

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 29 October 2003

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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 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.

MEMBERS ABSENT:

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

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

PUBLIC OFFICERS ATTENDING:

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

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

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

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

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

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

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

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- No. 15 — Audited Statement of Accounts and Auditors' Report for the Vegetable Marketing Organization for the year ended 31 March 2003
- No. 16 — Marine Fish Scholarship Fund Trustee's Report and Audited Statement of Accounts and Auditors' Report for the Fund for the year ended 31 March 2003
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- No. 19 — Office of the Telecommunications Authority Trading Fund Report 2002/03

ADDRESSES

PRESIDENT (in Cantonese): Address. The Chief Secretary for Administration will address the Council on the Government Minute in response to the Fifteenth Annual Report of the Ombudsman issued in June 2003.

The Government Minute in response to the Fifteenth Annual Report of the Ombudsman issued in June 2003

CHIEF SECRETARY FOR ADMINISTRATION: Madam President, the Administration tabled the 15th Annual Report of The Ombudsman to the Legislative Council on 2 July this year. In line with established practice, I now present a Government Minute in response to the recommendations made in the Report.

The Government Minute covers all cases investigated by The Ombudsman following public complaints, as well as the six direct investigations that The Ombudsman initiated during the last financial year. With a very few exceptions, bureaux and departments have accepted and indeed taken steps to implement The Ombudsman's recommendations fully. In the few cases where the responsible departments have not been able to adopt the original recommendations in full, they have set out their reasons in the Government Minute, and have explained how they will follow up findings by The Ombudsman.

The Government Minute also includes responses by public bodies including the Hospital Authority. Although these public bodies are not government departments, they hold themselves accountable to the public through publishing their full responses to The Ombudsman's recommendations in the Government Minute.

The community widely recognizes The Ombudsman's contribution in handling public complaints against maladministration and improving the quality of public administration. In this regard, the Administration fully supports the work of The Ombudsman and continues to enhance transparency and accountability in governance. The ultimate goal of the Administration and that of The Ombudsman remain the same, that is, to upgrade the standard of public administration and the quality of the services it delivers.

We stand ready to provide Members with further information on any part of the Government Minute, if requested.

Thank you.

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

TDC's Staging of Summer Sourcing Fair

1. **MR CHAN KAM-LAM** (in Cantonese): *Madam President, the Trade Development Council (TDC) decided at the end of September this year that it*

would stage a summer sourcing fair for the toys, gifts and houseware industries, starting from July next year. However, the exhibition period of this fair is very close to that of a similar trade fair conventionally organized by private organizers in October each year. The summer fair has therefore been criticized by the industry as being unnecessary and dealing a blow to the business environment of the private exhibitions industry. In this connection, will the Government inform this Council:

- (a) whether it knows if the TDC will reconsider the decision in view of the above criticisms; if the TDC will reconsider the decision, of the details; if not, the reasons for that; and*
- (b) how the authorities assist private trade fair organizers to play a more active role in promoting the toys, gifts and houseware markets?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President,

- (a) According to the Hong Kong Trade Development Council Ordinance, the basic functions of the TDC are to promote, assist and develop Hong Kong's trade with places outside Hong Kong. Organizing trade fairs is an essential means for the TDC to perform its functions.

In September this year, the TDC decided that from July 2004 onwards, it would stage an additional trade fair for three industries, namely toys, gifts and premium, and houseware, in order to support their promotion in summer. Earlier this month, the Executive Director of the TDC wrote to Members of the Legislative Council Panel on Commerce and Industry briefing them on the background justifications of its decision. In summary, the justification was the success of the consolidated fair organized by the TDC this July. Quite a number of exhibitors indicated that business was better than expected. A survey conducted by the TDC also revealed that the shortening cycle of an increasing number of consumer products had prompted overseas buyers to pay more frequent visits to Hong Kong for sourcing purpose. Further, the industry may deliver orders

secured in the July fair by the Christmas peak season. In other words, the July period promises genuine sales opportunities yet to be fully explored.

The success of the trade fair in July this year has already made other Asian cities aware of the business opportunities in organizing toys, gifts and houseware fairs in summer. If the TDC did not respond in time, such business opportunities would be lost to those cities.

There is a concern about the possible impact of the summer fair on a similar trade fair conventionally held by a private organizer in October each year. After careful consideration, the TDC considers that on account of the following, the impact of the additional summer fair on other major fairs of similar themes held in Hong Kong would be minimal:

- (i) In a July survey where the TDC sent questionnaires to over 7 000 exhibitors, including those on the waiting list, nearly 90% of those planning to participate in the July fair indicated that they would also participate in the toys, gifts and household products fair to be held in October, as well as the toys and games fair in January and the gifts and premium fair in April.
- (ii) There are indeed quite a number of exhibitors on the waiting lists of these fairs. The gifts and premium fair in April, for example, has a waiting list of nearly 1 500 exhibitors. Hence, the TDC considers that an additional summer fair is unlikely to affect the clientele of other similar fairs.
- