to fulfil the requirements on their operation. This

has increased their overall operating costs. In the case of small and medium brokers, substantial reductions of licence fees will definitely improve their business environment. At the same time, the industry also hopes that the Hong Kong Stock Exchange can lower the fees it charges for its various facilities, so as to provide further assistance to brokers' operation.

On the formulation of more economic development measures to enhance the opportunities brought about by CEPA, I am very pleased to say that late last year, the securities profession managed to become the first profession to reach an arrangement on the mutual recognition of qualifications with the Mainland. In March this year, Hong Kong securities employees wishing to qualify for operation in the Mainland will be able to sit for an examination on the relevant laws in Shenzhen. It is believed that this will help Hong Kong and mainland securities professionals to get ahead of others in grasping the opportunities brought about by CEPA. However, perhaps because of the recent boom of the Hong Kong stock market, a survey indicates that only about 33% of the respondents are of the view that CEPA can bring only direct benefits to securities and futures companies and industry practitioners. That is why I also hope that the Financial Secretary can put forward policies in the Budget on further encouraging and helping local professionals to actively explore business opportunities in the Mainland, so as to enhance Hong Kong's overall economic growth and ease the pressure exerted by the fiscal deficit and reduce its effects on the people's livelihood. And, the mutual recognition of professional qualifications should only be the first step. The industry also hopes that subsequent developments can enable direct participation in the mainland market to provide quality professional services to both Hong Kong and mainland investors.

Madam President, I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, on 10 March, Financial Secretary Henry TANG will announce the first Budget in his term of office. I hope that the Financial Secretary can say goodbye to the age-old tradition, discard the timid approach to financial management and formulate a visionary policy to foster our economic recovery. It is also hoped that his policy can meet the four basic requirements of "care" for the people — I mean health care, Madam President — support for the elderly, prospects for the young and schooling for children.

I hope that the Government's treatment of health care resources in the Budget can be based on the following considerations. The first is people's lives and health. The second is the workload, pressure and morale of health care workers. The third is the possibility of our being attacked by unknown viruses. And, the fourth is the real situation of the public-sector health care system.

As we all know, the health care system of Hong Kong is now faced with severe challenges. These challenges, including the shortage of health care workers and the drain of experienced personnel resulting from the voluntary retirement scheme, have seriously affected our manpower management policies. The utilization rates of public and private health care services have come to an imbalance of 94:6. The population is increasing but at the same time ageing. People's demand for public health care services is ever rising. The Hospital Authority (HA) has recorded a fiscal deficit for the past two years. The estimated deficit this year is \$700 million, but still, because of the need to cope with the return of SARS and an outbreak of avian flu, the HA must acquire the facilities required for infection control, and it is also burdened by immense manpower pressure. For this reason, there should in fact be increases instead of any decreases in the resources for it.

Facts tell us that the slashing of health care resources is definitely not a solution to the above problems, at least in the short run. Rather, it will only aggravate the problems. I hope that the Government will not ignore the fact that people have a keen demand for public health care services, and that it will not seek to eradicate the fiscal deficit at the expense of people's lives and primary health.

To solve these problems once and for all, as we already mentioned in the past, the Government should take actions in several directions, including expediting the studies on a feasible and sustainable health care financing concept and scheme, and the vigorous promotion of primary health care services to properly educate people on health care costs. Only all this can help control health care costs and tackle the crux of the problems in the long run.

In various meetings, I did put forward a number of solutions and raised the problems concerned, but the Government has so far been stalling the matter. Should the Bureau Directors concerned make greater efforts? I hope that Secretary Frederick MA can offer some assistance in this respect. After all, we must not ignore the imbalance in the utilization of public and private health care services indeed. The problem can be solved only through the wholehearted

co-operation of the Government, private health care institutions and members of the public.

In the following part of my speech, I wish to say a few words on social welfare, education and the people's livelihood. According to information released by the Census and Statistics Department, the first median income group of Hong Kong households, that is, the group with the lowest median income, has seen an income drop from \$3,000 in 1996 to \$2,977 this year. The drop is very mild, but if we look at the 10th group, we will see that its income has risen from \$70,000 to \$80,000, indicating a widening wealth gap in Hong Kong. According to findings of the Survey on the Living Standard of the Children on CSSA, announced by the Society for Community Organization on 18 January 2004, 21% of these children had to earn some income for their families by scavenging. And, nearly 40% of them had had the experience of starving because their families had no money to buy any food.

It is the duty of the Government to put in place an appropriate policy for the vulnerable in society. The living standard of low-income earners in Hong Kong has been on a continuous decline; I hope the Government will not target at our vulnerable citizens.

As the saying goes: It takes 10 years to grow a tree but a hundred years to nurture people. Education is of vital importance to social development, as rightly and repeatedly pointed out by the Chief Executive. I hope the Government will not skimp on the investment in education.

Madam President, although the Hong Kong economy has recently shown some signs of recovery, Hong Kong is still subject to the influence of a great many uncertainties, and many owners of negative equity properties are still languishing. I must urge the Government that while the freeze on government fees and charges directly affecting the people's livelihood must continue, it must not favour the business sector and disregard the common people, and must not listen only to large consortia, giving them a free hand to fleece us all.

Actually, those who are hardest-hit by the negative impacts of economic sluggishness are the common people. A fact that cannot be denied is that large consortia and businessmen have, despite their considerable profits, sought to lay off their employees and fleece the poor masses on the false excuse of economic sluggishness. Hong Kong is noted worldwide for its low-tax regime. Therefore, there will not be any problems for the Government to introduce a mild profits tax increase.

Madam President, to sum up, health is wealth, and the health care and medical policies do affect people very greatly. That is why the Government must never slash health care resources before it comes up with a better health care financing policy. Besides, the Government must show the vision and broadmindedness of a metropolis and discharge its duty of looking after the vulnerable and honouring its pledge on long-term education investment. I so submit.

MR AMBROSE LAU (in Cantonese): Madam President, in the course of formulating the 2004-05 Budget, the Government should draw lessons from the experience in the past six years or so, for "the lessons of history can foretell the rise and fall of dynasties", as the saying goes. Therefore, we must learn from the successful reigns of Emperor Wendi and Emperor Jingdi in the early Western Han Dynasty. According to historians, the reigns of the two Emperors were marked by two features. First, the people were allowed to take a respite, and taxes were low. During his reign, Emperor Wendi lowered the land tax from "十五稅一" (1:15) to "三十稅一" (1:30), and even halted it completely at one time. Emperor Jingdi later on designated "1:30" as the standard, so that the people could take a respite. Second, hard work and frugality were upheld with the purpose of ensuring sufficient reserves for the country. In the early Han Dynasty, the government upheld frugality and skimmed on the construction of new palaces and royal gardens and on the purchase of ritual chariots, horses and costumes, in order to save for the rainy days.

Following six years of economic recession and painful restructuring, the Chief Executive, in his policy address, also sets down clearly the objective of allowing the community to take a respite and build up its strengths. The HKPA is of the view that the formulation of the Budget for the new financial year should focus on two aspects. First, it must learn from the successful reigns of Wendi and Jingdi and also seek to realize the objective of the policy address to allow the community to take a respite and build up its strengths. Second, it should allocate more resources to the formulation of various policies to assist in our economic development. The HKPA is of the view that these two aspects will complement each other.

Concerning the first aspect, the government in the early Han Dynasty was able to turn the Daoist concepts of "a light touch in government" (wu wei er zhi) and allowing the people to take a respite into a series of policies conducive to

social and economic development. In the course of drawing up the Budget for the new financial year, the SAR Government should also allow the people to take a respite, meaning that it must not drastically slash the funding for social welfare, health care and education, and it must continue to freeze those government fees and charges directly affecting the people's livelihood and the business environment. The Government is no doubt faced with a huge fiscal deficit, but in order to solve the deficit problem, the Government should intensify its efforts to reduce its own expenditure instead of adding to the people's burden and business costs. In contrast to the frugality of the early Han government, the SAR Government is a typical Rolls Royce machine marked by extravagance. The reports of the Audit Commission over all these years all show that government departments have been squandering public money, wasting huge resources and failing to get rid of their spendthrift habits. The SAR Government should learn from the frugality of Wendi and Jingdi and make improvements. Since the government in the early Han Dynasty upheld frugality, its expenditure was restrained and appropriately reduced, and this in turn lessened the people's burden. This is the very essence of the policy of allowing the people to take a respite. The HKPA hopes that while refraining from increasing taxes and fees and charges, the Government can intensify its efforts of cutting expenditure.

Regarding the second aspect, it is now the 21st century, and ours is no longer an agrarian society like the one during the reigns of Wendi and Jingdi. With globalization, much keener competition is now found among regions and among cities. Therefore, in the formulation of the Budget, the Government must not content itself with allowing the people to take a respite only, nor should it equate this with "a light touch in government". It must work extra hard instead. The policy address says that "our most pressing task is to implement the various arrangements under CEPA in time". The Budget should propose tax concession measures to tie in with the zero-tariff arrangement, so as to induce and encourage investments in Hong Kong's high value-added industries, thereby reversing Hong Kong's industrial drain and creating more jobs for the people. At present, the banks in Hong Kong are already able to conduct RMB business in respect of deposits, money exchange, bank cards and remittances, and mechanisms for the flowing back of RMB, clearing and anti-laundering have also been put in place in Hong Kong. All these, together with our comparatively sound financial markets and legal system and also our experience as an off-shore greenback market, will make us well-equipped to set up an off-shore RMB centre in Hong Kong. The Budget should allocate additional resources, so that we can

conduct studies and formulate policies as soon as possible to foster the development of Hong Kong into the off-shore centre for RMB. Besides, China and the free trade zone of ASEAN nations are set to become the largest free trade zone in the world with a total population of 2 billion, where business opportunities abound. Geographically, Hong Kong is located between these two gigantic free trade zones; what is more, the relevant agreements are also applicable to Hong Kong, so the Government should really examine what role Hong Kong can play in the process.

The HKPA hopes that the Budget this year will not only be an account of revenue and expenditure; it should be a proactive Budget with fiscal measures aimed at assisting our economic development.

Thank you, Madam President.

MR HOWARD YOUNG (in Cantonese): Madam President, during the SARS outbreak, the economy sustained very heavy blows. It once again suffered a setback, and the tourism industry was one of the worst-hit. Fortunately, the Government was quick to accept the views of the Liberal Party and the various industries, introducing various relief measures that included licence fee concessions and the freeze on various fees. Special measures were also introduced for the four worst-hit industries to give them some relief from the hardship they were facing. At the same time, resources were allocated for the purpose of launching the Skills Upgrading Scheme to better equip employees. Then, after the SARS outbreak, the Individual Visit Scheme for mainlanders was put in place, and CEPA was also signed. With all this, the economy has gradually picked up in recent months. However, we are still faced with the possible threat of avian flu, which is why the economic prospects this year are still very much uncertain. It is hoped that the Government can refrain as much as possible from making any unnecessary tax increase proposals in the 2004-05 Budget, lest this may add to the people's burden and run counter to the objective of allowing the community to take a respite and build up its strengths again as laid down in the policy address.

The most pressing task now is to revitalize the economy, but the pre-condition of revitalization is a sound business environment. This is precisely the rationale behind Mrs Selina CHOW's amendment. At present, all trades and industries have to pay a wide range of licence fees and other government fees

and charges. In the case of travel agencies, for example, apart from business registration fees, they must also pay travel agent licence fees, fees to various chambers of commerce (not to the Government, though), tourist coach licence fees and also fees for the use of public utilities. The amount involved ranges from several thousand to several ten thousand dollars. At this very time when the economy has not yet recovered, there should not be any fee increases at all. The tourism sector hopes that the 2004-05 Budget can continue to freeze the various government fees and charges that will directly or indirectly affect the people's livelihood and the business environment. But the tourism sector also thinks that in the long run, the Government should seriously review the various existing licence fee mechanisms. The Government has all along emphasized that licence fees are levied on a "costs recovery" basis. But if the costs involved have remained so high, even higher than market prices, just because of an obese bureaucracy, should we not question whether something has gone wrong? A travel agency has to pay as much as some \$5,000 every year to renew its travel agent licence. Is the level of such a licence fee at all reasonable? This is certainly a very heavy burden to small businesses, something that adds to their business difficulties. Now that the Government has started to streamline its manpower establishment and reduce its expenditure, can the relevant licence fees be further reduced to a reasonable level?

Lastly, I wish to point out once again that some fees that will affect the business environment or the people's livelihood, I mean, those government fees and charges that apparently have little to do with the people's livelihood, may in fact produce far-reaching or direct effects on the economy and the people's livelihood. One example is an increase in visa fees for incoming visitors, which do not seem to be related to the people's livelihood. But we have to ask, "Will this reduce some visitors' desire to come to Hong Kong, thus indirectly and negatively impacting on the tourism industry? Will this affect the retail and catering industries, for example, the prospects of which also depend on tourists, thus affecting the income and livelihood of those involved?" Therefore, it is not so easy to tell exactly what measures will affect the business environment and what others will impact the people's livelihood. In many ways, they are interrelated.

Here, I also wish to say a few words on fuel duty, an issue also mentioned by other Members. The Government frequently tries to justify increases in fuel duty by saying that there is a need to abate pollution and tackle traffic congestion. But increases in fuel duty will not only add to the burden of drivers directly, but

also increase the operating costs of tourist coach companies and the transportation industry. In the end, the increased costs will be transferred onto members of the public and tourists. Of the various types of fuel duty levied by the Government, I think the least justified is the fuel duty paid by helicopter companies, which is much higher than that paid by private car owners or public bus operators. All along, cross-boundary helicopter services have been provided in Hong Kong. As a matter of fact, cross-boundary helicopters may do refuelling in Macao, and the airliner will not have to pay any fuel duty. But if a helicopter is not engaged in cross-boundary service, and it is used for local tours, its operator will have to pay fuel duty. This has led some to fly their helicopters to other places for refuelling, thus leading in a way to wastage of resources. The revenue of the Government in this respect is very limited anyway. In recent years, helicopter services have started to become popular, and helicopters have started to be used in local tours, with round-the-island trips becoming a new major tourist attraction. One such trip lasts about six minutes at a charge of some \$300, a major portion of which goes to the payment of fuel duty. According to surveys, cross-boundary helicopter services have been growing. As mentioned just now, the payment of fuel duty may well be avoided, but helicopters operating locally must still pay fuel duty according to cumbersome procedures, and costs will thus increase. I wish to point out that if all helicopters can be exempted from fuel duty, there will not be any problems of fuel duty evasion. The reason is that aircraft fuel cannot be used by other means of transportation or machines, so we do not have to fear any sale of such fuel in the market.

Lastly, Hong Kong is now faced with an acute fiscal deficit, but the economy is still subject to uncertainties and instability. It is therefore hoped that the Financial Secretary can refrain as much as possible from proposing any revenue measures that may affect the people's livelihood and the business environment. He should put aside the issue of creating revenue (including the introduction of a sales tax) for the time being, or else the pace of economic recovery will definitely slow down.

I so submit.

MR FREDERICK FUNG (in Cantonese): Madam President, the economy of Hong Kong has been in the doldrums in recent years. There have been some signs of improvement recently, but these signs are not of a full recovery. The unemployment rate has remained for a long time at the high level of over 7%,

and there are also the impacts of the atypical pneumonia epidemic last year, which have led to a further decline in consumer sentiment. The Hong Kong Association for Democracy and People's Livelihood (ADPL) and I hold the view that despite the positive effects of CEPA, it can be expected that economic recovery will still be very remote in the next few years.

On the other hand, the ADPL and I do understand that the Government is being hard-pressed by a huge fiscal deficit and tight finances. But we must add that if any expenditure related to the people's livelihood is slashed at this very time of economic recession, people's discontent with and distrust of the Government are bound to mount, which is not at all conducive to maintaining the overall development and stability of society.

The ADPL and I hold the view that the various services related to the people's livelihood are all meant to cater for the indispensable and basic needs in their daily life, so regardless of the economic situation, the authorities are obligated to constantly maintain an appropriate level of resources for the provision of such services, particularly those for the youth and the elderly. Therefore, the ADPL and I approve of the spirit behind the original motion and the amendments. As far as the formulation of the Budget is concerned, we ask the Government to refrain from rigidly capping our future public expenditure and to maintain its commitment to the various services related to the people's needs of living. It should not drastically reduce the funding for social welfare, health care and education, and it must also continue to freeze the fees and charges that directly affect the people's livelihood and the business environment, so as not to turn the common people into the victims of deficit eradication.

Actually, problems have started to emerge following the Government's attempt to control public expenditure by slashing the funding for welfare services and those related to the people's livelihood. For example, the social welfare sector is now facing an acute shortage of manpower, and front-line staff are also under immense pressure. The main reason is that since 2000, the funding for the social welfare sector has been gradually reduced by almost 25% under the Enhanced Productivity Programme and the lump sum grant arrangement. This has adversely affected the access of the vulnerable to social services and greatly added to the work pressure of social workers. What is even more worrying is that earlier on, the authorities even proposed to reduce social welfare funding by a further 10% in the next four financial years. This will definitely deal a further blow to the survival and operation of welfare organizations, doing great harm than good to the common masses.

Besides, the Government must not overlook the effects of funding reduction on the education sector. The Chief Executive once emphatically described the authorities' commitment to education as an "investment", not an "expense", but very ironically, the Government has recently announced that the funding for higher education will again be reduced by 10% in the coming year, and that it will continue to study various schemes on funding reduction in the next few years. This will produce far-reaching impacts on the teaching quality of tertiary institutions. What is more, regarding the associate degree programmes offered a few years ago to attain the target of equipping 60% of our young people with tertiary qualifications, the authorities have already reduced the funding for most of them, thus seriously reducing the opportunities for students to pursue higher education and shattering the authorities' promise of "sparing no efforts" to invest in education.

As for where the Government can get the money, the source of education funding, in other words, the ADPL and I propose that extraordinary measures should be adopted at these extraordinary times. We may, through legislative amendments, enlarge the scope of the Quality Education Fund, which has so far amassed to as much as \$3.8 billion, so as to meet recurrent education spending. As for the spending on other social services, they can be met by investment returns from the Exchange Fund. According to conservative estimates, if a 50:50 split is adopted, one percentage point in the investment return rate of the Exchange Fund can generate a revenue of \$5 billion, but this will not reduce the Exchange Fund's total asset value, nor undermine its ability to defend the Hong Kong Dollar.

The ADPL and I also advise the authorities to increase revenue by reforming the tax regime. To begin with, in regard to profits tax, the rate of 17.5% in Hong Kong is on the low side when compared with those in our Asian neighbours. In Singapore, for example, the rate is 22%; in Malaysia, it is 28%; in Australia, it is 30%; and, in Japan, it is even as high as 40%. This is not to speak of the fact that the public will probably render their support to a mild increase in profits tax for those commercial organizations which have still managed to make considerable profits despite the current economic adversities. We therefore advise the authorities to increase profits tax by 1.5% across the board and to introduce a two-tier progressive profits tax regime using an assessable profit of \$10 million as the threshold, beyond which the rate of 19% will be applied to the commercial organization concerned. It is expected that these two measures can bring \$6.5 billion in revenue to the Government.

As for salaries tax, since the marginal tax rate and the tax bands have already been restored to the pre-relief levels, the ADPL and I only propose to abolish the flat rate for salaries tax. It is estimated that less than 1 % of the total workforce will be affected, but then an additional revenue of \$500 million can be generated.

To sum up, the ADPL and I hold the view that in the course of drawing up the Budget, the Government must strike a balance between expenditure control and the maintenance of social services. It must seek to minimize the impacts of revenue and frugality measures on the people and do its utmost to maintain the existing welfare levels for the vulnerable. It is only in this way that it can realize the objective of people-based governance advocated by the policy address and restore people's confidence in the Government's governance.

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

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Dr LAW Chi-kwong, you may now speak on the amendments. You have up to five minutes.

DR LAW CHI-KWONG (in Cantonese): Madam President, indirectly, Mr SIN Chung-kai's further amendment is already my response to most of the points raised in Mr CHAN Kam-lam's amendment. However, in respect of education expenditure, I still wish to give a short reply.

In putting forward such a mild motion, the Democratic Party hopes that Members can all render their support and deliver a clear message to the Government on the Budget. The Democratic Party does not wish to see any funding reduction for social welfare, health care and education. Quite the contrary, the Democratic Party is of the view that to really answer the aspirations of society, we should instead appropriately increase the funding for social

welfare, health care and education. Therefore, the Democratic Party fails to see any reason why it should oppose Mr CHAN Kam-lam's amendment that urges the Government to maintain its existing levels of commitment to education investment. But the Democratic Party also realizes that the Government must tackle the fiscal deficit problem, and it also agrees that the Government needs to strive for a fiscal balance. The Democratic Party and the Government differ only in terms of the timetable and approach to be adopted; the Democratic Party thinks that where there is a need for frugality, we should be frugal. As I pointed out in my speech earlier, it is the duty of social service providers to remove any wastage and enhance cost-effectiveness. We think that even in the case of education funding, there is also room for frugality. Mr CHEUNG Man-kwong has already explained this very clearly, and I shall not make any repetition here. All this explains why the proposal I put forward only advises against drastic cuts in social welfare, health care and education funding. But as I said just now, we do also support the amendment of Mr CHAN Kam-lam.

I also wish to respond to Mrs Selina CHOW's amendment on freezing those government fees and charges that directly affect the business environment. As the economy has only just started to recover, the Government should really let our industries and businesses recuperate. We do agree to this point. In case any increase in government fees and charges will produce negative impacts on the business environment, the Democratic Party will never render its support. But the Democratic Party will not at the same time oppose all fee increases. If the Government wishes to put forward any fee increase proposals, it must convince us that such increases will not affect the business environment, and it must also explain the policy necessity of such increases. For example, the Democratic Party is in principle agreeable to an increase in landfill charges by the Government, and for the details, we are prepared to hold further discussions. The Democratic Party will support Mrs Selina CHOW's amendment today. To put it simply, the Democratic Party will cast a positive vote for all the amendments today, just like travelling on a through train. It will vote for all of them. Thank you, Madam President.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I would like to thank Members for their input on this motion. As the Financial Secretary is going to deliver the Budget speech on the 10th next month, I will only make a brief response to views expressed by Members.

In preparing for the 2004-05 Budget, the Financial Secretary has actively consulted various sectors, including Members of the Legislative Council, political parties, representatives of District Councils, the business sector, economists, and so on in the past few months. Other channels, such as the webpage newly introduced, are used to extensively receive proposals relating to the Budget from the community. In drawing up the Budget, the Financial Secretary will definitely make reference to views received through different channels, including those expressed by Members today.

During the consultation process, one of the fairly clear messages conveyed was that, first and foremost, the Government had to exercise stringent control over public expenditure and enhance efficiency before considering to extend its sources of income. This concept has been agreed by the Government. I would like to reiterate here that, to tackle the fiscal deficit problem that we face, the Government must devise appropriate and effective measures to balance the books in the medium term, thereby pre-empting any possible impacts on our financial system which may, in turn, affect our economic development.

At the Legislative Council meeting held on 22 October last year, the Financial Secretary announced that, for reaching a balanced Operating Account and restoring balance in the Consolidated Account, he would allow two more years to achieve that objective by 2008-09, and that the cuts of Government's operating expenditure would build up to 11% to \$200 billion over five years, by an average increment of about 2% each year. Besides, in line with the principle of "big market, small government", public expenditure in the economy should be capped at 20% of GDP. I want to stress that, the cut is realistic and not an across-the-board move to "achieve the goal in one go", and it has taken into account the actual needs of various policy areas and the public aspirations, including those proposals Members raised earlier in respect of the spending on welfare, medical services and education.

In view of the current tight fiscal position, there is indeed no room for the Government of the Hong Kong Special Administrative Region (SAR) to reduce taxes. On the other hand, we also understand that as our economy is starting to pick up, we should not and will not rashly introduce measures that may impede the momentum of economic recovery.

Dr LAW Chi-kwong's motion demands the Government to continue to freeze the government fees and charges which directly affect the people's livelihood, and Mrs Selina CHOW's amendment also urges the Government to continue to freeze the government fees and charges which directly affect the business environment. In the process of consulting various sectors, we heard a lot of views in this regard. We will consider adjusting various fees and charges after a thorough assessment of the impact on the people's livelihood and the business environment.

Mr CHAN Kam-lam and Mr SIN Chung-kai suggested the Government to allocate additional resources in formulating policies conducive to economic development. As a matter of fact, the Financial Secretary has received views from various sectors on taking forward economic development. We will, under the guiding principle of "market-led and government facilitation", proactively devise measures that can effectively enhance Hong Kong's overall competitiveness.

As to the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), the Government will continue to actively discuss with the mainland authorities on the request for further liberalization in trade in goods and trade in services, and striving, on a gradual basis, for better market access opportunities for Hong Kong products and the local service industry in the Mainland. In the meantime, we will focus our resources on the follow-up and implementation of related work on CEPA, to ensure that CEPA can be implemented in a smooth and effective manner. In addition, the Government will play an active role in the Doha Development Agenda, the negotiations on multilateral trade currently held by the World Trade Organization, to promote global free trade and expand the market worldwide for trade in local products, re-exports and services. On the issues of taking part in Free Trade Area or entering partnership agreement with other trade partners, the Government is open-minded in principle, and it will closely monitor developments in other Free Trade Areas in the neighbourhood.

To reinforce Hong Kong's position as an international financial centre has been one of the extremely important policy objectives of the Government. We have taken forward a number of initiatives on enhancing market quality, strengthening market infrastructure, investor protection and facilitating the development of markets, including the bond market. The Government will continue to build on Hong Kong's strength as a major international financial centre with the full co-operation of regulatory bodies and market players.

On the issue of enhancing corporate governance, we reported the progress to the Legislative Council Panel on Financial Affairs in November 2003 and January this year. We will, together with the Securities and Futures Commission (SFC) and Hong Kong Exchanges and Clearing Limited (HKEx), continue to press ahead with the initiatives under the Corporate Government Action Plan announced last year, with a view to upholding Hong Kong's well recognized reputation in this regard. The consultation on proposals to enhance the regulation of listing has been completed. Both the public and the industry support in general giving statutory backing to the important listing requirements, and make useful and constructive recommendations on upgrading the existing regulatory mechanism in respect of listing matters. We are analysing these views carefully, and will work closely with the SFC and HKEx, so as to devise specific and feasible options that are conducive to improving market quality. The progress will be reported to the Panel on Financial Affairs in April this year.

As to Members' proposal of providing better protection to small investors, the Government is in full support. In the Companies (Amendment) Bill 2003 submitted to the Council, we have suggested granting shareholders the right to take statutory derivative action which will help to protect small investors' interests. At the same time, the Deposit Protection Scheme Bill being scrutinized by the Council seeks to protect the interests of small depositors. In addition, the Office of the Commissioner of Insurance is consulting the public on the feasibility of establishing Insurance Policyholders' Protection Funds. Also, the Mandatory Provident Fund Schemes Authority, in consultation with industry bodies, is drawing up new standards to improve the disclosure of fees and charges and performance of funds, to better protect members of MPF schemes. Recently, the SFC has announced preliminary proposals on the Review of Financial Regulatory Framework, to reduce risks faced by investors in the securities industry and enhance investor protection. The SFC will report to the Panel on Financial Affairs at its meeting to be held on 1 March and a public consultation will be carried out later this year.

Several Members urged the Government to promote Hong Kong as an off-shore centre for Renminbi (RMB) business just now. As a matter of fact, starting from the 25th this month, local banks can operate personal RMB businesses, including deposits, exchange and remittances. This will open a new channel for the flow of RMB funds between Hong Kong and the Mainland through the banking system, which will in turn facilitate the growing economic co-operation between the two places. In the long run, it is a major step towards

the establishment of a RMB payment system in Hong Kong. At the present stage, the primary task of the Hong Kong Monetary Authority and relevant parties is to expeditiously implement in full extent initiatives relating to the operation of personal RMB businesses. With the smooth operation of the relevant initiatives and the establishment of a solid foundation, we can discuss with the mainland authorities the possibilities of expanding the scope of business further.

I would like to thank Members for their input on the 2004-05 Budget and on the promotion of economic development. As pointed out by the Chief Executive in the policy address, we will take closely into account what people can realistically bear. We will seek to strike a careful balance between reducing the fiscal deficit and safeguarding the people's livelihood, and let the community take a respite and build up its strength. On this premise, the Financial Secretary will seriously examine views received from various sectors to strike a balance among relevant considerations, and formulate practicable budget proposals to promote and balance public finance.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr CHAN Kam-lam to move his amendment to the motion.

MR CHAN KAM-LAM (in Cantonese): Madam President, I move that Dr LAW Chi-kwong's motion be amended, as printed on the Agenda.

Mr CHAN Kam-lam moved the following amendment: (Translation)

"To delete "do not" after "the Government" and substitute with "allocate additional resources to formulate policies that promote economic development, including actively promoting Hong Kong as the off-shore centre for Renminbi so as to consolidate Hong Kong's status as an international financial centre, continuing to perfect the Mainland/Hong Kong Closer Economic Partnership Arrangement, and actively exploring the role of and the business opportunities for Hong Kong in the free-trade area to be set up between the Mainland and the Association of South-East Asian Nation, so as to bring into full play Hong Kong's function as the

link between the Mainland and the international community and further enhance its economic co-operation with the Mainland and other countries of the world; furthermore, this Council also demands that, in the light of the economic recovery, the Government do not further"; to delete "," after "its spending on social welfare" and substitute with "and"; to delete "and education, " after "medical services"; to add "keep its pledge to invest in education, as well as" before "continue to freeze the government fees and charges"; and to add ", and relieve the tax burden on the public" after "which directly affect people's livelihood".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr CHAN Kam-lam to Dr LAW Chi-kwong's motion, be passed.

PRESIDENT (in Cantonese): I now call upon Mr SIN Chung-kai to move his amendment to Mr CHAN Kam-lam's amendment.

MR SIN CHUNG-KAI (in Cantonese): Madam President, I move that Mr CHAN Kam-lam's amendment be amended, as printed on the Agenda.

Mr SIN Chung-kai moved the following amendment to Mr CHAN Kam-lam's amendment: (Translation)

"To add "and improving corporate governance and enhancing protection of small investors' interests," after "the off-shore centre for Renminbi"; to add "(CEPA)" after "the Mainland/Hong Kong Closer Economic Partnership Arrangement"; and to add "as well as exploring how to promote CEPA to a higher level and form a Greater China Trade Area covering the Mainland, Hong Kong, Taiwan and Macau," after "the Association of South-East Asian Nation,".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Mr CHAN Kam-lam's amendment, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Dr LAW Chi-kwong, Ms LI Fung-ying and Mr Michael MAK voted for the amendment.

Dr LUI Ming-wah, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr WONG Yung-kan and Mr IP Kwok-him voted against the amendment.

Mr Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK and Mr Henry WU abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN, Mr WONG Sing-chi and Mr Frederick FUNG voted for the amendment.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Dr David CHU and Mr Ambrose LAU 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, 19 were present, five were in favour of the amendment, five against it and nine abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 16 were in favour of the amendment and seven 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.

MS MIRIAM LAU (in Cantonese): Madam President, I move that in the event of further divisions being claimed in respect of the motion on "Demands on the Budget" 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 Ms Miriam LAU 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 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 "Demands on the Budget" 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 put the question to you and that is: That the amendment, moved by Mr CHAN Kam-lam to Dr LAW Chi-kwong's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

Mrs Selina CHOW rose to claim a division.

PRESIDENT (in Cantonese): Mrs Selina CHOW 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 HUI Cheung-ching, 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 James TIEN, Dr LUI Ming-wah, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Henry WU and Mr Tommy CHEUNG abstained.

Geographical Constituencies and Election Committee:

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Dr David CHU and Mr Ambrose LAU voted for the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, nine were in favour of the amendment and 11 abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present and 23 were in favour of the amendment. 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): Mrs Selina CHOW, you may move your amendment now.

MRS SELINA CHOW (in Cantonese): Madam President, I move that Dr LAW Chi-kwong's motion be amended, as printed on the Agenda.

Mrs Selina CHOW moved the following amendment: (Translation)

"To add "and business environment" after "and continue to freeze the government fees and charges which directly affect people's livelihood".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mrs Selina CHOW to Dr LAW Chi-kwong's motion, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Dr LAW Chi-kwong, you may now speak in reply. You have six minutes 52 seconds.

DR LAW CHI-KWONG (in Cantonese): Madam President, in order to avoid any misunderstanding, I just wish to clarify one question, namely: Does the Democratic Party oppose the reduction in social welfare expenditure?

I hope Members will understand that, in my first speech today, I already pointed out that even if we ignored the past reductions, even if we did not include the slashed items for eliminating the fiscal deficit, the social welfare sector still had to face three slashing knives in the next few years. First, the adjustment of the lump sum grant and the cancellation of the transitional subsidy. This will lead to a reduction of about 8%. Second, the reduction in the financial assistance from the Community Chest, which will be about 6%. Third, the reduction of funding from the Hong Kong Jockey Club, the exact extent of which is still unknown. The Government is wielding two knives at the same time: The knife held on the left is for slashing funds by adjusting the lump sum grant and cancelling the transitional subsidy, and the other knife held on the right is for slashing funds in the interest of eliminating the fiscal deficit. The social welfare sector is just requesting the Government not to wield both knives unscrupulously and simultaneously; instead, a comprehensive discussion should be held. The social welfare sector is glad to work together with the Government in seeking a reasonable reduction proposal that is affordable to social service organizations. The Democratic Party supports this approach of the social welfare sector.

What kind of reduction is not substantial? In other words, what rate of reduction should be proposed? It would not be too difficult for me to suggest a figure. However, if we want to have a rational discussion, then we should not fix any figure arbitrarily. Taking social welfare as an example, the Government should work together with social welfare organizations to discuss what can be slashed or what can be reduced. In the policy address of 1998, the Chief Executive put forward the Enhanced Productivity Programme. I had been assisting people in the social welfare sector to hold discussions on how the objectives of the Programme could be achieved. This was not a very popular move from a political perspective. I also mentioned youth services earlier in the debate. In 2000, I had helped to restructure youth services in order to achieve the objective of "One Social Worker for Each Secondary School", which was equivalent to enhancing the productivity by 7%. At that time, the role I played was not a very popular one, which is, helping to reconcile the differences between the Government and social service organizations — trying hard to seek a consensus despite differences of opinions in order to achieve the objectives.

Therefore, Members need not suspect the attitude of the Democratic Party in handling social welfare problems. We shall handle this resource reduction issue in a rational manner, and we shall not oppose whatever reduction proposals that are made. I hope Honourable colleagues can support this amendment. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LAW Chi-kwong, as amended by Mrs Selina CHOW, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Border industrial zone.

BORDER INDUSTRIAL ZONE

MRS SOPHIE LEUNG (in Cantonese): Madam President, the border industrial zone proposed by me is not a new topic. The discussion on this topic started as early as more than a decade ago, and we have repeatedly pursued this with the Government in this Chamber. However, the Government has never been proactive on this issue. I would like to take this opportunity to convey to the

Government what has been discussed by people from different sectors of society as well as responding to the theme of "Seizing opportunities for development" in this year's policy address.

We have often discussed the globalized economy, knowledge-based economic development. In addition to these, we have the financial turmoil and the bursting of cyber bubbles. As a result, we suffer from the problems of structural unemployment and fiscal deficits. The ordinary people and the enterprises also have to face the threat of increased taxation and the tightening of government expenditure, all of which were the subjects of our discussion in the debate held just now. The cuts in funding are applicable to all spheres, such as education, health care and social services, and so on, none of which can escape the fate of reduced funding. In this connection, some members of the public have put forward certain proposals for opening new sources of income, so as to reinforce the economic role played by the manufacturing industries.

Industries have always been important in maintaining the balanced development of an economy. However, during the past decade or so, the economic structure of Hong Kong has become increasingly inclined to the service industries. The economic weighting of the service industries has increased from 74.4% in 1994 to 87.4% in 2000. On the contrary, the weighting of the manufacturing industries has decreased from 17.5% to 4.6%.

If the manufacturing industries keep on shrinking, Hong Kong shall miss the opportunity of developing into an international commercial platform under CEPA. In addition, as a related development, our economic pillars, such as the logistics, financial services, and so on will also be affected. If we do not have any goods, what should our logistics industry do? Are they going to transport the air? We shall suffer a loss of over one hundred billion dollars in foreign exchange which is earned annually by our manufacturing industries: the figure for 2002 was \$130.9 billion, and of which, over \$70 billion, that is over half of it, was generated by our textile and garment industries.

In addition, the manufacturing industries can be helpful to solving the structural unemployment problem. Although we have to develop our economy in the direction of knowledge-based economy, over one million people in our population have been educated to the level of Secondary Three or below. Most of these people will not be able to join industries which require high intellectual input. Advantaged manufacturing industries, such as clocks and watches,

garments, toys, and so on, indeed can provide large numbers of suitable employment opportunities for the people of Hong Kong. The unemployment problem has evolved into a potential social problem, especially for persons with lower qualifications. As the unemployment trend has become increasingly prevalent among the younger persons, we must solve it as soon as possible.

If we have to revitalize the manufacturing industries today, do we have the right conditions for it? Madam President, let us take a look at our investment environment. We have the Mainland as our hinterland, and Hong Kong is the gateway for foreign investments making its way to the Mainland, while China is the consumption market with the most enormous market potentials. In 2003, the national economic growth of our country reached 9.1%, which was better than originally envisaged. Of this growth, the manufacturing industries accounted for over 40%. From this, we can see that China is the future factory of the world. Our enterprises in the Pearl River Delta (PRD) employ over 11 million mainland workers. In the markets of the world, we have created something tantamount to a miracle in the PRD during the past one to two decades. In the short span of about 10 years, we have promoted the industrialization of the PRD. It is really hard to imagine that, with Hong Kong occupying such a geographically strategic position and its manufacturing industries having built such a solid foundation, our manufacturing industries have not managed to achieve anything spectacular. In 2002, the manufacturing industries only accounted for 4.6% of the local economy.

Taking a look at the situation in the region, we can see that investments in manufacturing industries are still playing a very important role. According to the information of 2002, the manufacturing industries accounted for 26.5% of the economy of Singapore, 25.7% in Taipei, 29.2% in South Korea and 33.8% in Thailand. In Hong Kong, the supply of local capital is abundant, with total banking deposits amounting to over \$3,000 billion, representing a 30% increase over the corresponding figure in 1997. All the above statistics show that we have no shortage of investment potential in our manufacturing industries, nor do we have any shortage of capital.

So what is our inadequacy? Madam President, let me tell the truth, that is, the shortage of skilled labour brought about by the hollowing out of our manufacturing industries. If a border industrial zone is established, it would help solve the problem of shortage of skilled labour, and it will also save us a lot of security considerations. According to the plan for the river-loop area

conceived by the Government, the area will be developed into an independent zone, which allows mainlanders and Hong Kong people move in and out without visas, though through different checkpoints. Such an arrangement will facilitate the employment of mainland low-skilled workers by manufacturers, in order to solve the present problem of shortage of local skilled labour. And then starting from the lower level, we can promote the development of the middle and higher levels — the kind of employment opportunities wanted by Hong Kong people. We can then provide more job opportunities for people from different walks of life in Hong Kong, especially helping our young people by creating employment opportunities for them.

I would like to point out that, the border industrial zone will not just benefit the traditional advantaged industries, it will also offer opportunities for the development of emerging industries in Hong Kong. This is no daydreaming. Madam President, one of the examples is the business of biochemical plants for the production of medicines. Hong Kong has sufficient experience in the various aspects of commercial operations, marketing of products, upgrading of quality, management and convergence with the international markets, thus providing us with sufficient abilities to fight a good battle. In the international community, our abilities in these aspects have been universally acknowledged. Scientific research projects and personnel could be introduced into the border industrial zone to build up a diversified economic foundation for the scientific research industry of Hong Kong. This concept is one step more advanced than the original concept of the Government in making Hong Kong to act merely as a "platform for technology intermediary". It is already too late for us to act as such a platform now.

The establishment of the border industrial zone will help enhance the overall economic development of Hong Kong because activities in the zone, be they the manufacturing industries or emerging industries, will promote demands for the service industries, such as the logistics, banking, insurance, accounting and transport services. Such activities will also promote the overall consumption and economic growth.

Our officials often mention the economic integration of the two places, and it seems that at the moment we are only depending on a railway to transport the people to the other side for shopping. The development pattern of this border industrial zone is a real integration of the strengths of the two places. We shall make use of the abundant supply of mainland labour and high technology staff,

supplemented by the entrepreneurs from Hong Kong, sound legal system, good intellectual property protection and comprehensive professional service support. By putting the international brand name of "Made in Hong Kong" on locally manufactured goods and taking advantages of the CEPA business opportunities to attract local, Hong Kong and foreign investors to set up factories in the zone, we may pursue high value-added development for our manufacturing industries. Apart from exploring the mainland market, we can also make proper preparations for getting a share of the world market upon the eventual cancellation of the quotas in 2005.

Madam President, many people in society have recently indicated support for the establishment of the border industrial zone. On Monday, that is the day before yesterday, there was a full-day seminar on the economic integration of Hong Kong and Guangdong Province. In the seminar, speakers from different industries, such as garment, clocks and watches, jewellery, food, motor car parts, and so on, all said that the shortage of skilled workers was their major worry in considering whether they should relocate their factories back to Hong Kong. They thought that the border industrial zone could solve the manpower problem, and would help Hong Kong develop high value-added manufacturing industries. The only person who opposed the idea was someone who had never taken part in any manufacturing industries.

On the same occasion, Prof LI Luoli, who represented the Shenzhen Comprehensive Development Research Institute, pointed out that Hong Kong should develop the zone in the direction of a science park and that Hong Kong should attach greater significance to industrial development and regard it as our economic foundation. However, Hong Kong does not have the support industries. Therefore, if we make use of the mainland support in the border industrial zone, it will become a feasible proposal.

In fact, there have been successful precedents in other countries in making use of the respective advantages at the border area in conducting certain economic activities. Let us take the border area between the United States and Mexico as an example; the two countries started their co-operation as early as the '40s, under which Mexican workers are allowed to work in the border cities of the United States. Similar examples can also be found in Southeast Asia. With the consent of the two Governments, the border area of Malaysia adjacent to Singapore has been developed by Singaporean capital into an external processing zone since the '90s. Our close neighbour Macao has entered into an

agreement earlier on with Zhuhai to develop a Zhuhai-Macao cross-border industrial zone, and the construction work of the project commenced some months ago. Of course, we are not going to follow the footsteps of Macao. What we are going to do is of a much greater magnitude, and we should have a much wider vision. However, we have tied up our own feet in the race. It is learned that Zhuhai and Macao may create 100 000 employment opportunities for Macao workers. I think this has already lured away many industrialists in the manufacturing industries who had originally intended to make investments in Hong Kong.

Therefore, I hope the Government can expedite the negotiations with the relevant mainland departments on developing the border industrial zone, so as to support the development of local advantaged manufacturing industries, thereby promoting the economic growth and providing more employment opportunities to local workers.

Madam President, I beg to move and hope I can have the support of Honourable colleagues.

Mrs Sophie LEUNG moved the following motion: (Translation)

"That this Council urges the Government to expeditiously formulate planning and support measures which are conducive to the development of a border industrial zone, and take the initiative to consult the relevant mainland authorities with a view to seeking a synergy of the strengths of the Mainland and Hong Kong in supporting the development of the advantaged industries and related trades, so as to attract local, mainland and foreign investors, promote Hong Kong's economic growth, and create more local employment opportunities."

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

PRESIDENT (in Cantonese): Mr SIN Chung-kai 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 SIN Chung-kai to speak and move his amendment.

MR SIN CHUNG-KAI (in Cantonese): Madam President, in my amendment, I propose to add a part to urge the Government and the Shenzhen Municipal Government to jointly set up a Hong Kong-Shenzhen river-loop area development company to develop a border river-loop industrial zone. The idea of a river-loop industrial zone has been advocated for a long time but regrettably, little progress has been made. We, therefore, hope to take this idea forward through studies jointly conducted by the Shenzhen and Hong Kong Governments. As the Shenzhen Municipal Government owns part of the land in the river-loop industrial zone and as the zone is likely to be managed by our Government, it is pragmatic for both sides to co-operate with and provide support to each other in the development of this zone. Moreover, as Hong Kong and the Pearl River Delta are both regional economies, mutual co-operation and support are essential to the overall industrial development. Without the support and assistance from the policies of the Mainland, it is indeed difficult to make the border industrial zone a success.

In fact, on the question of a border industrial zone, the Democratic Party has brought this up for discussion and demanded its setting up in every meeting with government officials and academics over the last couple of years. In the proposal on the development strategies towards full employment published by the Democratic Party in 2002, and also in our proposals in respect of the policy addresses in 2002-03 and 2003-04 and the 2003-04 and 2004-05 Budgets, we have made detailed analyses on the establishment of a border industrial zone.

In many motion debates in the Legislative Council last year, such as the motion of "Exploring new areas of co-operation between Hong Kong and Guangdong" in May 2003, the motion of "Mainland/Hong Kong Closer Economic Partnership Arrangement" in July, and the motions of "Backbone industries as part of the infrastructure" and "Grasping the opportunities brought about by CEPA to enhance employment" in November, which were all related to CEPA and the industrial policy, we repeatedly expounded the need for developing a border industrial zone and its importance to the industries of Hong Kong. The Democratic Party has all along opposed the direct importation of labour. But if, in the border industrial zone, the admission of mainland manpower and talents is subject to limitations and conducted in a systematic manner, while at the same time capitalizing on Hong Kong's advantages in respect of capital, legal system and management, the Democratic Party will give its support.

Recently, the Government has published a blueprint for development entitled "Hong Kong 2030: Planning Vision and Strategy", proposing to develop a "trade expo" or an industrial zone in the border river-loop industrial zone. The development of a large-scale exhibition zone in the border area is a vision portrayed by the Planning Department with the purpose of providing convenience to participants both from the Mainland and Hong Kong. To put it simply, the purpose is to facilitate participation from Hong Kong people and mainlanders in exhibitions, which will in turn boost the development of the exhibition industry in Hong Kong.

Nevertheless, if we look at it carefully, this idea of developing a trade expo in the river-loop area is actually not practical.

If a huge exhibition hall is developed in the remote border area, will there be a sufficient number of participants from Hong Kong and Shenzhen taking part in the exhibitions? Will they prefer exhibition facilities in the remote countryside to those located downtown? At present, exhibition halls can already be found in Hong Kong, such as the Hong Kong Convention and Exhibition Centre and the International Trademart at Kowloon Bay, and an exhibition hall will also be developed at the Airport in the future. If we look at the Mainland, vigorous efforts have been made in recent years to develop their exhibition industry. There are the China International Exhibition Centre in Beijing, the Shanghai International Convention Centre and Shanghai Mart in Shanghai, the venue for the Chinese Export Commodities Fair in Guangzhou, and also the China Hi-Tech Fair Exhibition Centre in Shenzhen. Exhibition halls developed in the border area would require a rather long time of travel, which is obviously not cost-effective. Since there are already many exhibition halls in the Mainland, an exhibition hall in the border area will not be very competitive. So, is there still a need for Hong Kong to expend huge manpower and resources to develop a so-called trade expo in the border area?

At present, it is most necessary for the Government to focus on the direction for long-term development and to relaunch the local industries under the auspices of CEPA. The Government should "walk on two legs" by developing traditional industries alongside with high technology-based industries.

To develop a border industrial zone so as to relaunch the local industries, the Government must formulate a series of policies to provide support. First, the Government should provide land at lower costs in the border area and devise a quota system for the employment of mainland workers *vis-a-vis* local workers, in an effort to attract investments from industrialists. According to information available, there are about 170 000 people under employment in Hong Kong, accounting for only 8% of a total workforce of 2.1 million in Hong Kong. The development of a border industrial zone can attract investments from manufacturers who set eyes on the mainland market, and this will alleviate the problem of unemployment prevailing among workers with a low level of skills.

While Hong Kong has stated in a high profile the direction to transform into a city focusing on finance and the service industry, the reality is that a large pool of middle-aged workers with a low education level have been unable to land a job in other industries, resulting in the problem of a mismatch of workers. With suitable support from government polices, coupled with the benefits under CEPA, I believe the manufacturing industry can absorb a large number of workers and this will certainly help to alleviate the unemployment rate.

Every year, the Government channels a huge amount of public money to providing assistance and even subsidies to workers originally working in the manufacturing sector to receive retraining in order to facilitate their re-entry into the workforce. Why does the Government not consider developing a border industrial zone and require the employment of local workers and mainland workers at a certain ratio and at the same time provide concessionary land and taxation policies? This will be an all-win situation to the Government, the business community and the labour sector.

The Hong Kong Government should adopt a proactive and aggressive attitude to attract manufacturers to set up plants in the industrial zone through taxation policies and concessions. The Government can offer tax concessions to manufactures in accordance with the number of workers they have engaged as well as the number of production lines set up. The tax concessions can, to a large extent, offset the relatively high costs in Hong Kong, thereby attracting more industrialists to invest in Hong Kong.

Moreover, the Hong Kong Government should proactively assist manufacturers of goods that are "Made in Hong Kong" to access the mainland market, laying emphasis on the feature of "Made in Hong Kong" of such goods.

Our trade with the Mainland amounts to as high as \$1,300 billion, accounting for 34% of Hong Kong's total trade volume. Among these trade activities, the processing trade accounts for 88% whereas exports of locally-made products account for a mere 12%. Undoubtedly, goods exported from Hong Kong to the Mainland are mainly processed goods which belong to goods that are made in Hong Kong.

Madam President, I have just been to Shanghai. At Nanjing East Road in Shanghai, I saw many shops where Hong Kong goods were highlighted to attract sales. Therefore, if the goods from Hong Kong are manufactured in Hong Kong, such goods will stand a chance of becoming marketable in the Mainland. It only depends on what policies there are to attract sales and to make Hong Kong goods stand out from other goods. Hong Kong people often exclaim at how rapidly Shanghai has been developing. But people who have been to Shanghai will find that the fashion on sale there all comes from Hong Kong. As to how we can highlight this feature to create an advantage for the assistance of businessmen, and more importantly, for the assistance of workers in Hong Kong, is a question that I hope the Government can seriously consider.

Too much for our situation in Hong Kong. Let us now turn to the neighbouring Macao.

The construction of the Zhuhai-Macao Cross-border Industrial Zone in Macao commenced in December last year. The location of the Cross-border Industrial Zone has been chosen at the Qingzhou Terminal (青洲碼頭) between Zhuhai and Macao. Works are pressing ahead in full swing now. But for Hong Kong, we are still in the stage of consultation — well, I am not sure if this is true, for there is not even consultation at this stage — There are only empty words.

Hong Kong used to encourage flexibility in industrial development and, because of this, our development in various areas had been faster and we could therefore seize the opportunities earlier. Madam President, I think this issue has already been discussed for a long time. Here, the Democratic Party again calls on the Government to establish a committee which can be called the "Committee on the Redevelopment of Industries". Perhaps some people may take exception to my view. They may say that the industries of Hong Kong are in good shape and therefore do not need redevelopment. It does not matter if

there is this view, for the name of this committee is open to consideration. I hope the Government, and perhaps political parties, manufacturers, trade unions and the academia as well, can seriously make a concerted effort to study this and see how the proposals made in Mrs Sophie LEUNG's motion can be put into practice, and concrete studies should be conducted to identify ways to remove some of the difficulties. If we only go on talking about it, the road to success will still be difficult and it will be a waste of time. We must break away from this quagmire.

Finally, I support the original motion, and I hope Members will support my amendment. Thank you, Madam President.

Mr SIN Chung-kai moved the following amendment: (Translation)

"To add "; the Government should also discuss with the Shenzhen Municipal Government to explore the setting up of a Hong Kong-Shenzhen river-loop area development company to jointly develop a border river-loop industrial zone" after "in supporting the development of the advantaged industries and related trades".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr SIN Chung-kai to Mrs Sophie LEUNG's motion be passed.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, the industries of Hong Kong have gradually relocated northward since the '80s and now, few industries have maintained their production lines in Hong Kong. Workers employed by the manufacturing industry only account for 6% of the total workforce and as a result, local exports have continued to decline for successive years and account for less than 10% of the total exports of Hong Kong. Therefore, over the past few years, local employment has not been improved despite successive years of significant growth in the overall imports and exports. Under such circumstances, we must facilitate the growth of local exports to boost the demand for local factory premises and the various key elements of production, including labour and the relevant support services, and only in this way can we build a solid foundation for the growth of Hong Kong economy.

CEPA has allowed 273 items of products of Hong Kong origin to enjoy zero tariff when they are exported to the Mainland. With regard to the definition of "Made in Hong Kong", the existing definition is applied in many cases, or it is defined as having no less than 30% of the value-adding process undertaken in Hong Kong. This has provided Hong Kong with ample room to attract industries targeting at the mainland market to set up factories for production in Hong Kong.

How should the Government support the redevelopment of the local industries in line with CEPA? This motion proposes to capitalize on the wide expanse of the border area by developing a border industrial zone to support the development of the advantaged industries and related trades. I think the Government should earnestly study various proposals that can reduce the cost of industries, attract investment and hence promote economic development, and create more employment opportunities. It should assess the feasibility of these proposals and their impact on the local employment market as well as the utilization of other resources.

Setting up a border industrial zone will enable the industry to make use of the workforce of the Mainland, particularly providing manufacturers with a solution to the problem concerning the supply of skilled workers and industry-related scientific research personnel. This, coupled with Hong Kong's advantages in a sound legal system and quality management, the brand name of "Made in Hong Kong", and the zero-tariff benefit under CEPA in developing the mainland market, will be very attractive to local, mainland and overseas businessmen who will then invest in Hong Kong by setting up factories here. Moreover, as textile products that are "Made in Hong Kong" will be exempted from the quota restriction starting from 2005, and judging from the circumstances, the European countries and the United States will not easily abolish the quota restriction imposed on mainland products, in the long run, if Hong Kong and mainland workers are allowed to go in and out of the border industrial zone more freely to work there, workers' wages, transportation cost and time, handling charges, and so on, will all be reduced, and this will greatly enhance the competitiveness of textile goods manufactured in Hong Kong as well as other types of products that are "Made in Hong Kong" in terms of the export price.

The border industrial zone in Macao is already under construction. In the future, co-operation between Macao and Zhuhai will be closer. This will be a

great advantage for goods that are "Made in Macao" on entering the Mainland or export to overseas countries. There are two problems that must be addressed properly. The first is that the many vacant factory premises in Hong Kong must be handled. At present, apart from the boundary crossings, basic infrastructure facilities and feeder transport between Hong Kong and Shenzhen are lacking in the border area and so, abundant investment and time will be required to develop the land there. In the river-loop area recently under discussion, there is 1.5 million sq m of silt that has to be removed, and there are other problems relating to land title and right of management. All these require discussions by the Hong Kong and Shenzhen Governments in order to identify solutions. On the other hand, many vacant factory premises in urban Hong Kong can actually be put to use. These factory premises are easily accessible with water and electricity supply facilities, and the rent of some is even lower than that in Shenzhen due to the high vacancy rate in Hong Kong. If we should leave these premises vacant but expend huge resources to develop new land, there must be obvious benefits in terms of cost-effectiveness, or else it would only be a waste of the existing resources.

Second, the employment opportunities of local workers. The labour sector is worried that the border industrial zone will take on a large number of mainland workers, thus eating into the employment opportunities of local workers or resulting in a downward adjustment of their wages. They are also worried that a labour importation policy will be implemented exclusively in the border industrial zone and will therefore attract factories outside the zone to relocate to the border industrial zone so as to benefit from the concessionary policy. As a result, more factory premises will become vacant and unemployment among local workers will further worsen. In that case, the hope of the industrial sector for the redevelopment of local industries and promotion of training for local industrial talents would be dashed. These problems must be seriously assessed by the Government before making a decision.

On the premise of enhancing economic integration between Hong Kong and the Mainland, and given the very small area of usable land in Hong Kong, I think the land in the border area should not continually lay in disuse. Rather, the Government should capitalize on the geographical advantages of both places by developing this zone, originally used as a blockage or buffer, into a zone linking up the Mainland and Hong Kong. For instance, it can be used to reduce the transportation costs for immigration clearance and for crossing the border, streamline the related formalities and shorten the time required, and so on.

Moreover, in deciding the use of land in the border area, consideration should at the same time be given to the development in Shenzhen, so that the border industrial zone will benefit both sides of the border and hence provide incentives for joint development. As for the practical proposal on development, I call on the large-scale real estate firms in Hong Kong and the Mainland to put forward proposals that meet the needs of the market and require the least input from public coffers. Even if the study on a border industrial zone starts now, it is said that it will take at least eight years to complete the project. If construction works should start only in 2030 as planned by the Government, I am afraid it might take half a century before it can be completed. I hope the Government will look back and see how many factories as a percentage of the total have relocated out of Hong Kong in the two decades between mid-80s and now, and then look at the advantages of the Shenzhen ports and the new Baiyun Airport in respect of the sourcing of goods, and it will come to realize that in this ever changing era, a small slackening of pace will only render us being overtaken by our competitors.

Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, the idea of developing a border industrial zone mainly aims to revitalize the industries of Hong Kong. But whenever different sectors of the community expressed this aspiration to the Government, the Government would invariably respond that Hong Kong should develop in the direction of high value-added industries and that the Government upheld the principle of non-intervention and hence would not provide any subsidy to any business operators. But just take a look at history and we can see that the development of industries is not exactly stagnant. Instead, it is ever evolving and ever adding in value. We cannot see any conflict between supporting industrial development and promoting high value-added industries. On the contrary, without the support of industrial development, how can the value of the application of high value-added technology be realized? There is actually an interactive relationship between them, and we think that the Government should refrain from refusing to take industrial development forward on the pretext of developing high value-added industries.

Certainly, we do agree that the Government should not subsidize any industry. But in fact, the Government has the responsibilities to develop new

industries or support the existing industries through its policies. It is because the structural employment problem in Hong Kong is entirely related to the industrial transformation. Particularly as the border industrial zone involves co-operation with the Mainland and many discussions on a government level, it is a must for the Hong Kong Government to send representatives to negotiate with the mainland authorities. So, we think that the Government is duty-bound to proactively and positively conduct studies on and implement the proposal of a border industrial zone. The Government cannot look on with folded arms on the pretext of non-intervention.

The Democratic Alliance for Betterment of Hong Kong (DAB) considers that the river-loop area actually have many irreplaceable advantages. The development of an industrial zone can fully capitalize on Hong Kong's advantages of being a free port and a financial information centre, and having an extensive global network of contacts and markets, sound legal and judicial systems and highly efficient management and economic systems, while at the same time taking full advantage of the technology, talents and resources of Shenzhen. Moreover, in a border industrial zone, all the products manufactured there will legitimately bear the label "Made in Hong Kong" and this can resolve the problem concerning the determination of the origin of goods jointly manufactured by Hong Kong and the Mainland. Industrial development can at the same time spur the development of a modernized logistics industry which is in line with the direction of the development of logistics industry in Hong Kong, thus achieving the objective of fully grasping the opportunities brought about by CEPA as stressed in the policy address.

On the Government's proposal to develop a "trade expo" in the river-loop area, I wish to reiterate that it is the position of the DAB to support the development of a border industrial zone in the river-loop area. Certainly, the Chief Executive has stated that tourism, financial services, logistics and producer services are the four major pillars of the Hong Kong economy. But we think that these four pillar industries are not exhaustive. Over the past few years, we have seen that the development in these four areas cannot fully shore up the co-ordinated development of Hong Kong economy. Particularly when resolving the problem of structural unemployment, we see that it is utterly difficult and takes a long time for workers who are neither young nor skilled or well-educated to fully integrate into these four pillars and land jobs. Furthermore, phase three

of the Convention and Exhibition Centre and the plan to develop an exhibition hall at the new Airport are progressing in full swing. These projects are developed precisely to meet the future demand for exhibition venues in Hong Kong. If the Government rules out the option of an industrial park in the border area but considers developing exhibition facilities there, then we must ask, "Where exactly are the so-called benefits?"

So, in establishing closer economic ties with Hong Kong, implementing the Individual Visit Scheme and offering zero-tariff benefit for Hong Kong goods, the Central Government also aims to provide opportunities to Hong Kong to revitalize its industries and hence relaunch the economy and create more employment opportunities. On the other hand, the Hong Kong-Zhuhai-Macao Bridge and the Zhuhai-Macao Cross-border Industrial Zone in Macao will soon be given the green light and construction works will then commence. We can imagine that the neighbouring regions have been making rapid progress in forging co-operation in industrial development at their borders. But we in Hong Kong seem to be just standing still, waiting and observing. So, we think that the Government should actively take actions. It should face up to the reality and admit that industries will make certain contribution to the improvement of the economy and the unemployment problem. Therefore, work should be carried out expeditiously to develop a border industrial zone with a view to revitalizing the local economy.

Indeed, developing an industrial zone in the river-loop area has been an aspiration of the industrial sector for years. Many academics in Hong Kong and in the Mainland have published results of their studies on the development of a border industrial zone, and the several major political parties in the Legislative Council have, quite rarely though, given unanimous support to these proposals. We, therefore, hope that the Government can take actions expeditiously.

So, it is hoped that the Government, in the face of pressure from all sides, will no longer put off these opportunities on such excuses as the need of consulting public views and listening to more opinions. If we can seize these opportunities, and if an industrial park can be gradually developed in the border area in the next few years, I believe it will help our economic development.

Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): Madam President, I am speaking to express my worries about this so-called border industrial zone or river-loop area, as well as voicing the opinions of the garment industry. I am also the adviser to the Coalition of Garment Manufacturers and earlier on had assisted them in arranging a meeting with the Secretary to express the worries of the garment industry on this so-called river-loop area.

Madam President, there have been many suggestions on the river-loop area or the border processing zone over the years. As such, the development of this so-called border processing zone or the river-loop area seems to a mix of everything. Sometimes it appears to be a property project, sometimes it seems to be an exhibition hall. At some points of time, it seems to be involved with some activities of high economic benefits, but at other times, it just seems to be some ordinary industrial projects. What on earth is it actually? With each individual, each political party, even different departments of the Government, or even different persons who may have different suggestions, each of the proposals submitted could all be different. What are the hidden interests and what kinds of relationship are involved? All these are speculations that defy verification.

Many people propose that large numbers of mainland workers could be imported into this border processing zone, so that manufacturers operating in this zone could enjoy the priority and tax concession in developing certain industries. In this regard, people in many Hong Kong industries, especially those with manufacturing plants in Hong Kong, say that they are worried. Some players of the garment industries are also extremely worried. Their rationale is simple: They are now operating their factories in industrial areas of Hong Kong, employing Hong Kong people as their workers and accepting orders there. Many of them are already suffering from under-provision of work. They may not be able to tell the development in the following year, or whether they can get any orders for the following year. Some factories may be employing less than 20 workers, others may be employing dozens of workers. They have been all along operating in the industrial areas of Hong Kong, manufacturing Hong Kong products and creating employment opportunities.

However, all of a sudden, it is proposed that similar industries could be operated in the so-called border industrial zone, in which they could enjoy tax concession and importation of workers from the Mainland, and they could launch

their productions on the same kinds of orders, and they could export goods labelled as "Made in Hong Kong". Under such circumstances, they have to ask a very specific question: How can such Hong Kong manufacturers compete with garment manufacturers (let us use garment factories as examples) operating in the border processing zone? Such factories could enjoy the advantages of cheaper rents, cheaper electricity tariffs, cheaper wages for workers and all kinds of tax concessions. For example, if the same kinds of products, such as shirts and garments, manufactured at the border processing zone can also be called "Made in Hong Kong", how can those Hong Kong manufacturers compete with factories operating in the border processing zone? If what they said is true, this project will only force factories operating in Hong Kong into earlier closures, earlier death.

Therefore, I think it would be irresponsible, immature of us in our consideration of this issue, to engage in some "grand, big and empty talks", declaring how a border processing zone could bring about a beautiful fairy tale for the future of Hong Kong, how it would help people to start their own businesses and how it could revitalize the local factories, without addressing the various questions involved, and worse still, neglecting the impact that this border processing zone would have on factories operated by manufacturers who have been willing to stay and develop their business in Hong Kong and offer employment to Hong Kong people. I hope Mrs Sophie LEUNG can allay my worries when she makes her response later. Or maybe the Secretary could also explain how such worries of mine would be allayed in his reply later on because, in his earlier meeting with the Coalition of Garment Manufacturers, such specific worries had already been conveyed to him.

Moreover, I am worrying whether such "grand, big and empty" ideals might evolve into another property project. Several years ago, the Cyberport had been exaggerated as unparalleled, claiming that it could stimulate the economy of Hong Kong with high technology. Eventually, it turned into a property project, which consequently enabled a major property developer to make a huge fortune out of it. Now, even a Home Ownership Scheme project in Hunghom Bay could become a private development project. How can the Government restore our confidence, convince us that this industrial development project would not become another property project to the benefit of individual consortia, parties or estate developers? I hope the Secretary can make an undertaking or propose a method to us to ensure that something like that will not

happen. It would be simple and easy to do that: By then someone will say that, we need to provide some residence for people at the border processing zone; maybe a luxurious residential development could emerge adjacent to the border processing zone. Then another property project would be created. We have seen too many such examples in the past. If the Government could not be accountable to the people for every undertaking it has made, the confidence of the people and Hong Kong industrialists will be undermined completely.

Furthermore, many manufacturers worry about one additional aspect. If this border processing zone does generate very enthusiastic responses, a lot of large consortia will establish factories there. It will drive the rents there further up, and the costs of production will surge as well, thus affecting the competitiveness of Hong Kong. Some workers also worry that, if the factories for which they are working are relocated to the border processing zone, which is far away from the urban area, then the travelling expenses they have to shoulder will become higher. If they are deployed to work there, and if their wages are reduced, then this will increase the pressure on their daily lives. As their wages are lower, but the travelling expenses have gone up (Ms Miriam LAU knows this very well), and such travelling expenses will become a major expense of the people, then their lives will suffer a further blow.

Madam President, I hope such worries could be properly addressed even if we have some new concepts. Otherwise, such new concepts will only benefit some people, a certain small group of people who would make use of the economic downturn and the high unemployment rate to reap huge profits for themselves. In the end, those who will be sacrificed and affected are people working in the industrial sector of Hong Kong as well as the working class of Hong Kong. Thank you, Madam President.

MR KENNETH TING (in Cantonese): Madam President, since the completion of the Shenzhen River Regulation Project in April 1997, the Shenzhen River has been straightened and an area of about 96 hectares of land has emerged at the Lok Ma Chau River Loop in Hong Kong. This piece of land has all along been administered by Hong Kong. However, as the Government of the Hong Kong Special Administrative Region (SAR) has not actively thought about how to make good use of it, this piece of land, roughly the same size as the entire Tsim Sha Tsui District, has been left vacant since then. It is really a great pity.

In fact, the local industrial sector has been quite concerned about how the river-loop zone could be utilized properly. Many suggestions have been put forward in the hope that the Government could develop it into an industrial zone to enable synergy of the strengthens of the Mainland and Hong Kong, thereby benefiting the local economic development and improving the employment situation in Hong Kong. However, in the past, only the industrial sector wanted to expedite the development of the zone, whereas the Government did not appear to be bothering too much about it. It often stressed that, as there was an abundant supply of industrial land in Hong Kong, it was not necessary to expedite the development of new industrial zones. In this way, the opportunity of making use of the advantages of the river-loop zone was wasted.

It is an undeniable fact that the land in the river-loop zone is a piece of "raw land" because no matching infrastructural facilities are available there. We cannot immediately proceed to develop it as soon as we put forward the proposal. But this rightly reflects the significant role of the Government because if the Government confirms that this piece of land really possesses development potentials, it can inject all the necessary resources into developing the river-loop zone, giving it the same commitment as in past infrastructural projects. This will facilitate the early development of this piece of land.

Last year, the Chief Executive promised that the Government would adopt a new thinking in the development of the river-loop zone. Therefore, I hope the Government could adopt a more proactive approach, instead of meticulously calculating the land development costs as in the past and thinking about how the full costs could be recovered within a short period of time. Or, like what happened in the past, the Government has to go through complicated and tedious procedures, which was the normal practice, before deciding how the river-loop zone will be developed.

It is really necessary for the SAR Government to review its past policy of "non-intervention" adopted for the industrial development of Hong Kong. As we take a look at how other governments have fared in this aspect, be they European, American or Southeast Asian countries, we can see that they all realize the importance of encouraging more foreign businessmen to invest in their countries by setting up factories there because it will help to improve their respective economies. Therefore, they attract foreign businessmen to come and to make investments in their countries by formulating all kinds of preferential

policies. However, the SAR Government just holds an opposite attitude, not providing sufficient assistance in the development of local manufacturing industries.

In fact, since the signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), many industrialists are really interested in relocating their factories back to Hong Kong. To a certain extent, the manufacturing industries have already benefited from CEPA. It is indeed necessary for the SAR Government to make good use of this momentum to expedite the building up of the border industrial processing zone, so as to provide an additional place with good matching facilities for interested manufacturers to relocate their production plants back to Hong Kong.

The river-loop zone is a place with enormous potentials. As it is situated at the border between Hong Kong and Shenzhen, close to the matching transport matching facilities of Lok Ma Chau, it can be made a special zone within the SAR if we can adopt a more flexible approach to implement more relaxed immigration policies, that is, allowing Hong Kong people moving freely in and out of the river-loop zone and permitting mainland workers to move between Shenzhen and the river-loop zone without going through immigration clearance. Should that happen, we can pool all kinds of skilled talents there to give full play to proactive and synergy effects, thereby facilitating the development of more high value-added or hi-tech industries in the river-loop zone. This will further strengthen the foundation of our manufacturing industries, and it will help absorb more local labour, thus helping further reduce the high unemployment rate in Hong Kong.

Madam President, the local manufacturing sector has been dwindling since the '70s. Most of the manufacturing industries have moved their operations northwards to the Mainland. This has caused a continued loss of skilled workers who are indispensable to the production processes. The void left by such skilled workers surely cannot be filled easily through training and retraining within a certain period of time ahead. On the contrary, Shenzhen, our neighbouring city, has successfully trained up a lot of skilled workers in recent years. If we can strengthen our co-operation with the Shenzhen authorities, then we can break through this bottleneck of our manufacturing industries, which is the obstacle on our road to forward development.

On the issue of whether the SAR Government should set up a development company with the Shenzhen Government to develop the river-loop zone jointly, we believe this is only one of the many feasible approaches. As long as the Governments of both Hong Kong and Shenzhen can work together with a co-operative and friendly spirit, everything would fall into place. Most important of all, we should expedite the formulation of a development proposal, so that we can hold discussions with the mainland authorities on the details of co-operation.

Madam President, I would like to respond to the worries of Mr Albert CHAN as he said that at the moment local garment factories still have some work to do. But we must also understand that, what the garment industry has to face is, Hong Kong will not have any more quotas in 2005. In other words, we shall have to face the competition by then. Therefore, I hope they could face the reality and do not wishfully hope that quotas will continue to exist to protect them and that they do not have to face any competition. Thank you, Madam President.

DR LAW CHI-KWONG (in Cantonese): Madam President, today's topic is on the development of the border industrial zone.

On this topic, I am not looking at the issue from the perspective of industry or commerce. In fact, in last week's debate on the policy address, I already mentioned this. However, I was speaking then from a planning perspective, and today's motion also involves planning issues. I do not intend to throw a wet blanket on Members. All I want to do is to remind Members that, in planning and considering this issue, we must note that, as the area concerned is called a river-loop zone, we should naturally understand that it is a river loop. From an environmental perspective, the river-loop zone is a very sensitive area in itself, which is next to certain districts subject to a divergence of considerations in ecology, such as Mai Po and Shenzhen River. I am not saying that we should not proceed with development on the ground of environmental protection. It is exactly because of environmental and economic problems that we have to consider this matter in the context of all relevant factors as well as proceeding with more thorough studies on details of environmental issues at an even earlier stage. We should never repeat our past errors of waiting until the final stage before proceeding with environmental impact assessment (EIA), and then discover that we cannot pass the EIA. Under such circumstances, all the efforts

in planning, design and studies will go down the drain. We do not wish to see that happen. On the one hand, the project concerned may be forced into implementation, but on the other, a very good economic project may have to be abandoned due to environmental problems.

Therefore, I strongly hope that in the entire process of studying the project, the relevant parties, especially the Government, should include an environmental study in it at an even earlier stage: First, an initial assessment should be conducted on the extent of the environmental sensitivity of the river-loop zone as well as the scope of the possible challenges to be faced. Then more detailed studies should be conducted only after such assessment. Thank you, Madam President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, you may now speak on Mr SIN Chung-kai's amendment. You have up to five minutes to speak.

MRS SOPHIE LEUNG (in Cantonese): Madam President, it never occurred to me that my turn should come so soon again. But this is not bad.

Madam President, I would like to raise several points that warrant our concern. For the amendment proposed by Mr SIN Chung-kai or any amendments proposed by others today, I shall support all of them. This is because, as long as we hold the same concepts, it is fine with me. I should not rule out any possible development patterns, including the forming of a development company by both sides. I feel that we should act in such a way that we should adopt an open attitude in our discussions and studies. There is no harm in doing so. As such, regarding Mr SIN Chung-kai's amendment, we will support it.

As for the worries just mentioned by Mr Albert CHAN, I feel that he should convey his worries to the Coalition he represents.

In 2004, after the quotas are cancelled, what we have to face is the enormous globalized competition. Madam President, I would also like to raise several points of concern here:

First, many people in the labour sector think that, if foreign workers are employed, the interests of local workers will be affected. However, will the importation of foreign workers definitely reduce the employment opportunities of local workers? Not necessarily so. Recently, I have a chance to talk to Prof Francis LUI of Department of Economics, The Hong Kong University of Science and Technology. Prof LUI said that he had conducted a research for a local trade association in 1995. The findings of the research revealed that, the number of job opportunities created by the importation of labour was roughly the same as the number of job opportunities reduced as a result of the importation. So, generally speaking, it would have no significant impact on the overall employment opportunities in society. He even said that the findings of the research are still valid now.

On another level, are we going to advocate protectionism, or are we going to enhance our competitiveness? We now face ever increasing competition. It may be in the best interest of local workers to assist them to upgrade their skills and competitiveness, thereby providing assistance in placing them into employment.

Secondly, we have an excessive supply of vacant industrial buildings. Some said that it is not really necessary for us to develop the river-loop zone; all we have to do is to move our industries to these vacant premises. However, if we want to revitalize our industries, from our present point of view, it is necessary to have a comprehensive industrial zone — not the scattered development with two units in Chai Wan and one floor in Kwun Tong. Such a development pattern will not be sufficient for the creation of a synergy effect, nor will it facilitate the emergence of high value-added manufacturing industries. It is mere daydreaming if we want to achieve anything by adopting such a scattered approach.

Thirdly, the Government is also stressing that there must be enormous economic benefits to justify the high costs to be incurred in developing the river-loop zone. It is estimated that \$2 billion would be required to develop the river-loop zone which is now without any supply of electricity and water, nor

any infrastructure facilities. However, if such costs are compared to the annual gross goods value of local manufacturing industries, which amounts to about \$130 billion, \$2 billion is really no big deal. Besides, if we do not take the initiative of opening new sources of income, what are we going to do with the future deficits? In addition, if we do not continue opening new sources of income to provide employment to our working population, the money we have to spend on social welfare or social work in future will become a very heavy burden — so heavy that it will be beyond our estimation. I would like to add this remark at this juncture. In 2002, the local manufacturing industries were still providing employment for and feeding 180 000 families in Hong Kong.

Fourthly, some people say that Hong Kong can do without the manufacturing industries, and that we can rely on the Mainland as the hinterland of our manufacturing industries. It is sufficient for Hong Kong to have only its own service industries. May I ask, "Is Hong Kong an economy independent of the Mainland?" We have our own finance, our own tax revenue, so we must be self-sufficient. The situation in Hong Kong is different from those of other countries. In foreign countries, for instance, workers in New York or London can go to neighbouring cities to look for employment opportunities if they cannot get a job locally. In fact, we may act likewise, that is, we may move to the Mainland. But then what will become of Hong Kong? It will become a dead city.

Fifthly, as the border area is close to ecological sites, some people think that we should not develop industries there, lest the environment might be affected. I am grateful to Dr LAW Chi-kwong for bringing up this point just now. Yet the development of high value-added industries will not necessarily bring about pollution as severe as envisaged. Besides, we should consider conducting ecological impact assessments. As such, I think the concept of sustainable development is about striking a balance between seeking development and protecting the environment.

Lastly, I would like to stress that Hong Kong must have its own industrial policies. I hope, in this aspect, the Government can also support local manufacturing industries. I hope the border industrial zone is the first step taken by the Government to show that it really has its own policies for industrial development and that it is a capable government. Madam President, I so submit.

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, first of all, I thank Mrs Sophie LEUNG and the six Members who have spoken in the debate for their valuable opinions on the development of the border area with a view to supporting industrial development. In the following, I will consolidate the positions of all relevant government departments and give an overall response in respect of the land planning, industrial development, business environment, and also labour and employment.

The development of the border area is an issue of long-term planning. It has been included in the planning study known as "Hong Kong 2030: Planning Vision and Strategy" (HK2030 Study) currently being conducted by the Planning Department. The purpose of the HK2030 Study is to formulate territory-wide planning outlines for the development of Hong Kong in the next 30 years. The study comprises four stages. Over the past three years, the Planning Department has already consulted the public on the planning objectives and various major issues covered in the study under Stages 1 and 2. The Planning Department is now conducting extensive public consultations to collect public opinions on the key planning assumptions and development options in respect of Stage 3 of the study. Public consultation on Stage 3 of the study was launched in November last year and will be completed at end-March this year. Members who are interested in learning more about the details of consultation can visit the website of the Housing, Planning and Lands Bureau or browse the relevant information at the website of the Planning Department direct.

A major topic covered in the HK2030 Study is the development constraints and potential of the border area, including the natural environment, geographical location, support infrastructure, and so on, and a preliminary assessment will also be conducted on the possible uses of this area. The Government has actively conducted studies in this regard and the findings are set out in detail in the consultation paper published in respect of Stage 3 of the study and in the relevant papers exclusively compiled on this topic. All in all, despite its size of about 2 800 hectares, there are constraints which limit the development potential of the frontier closed area, including hilly terrain and the presence of sites of ecological and conservation value, traditional villages and burial grounds. Moreover, improvements to the transport infrastructure, site formation and the provision of support facilities will be required before development in some parts of the frontier closed area can take place.

Within the frontier closed area, the Planning Department has identified three locations with greater potentials for long-term development, namely, the Lok Ma Chau Loop, Heung Yuen Wai and Kong Nga Po. Regarding the uses of these three areas, the consultation paper has proposed five principles:

- (1) Capitalizing on the geographical advantages of the frontier closed area;
- (2) Enhancing the role of Hong Kong as the gateway to the Mainland;
- (3) Supporting the development of Hong Kong and Shenzhen to achieve a win-win situation;
- (4) Facilitating the economic development of Hong Kong; and
- (5) Facilitating the maintaining of law and order in the border area.

After preliminary analysis, the Planning Department proposed to develop the Lok Ma Chau Loop into a "trade expo". I must reiterate that we take an open attitude towards this idea, which includes making special arrangements to allow free entry by mainlanders, overseas visitors and Hong Kong residents without having to apply for a permit. Besides, permanent and thematic exhibition facilities will be provided for mainland provinces/municipalities and one-stop purchasing services will be provided for overseas buyers, making the area the first contact point of buyers for further access to the mainland market. Hence, the river-loop area can reinforce Hong Kong's role as "China's springboard to the world" on the one hand and make Hong Kong a window for mainland provinces/municipalities to attract inward investments or to market their products.

The issue of the development of the frontier closed area involves a wide range of aspects, including the co-ordination of security measures, planning, environmental protection and infrastructure facilities, and has far-reaching impact on society. We take an open attitude towards the development and uses of the border area. We will carefully listen to the views of the public, including Members of the Legislative Council, on this issue. From the opinions received, members of the public generally consider the development of the border area worthy of exploration. So far, the views expressed by the public on this issue are mainly as follows:

- (1) There is the suggestion that when considering the development of the border area, including the river-loop area, the Government must study in detail the impact on the natural ecological environment of the border area as well as the neighbouring regions, and also the impact of developing this area on the natural environment, in order not to do damages to the surrounding ecological environment;
- (2) Due to the lack of support infrastructure in the border area, the Government must consider the economic benefits of developing this area. There is also the view that before developing a new area, full consideration should be given to making better use of other developed areas first; and
- (3) The Government must gain an understanding of the future planning of mainland cities and their views on the development of the river-loop area.

Public views are diverse on the use of the river-loop area. Apart from the view that consideration should be given to developing the river-loop area for industrial and other relevant purposes, some people have proposed other uses, such as developing it into a logistics centre, a centre of high-tech industries and also for nature education and research purposes. So far, no one has proposed that the area be used for property development.

On the proposal of developing an industrial zone in the border area, the HK2030 Study has conducted some preliminary studies. Our initial observations at the present stage are as follows:

- (1) There is the view that a major advantage of developing a border industrial zone is its proximity to the Mainland, which means that it would be more convenient to bring in cheap labour from the Mainland. This is a very controversial issue. We think that the industrial and business sectors must first reach a consensus with the labour sector before this proposal can be implemented;
- (2) It is estimated that at present, about 20% of the industrial premises in Hong Kong are vacant and so, the impact of a border industrial zone on the occupancy rate of industrial premises in the urban area does warrant careful assessment;

- (3) Under CEPA, Hong Kong products, irrespective of where in Hong Kong they are manufactured, can enjoy the zero-tariff benefit when exported to the mainland market as long as the origin requirement is met;
- (4) The cost of developing the river-loop area is not low. It requires site formation, and such basic facilities as roads, water, electricity and gas will have to be supplied. Another major problem is the handling of the polluted silt resulted from past regulation projects at the Shenzhen River and now deposited in the river-loop area; and
- (5) Insofar as the cost in Hong Kong is concerned, including labour costs and the land premium, it is inappropriate and impossible for us to attract the return of labour-intensive industries. We should encourage high value-added and high-tech industries with substantial creativity and intellectual property input to develop in Hong Kong.

Madam President, I wish to emphasize that the consultation conducted by the Government on Stage 3 of the HK2030 Study is a serious, open and highly transparent exercise. The Government has no predetermined position. We will carefully study and sum up opinions from all sides before analysing and considering this issue. Any input from the relevant industries on the development of the border area is welcomed, and I invite them to actively put forward their views at this stage. The ultimate decision of the Government will certainly be based on the best overall interests of Hong Kong.

Mrs Sophie LEUNG proposes that the SAR Government should take the initiative to negotiate with the relevant mainland authorities. Mr SIN Chung-kai even suggests that the SAR Government should discuss with the Shenzhen Municipal Government the setting up of a Hong Kong-Shenzhen river-loop area development company to jointly develop a border river-loop industrial zone. Given the unique location of the border area in view of its proximity to Shenzhen, communication with the relevant mainland authorities is certainly conducive to the future development of the border area. We have unofficially exchanged views with the relevant planning authorities in the Mainland. But since a consensus has yet been reached in society on the use of the border area, it seems to be immature for us to discuss with the Shenzhen Municipal Government or the relevant mainland authorities at this stage the setting up of a Hong Kong-

Shenzhen river-loop area development company. That said, we will closely monitor the relevant developments and will provide suitable support at suitable times.

A number of Members who have spoken today also pointed out the importance of industries to the economy of Hong Kong. In the '70s and early '80s, industries provided a main impetus to the robust development of the economy. Following the implementation of economic reforms and the open policy in China, Hong Kong businessmen had taken the lead to capitalize on the advantages of the Mainland, particularly those of the Pearl River Delta (PRD) in respect of land, manpower and other production costs by relocating their production lines to the Mainland. Today, Hong Kong businessmen have set up 60 000-odd plants in the PRD, employing more than 10 million workers in their production. Yet, most of these Hong Kong businessmen have still kept their headquarters in Hong Kong to take advantage of Hong Kong's world-class professional and producer services. This has nurtured the transformation of the economy from reliance on the manufacture of inexpensive products to development towards a high value-added and knowledge-based economy, giving play to regional economic co-operation fostered by complementary interaction of the advantages of the two places, thus facilitating the sustained development of Hong Kong economy. The comparative advantages of Hong Kong have already transformed from low-wage and labour-intensive production in the past to high value-added and knowledge-based activities.

The economic development of Hong Kong in the past precisely points to the fact that the policy of upholding a free economy is correct. The first and foremost task of the Government is to provide the greatest convenience to industries and businesses in the free market, create the best business environment for enterprises and ensure that all types of infrastructure can meet the needs of industries and businesses.

Therefore, the objective of the Government's industrial policy is to create a business-friendly environment and provide sufficient support services. Through a series of measures, the Government will assist the development of local industries in the direction of high value-addedness and maintain their competitive edges through innovation, technology and the creation of their own brand names. I trust that Members know only too well the contents of these measures and so, I will not go into the details here.

The SAR Government will endeavour to maintain an excellent business environment on the one hand and continue to do our utmost to attract investment by investors from all sectors on the other. The Invest Hong Kong (InvestHK) has actively promoted the advantages of setting up companies in Hong Kong to overseas and mainland enterprises and provided one-stop free services to help them invest and set up companies in Hong Kong. Recently, we have launched a new portal, business.gov.hk, on the Internet to provide one-stop e-business information, offering access to over 100 information sources including government departments, public bodies and private enterprises. Also provided by this new portal is a wide range of business information for browsing by businessmen, including information on how to start a business, finance a business, grow a business and manage a business, and also government and trade information, electronic public services, and so on.

In 2003, the InvestHK successfully assisted 142 foreign-funded companies to start or expand their business in Hong Kong, an increase of 21% over 2002. These projects involved a total investment of over \$2.49 billion and created more than 2 400 jobs in Hong Kong. The InvestHK will make ongoing efforts to actively encourage inward investment in order to facilitate economic and trade development in Hong Kong.

In the light of the implementation of CEPA, the 11 Hong Kong Economic and Trade Offices in the Mainland and overseas countries will step up publicity on the zero-tariff benefit under CEPA, in order to attract overseas and mainland manufacturers to base their production activities in Hong Kong. Starting from next month, the Trade Development Council will set up business opportunity centres in Beijing, Shanghai, Guangzhou and Hong Kong on a pilot basis to provide more comprehensive support services, including the provision of trade matching service for mainland enterprises to help them identify suitable Hong Kong businesses as partners.

Madam President, the Government has all along been doing its part, in full compliance with the principle of "small government, big market" which has been operating effectively. Through the many measures mentioned above, the Government will endeavour to maintain a sound business environment, providing the greatest support but effecting minimal intervention, so that local investors can start and expand their business in a level playing field and more multinational companies and mainland enterprises are attracted to invest in Hong Kong, thereby creating more employment opportunities.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Mrs Sophie LEUNG's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, you may now reply and you have five minutes 42 seconds.

MRS SOPHIE LEUNG (in Cantonese): Madam President, I would not exhaust this speaking time. However, the speech delivered this evening to us, by the vigorous and energetic Secretary John TSANG whom I used to know, is a bit disappointing to me. Madam President, some time ago, someone said to me in a joking manner that we had 11 governments in Hong Kong, not just one, because each of the 11 bureaux was just managing the affairs within their respective policy areas. There was no overlapping of, nor any synergy among the spheres of work of different bureaux. They would not care about the Hong Kong Government as a whole, nor the overall development of the territory.

Today, I tend to feel that way. I am sorry. Perhaps I have joined this Council really for too long. I feel that all along I have been acting in a most courteous and polite manner. But sometimes I feel that some words from the bottom of my heart cannot be suppressed any longer, or I shall be driven crazy. I feel that a part of the Secretary's speech today was delivered on behalf of the Secretary in charge of planning matters. It was completely the same sort of

language. The Secretary in charge of planning matters does not know what the overall economic pillars should be, so he is forgivable. However, another part of the Secretary's speech seemed to be uttered by Secretary Stephen IP who is in charge of labour matters. Secretary Stephen IP has been working with us for a long time, so we are very familiar with his style of language and wordings. So it is all within the set patterns. The remaining bits and pieces seemed to be written by some executive officers, filling up the script with all kinds of figures and statistics.

I feel that, as we progress into the 21st century, we are facing globalized competition, we are facing the Hong Kong community comprising 7 million people. How should we position our economic pillars? In the meantime, we are also facing the employment prospects of all our young people. What will the future holds for them? If you have talked to university students, you can probably feel their sense of uncertainty and insecurity insofar as their future is concerned. Therefore, I hope, through today's motion debate, we can really make our Government, be it composed of 11 entities or just one, work for we 7 million people in unity. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Sophie LEUNG, as amended by Mr SIN Chung-kai, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 18 February 2004.

Adjourned accordingly at eighteen minutes past Ten o'clock.

Annex**CONSTRUCTION INDUSTRY LEVY
(MISCELLANEOUS AMENDMENTS) BILL 2003****COMMITTEE STAGE**Amendments to be moved by the Secretary for Education and ManpowerClauseAmendment Proposed

3(a)(i)(A)(II) In the proposed paragraph (a)(i) and (ii) of the definition of "獲授權人", by deleting "獲授權人" and substituting "認可人士".

4 In the proposed section 2A -

(a) in subsection (1)(a), by deleting ", or such part of the consideration as is attributable to such operations, that is" and substituting "attributable to such operations, as";

(b) by adding -

"(1A) Notwithstanding subsection (1)(a), if in a particular case the consideration attributable to the construction operations concerned as determined in accordance with that subsection is below the reasonable consideration to be expected on the open market in respect of the carrying out of such operations, that subsection shall be deemed to contain a reference to the reasonable consideration described in this subsection instead of the consideration described in that subsection.";

(c) in subsection (2) -

ClauseAmendment Proposed

- (i) by deleting "Without limiting the generality of subsection (1)" and substituting "For the purposes of subsections (1)(b) and (1A)";
- (ii) by deleting "value of any construction operations for the purposes of this Ordinance" and substituting "reasonable consideration as referred to in those subsections in respect of the carrying out of any construction operations".

5 In the proposed section 3A -

- (a) in subsection (1) -
 - (i) by deleting "Subject to subsection (2), this" and substituting "This";
 - (ii) in paragraph (a) -
 - (A) by deleting "or owns";
 - (B) by adding "or part of any domestic premises" after "premises";
 - (iii) in paragraph (b), by deleting "any part of the" and substituting "such part of such";
- (b) by deleting subsection (2);
- (c) in subsection (5)(b) -
 - (i) by deleting "or owns";
 - (ii) by deleting "or own".

ClauseAmendment Proposed

7 By deleting paragraphs (a), (b), (c), (d) and (e) and substituting -

"(a) by repealing paragraph (b) and substituting -

"(b) 1 shall be a person nominated by the
Hong Kong Federation of Electrical
and Mechanical Contractors Limited;"

(b) in paragraph (e), by repealing "person nominated by
the Structural Division of" and substituting
"structural engineer nominated by the";

(c) by adding before paragraph (ga) -

"(gaa) 1 shall be a person who holds office as
an official of a trade union representing
electrical and mechanical workers
employed in the construction
industry;".

8 In the proposed section 21 -

(a) by deleting subsection (5)(b) and substituting -

"(b) shall not apply to any construction
operations if, before the expiration of
the period referred to in paragraph (a) -

(i) the tender for the construction
operations has been submitted to
the employer concerned;

(ii) no tender for the construction
operations has been submitted to
the employer concerned, but a
construction contract in respect of

ClauseAmendment Proposed

the construction operations has been entered into; or

- (iii) no tender for the construction operations has been submitted to the employer concerned and no construction contract in respect of the construction operations has been entered into, but the construction operations have been commenced.";

(b) by deleting subsection (6).

10 (a) In paragraph (b), in the proposed section 24(1A), by deleting "by or on behalf of the contractor concerned".

(b) By deleting paragraph (c) and substituting -

"(c) in subsection (2), by repealing "value of the construction works" and substituting "total value of the construction operations".

11 (a) By adding -

"(aa) in subsection (1), by repealing "Where" and substituting "Subject to subsection (1A), where";

(ab) by adding -

"(1A) Where any payment or interim payment is made in any calendar month to a contractor or for his benefit in respect of any construction operations

ClauseAmendment Proposed

that are carried out under a term contract, the contractor shall, within 14 days after the last day of that month or such further time as the Authority may in any case allow, give notice of it to the Authority in such form as the Authority may specify.";"

(b) In paragraph (c), in the proposed section 25(2A), by deleting "by or on behalf of the contractor concerned".

(c) By adding -

"(d) in subsections (3) and (4), by repealing "or (2)" and substituting ", (1A) or (2)".

12

(a) By deleting paragraph (j)(iii).

(b) In paragraph (k), in the proposed section 26(10)(c), by deleting ", the imposition of the surcharge or the giving of notice in respect of the assessment or surcharge, as the case may be, under subsection (8)," and substituting "or the imposition of the surcharge".

16

By deleting paragraph (b) and substituting -

"(b) by repealing subsection (2) and substituting -

"(2) Subject to subsection (1), every person for whom construction operations are to be undertaken shall, if no authorized person has been appointed under section 4 of the Buildings Ordinance (Cap. 123), appoint a person to be the authorized person under this Ordinance in respect of such construction operations.";"

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18

In the proposed Schedule 1 -

- (a) in section 1(c)(i)(C), by deleting "and installations" and substituting "or any industrial installations";
- (b) in section 1(c)(i)(D), by deleting "and" and substituting "or".

20

In the proposed section 2A -

- (a) in subsection (1)(a), by deleting ", or such part of the consideration as is attributable to such operations, that is" and substituting "attributable to such operations, as";

- (b) by adding -

"(1A) Notwithstanding subsection (1)(a), if in a particular case the consideration attributable to the construction operations concerned as determined in accordance with that subsection is below the reasonable consideration to be expected on the open market in respect of the carrying out of such operations, that subsection shall be deemed to contain a reference to the reasonable consideration described in this subsection instead of the consideration described in that subsection.";

- (c) in subsection (2) -

- (i) by deleting "Without limiting the generality of subsection (1)" and substituting "For the purposes of subsections (1)(b) and (1A)";

ClauseAmendment Proposed

- (ii) by deleting "value of any construction operations for the purposes of this Ordinance" and substituting "reasonable consideration as referred to in those subsections in respect of the carrying out of any construction operations".

21 In the proposed section 3A -

- (a) in subsection (1) -
 - (i) by deleting "Subject to subsection (2), this" and substituting "This";
 - (ii) in paragraph (a) -
 - (A) by deleting "or owns";
 - (B) by adding "or part of any domestic premises" after "premises";
 - (iii) in paragraph (b), by deleting "any part of the" and substituting "such part of such";
- (b) by deleting subsection (2);
- (c) in subsection (5)(b) -
 - (i) by deleting "or owns";
 - (ii) by deleting "or own".

22 In the proposed section 35 -

- (a) by deleting subsection (7)(b) and substituting -

ClauseAmendment Proposed

"(b) shall not apply to any construction operations if, before the expiration of the period referred to in paragraph (a) -

(i) the tender for the construction operations has been submitted to the construction employer concerned;

(ii) no tender for the construction operations has been submitted to the construction employer concerned, but a construction contract in respect of the construction operations has been entered into; or

(iii) no tender for the construction operations has been submitted to the construction employer concerned and no construction contract in respect of the construction operations has been entered into, but the construction operations have been commenced.";

(b) by deleting subsection (8).

30

(a) In paragraph (a), by adding -

"(ia) by repealing "approved" and substituting "specified";".

(b) In paragraph (b), in the proposed regulation 4(2), by deleting "by or on behalf of the contractor concerned".

ClauseAmendment Proposed

(c) By deleting paragraph (c) and substituting -

"(c) in paragraph (3), by repealing "value of the construction works" and substituting "total value of the construction operations".".

31

(a) By adding -

"(aa) in paragraph (1) -

(i) by repealing "Where" and substituting "Subject to paragraph (1A), where";

(ii) by repealing "approved" and substituting "specified";

(ab) by adding -

"(1A) Where any payment or interim payment is made in any calendar month to a contractor or for his benefit in respect of any construction operations that are carried out under a term contract, the contractor shall, within 14 days after the last day of that month or such further time as the Board may in any case allow, give notice of it to the Board in a form specified by the Board.";"

(b) By deleting paragraph (b) and substituting -

"(b) in paragraph (2) -

(i) by repealing "being";

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- (ii) by repealing "approved" and substituting "specified";".
- (c) In paragraph (c), in the proposed regulation 5(3), by deleting "by or on behalf of the contractor concerned".
- (d) By adding -
- "(d) in paragraphs (4) and (6), by repealing "or (2)" and substituting ", (1A) or (2)".".
- 32 (a) By deleting paragraph (j)(iii).
- (b) In paragraph (k), in the proposed regulation 6(10)(c), by deleting ", the imposition of the surcharge or the giving of notice in respect of the assessment or surcharge, as the case may be, under paragraph (8)," and substituting "or the imposition of the surcharge".
- 36 By deleting paragraph (b) and substituting -
- "(b) by repealing paragraph (2) and substituting -
- "(2) Subject to paragraph (1), every person for whom construction operations are to be undertaken shall, if no authorized person has been appointed under section 4 of the Buildings Ordinance (Cap. 123), appoint a person to be the authorized person under these regulations in respect of such construction operations.";".
- 39 (a) In subsection (1) -

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(i) by adding "if, before the commencement date" after "works";

(ii) by deleting paragraphs (a) and (b) and substituting -

"(a) the tender for the construction works has been submitted to the employer concerned;

(b) no tender for the construction works has been submitted to the employer concerned, but a construction contract in respect of the construction works has been entered into; or

(c) no tender for the construction works has been submitted to the employer concerned and no construction contract in respect of the construction works has been entered into, but the construction works have been commenced.".

(b) By deleting subsection (2).

(c) In subsection (3), by deleting the definition of "Authority".

40

(a) In subsection (1) -

(i) by adding "if, before the commencement date" after "works";

(ii) by deleting paragraphs (a) and (b) and substituting -

"(a) the tender for the construction works has been submitted to the employer concerned;

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- (b) no tender for the construction works has been submitted to the employer concerned, but a construction contract in respect of the construction works has been entered into; or
 - (c) no tender for the construction works has been submitted to the employer concerned and no construction contract in respect of the construction works has been entered into, but the construction works have been commenced.".
- (b) By deleting subsection (2).
- (c) In subsection (3) -
 - (i) by deleting the definition of "Board";
 - (ii) in the definition of "pre-amended Ordinance", by deleting the semicolon at the end and substituting a full stop;
 - (iii) by deleting the definition of "pre-amended Regulations".

Appendix 1

REQUEST FOR POST-MEETING AMENDMENTS

The Secretary for the Environment, Transport and Works requested the following post-meeting amendments

Line 6, third paragraph, page 28 of the Confirmed version

To amend ".....on 11 January 2004." as " on 14 January 2004." (Translation)

(Please refer to line 13 of paragraph 2 on page 3411 of this translated version)

Line 3, third paragraph, page 29 of the Confirmed version

To amend "before 2010." as ".....in or before 2010." (Translation)

(Please refer to line 7 of paragraph 2 on page 3413 of this translated version)

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Home Affairs to Mr Howard YOUNG's supplementary question to Question 1**

Regarding the regulation of property management companies, for the past three years (that is, 2001, 2002 and 2003), the number of complaint cases received by the Home Affairs Department in respect of property management companies was seven, five and 19 respectively. The complaints were mainly about the excessive authority granted to property management companies under the Deed of Mutual Covenant (DMC) or the inappropriate use of the power as set out in the DMC by property management companies. Nature of these complaints could be categorized as follows:

Service of the property management company	20
Relationship between the property management company and the owners' corporation	6
Remuneration of the manager	2
Appointment of the property management company	1
Financial problem	1
Tender procedures	1
Total	31

On receipt of these complaints, the 18 District Offices would take the necessary follow-up action. They would find out more details about the case and then offer appropriate assistance to the complainant. The cases would be referred to the police or the ICAC where necessary.

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr James TO's supplementary question to Question 2**

As regards whether the Hong Kong Monetary Authority (HKMA) has kept statistics on the cases involving the use of counterfeit credit cards using information from credit cards issued in Hong Kong overseas, we have liaised with the HKMA accordingly. The HKMA indicated that they do not have the information requested.

Appendix III**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr LAU Kong-wah's supplementary question to Question 2**

As regards the usage figures in Hong Kong of credit cards counterfeited with stolen information, in 2002, 2 204 counterfeit credit cards were found by the police, and the corresponding figure for 2003 was 1 599. Most of them were found during police operations and were unused. Regarding the usage figures in Hong Kong of credit cards counterfeited with stolen information, since not every single counterfeit credit card case was reported to the police, the police do not have the relevant information. Nevertheless, according to the banking industry, their loss over counterfeit credit cards is about 0.1% of the relevant business turnover, and the problem is not serious.

Appendix IV**WRITTEN ANSWER****Written answer by the Secretary for the Environment, Transport and Works to Ms Emily LAU's supplementary question to Question 4**

As regards our position when compared with other Asian cities, based on the information that we have been able to collect, studies have been carried out on the health impact of air pollution in a few Asian cities such as Beijing in China, and Seoul and Inchon in South Korea. However, the research approaches, study periods, statistical methodologies, data analyses and the pollutants studied in those studies differ significantly from one study to another, and are also very different from those in the studies carried out in Hong Kong. For example, while one of the foci of the studies carried out in Hong Kong is the health impact of nitrogen oxides, the studies carried out in Beijing and Seoul have not analysed the health impact of nitrogen oxides. Moreover, those studies carried out in Beijing, Seoul and Inchon have not analysed the number of hospital admissions due to respiratory illness or cardiovascular illness that could have been correlated with air pollution. Therefore, we are sorry that we are unable to provide a direct comparison of the findings of the studies.

Notwithstanding the above, all these studies (including the ones carried out in Hong Kong) have indicated that air pollution can affect human health. That supports our continuing efforts in improving air quality.

Appendix V**WRITTEN ANSWER****Written answer by the Secretary for Housing, Planning and Lands to Mr TAM Yiu-chung's supplementary question to Question 5**

The study on proposed conversion of Po Tin Interim Housing to public rental housing is in progress. To implement this proposal, the existing security system in Po Tin Interim Housing would need to be upgraded from System B to System A, which involves provision of a main security gate at the ground floor lobby of the building, a security combination lock, and intercom system with the security guard at the lift lobby and a Telephone-entry Security System. These proposed alterations, together with recommendations on proposed allocation standards for the future Po Tin Estate, will be submitted to the Subsidized Housing Committee of the Hong Kong Housing Authority for discussion and approval later in the year before implementation.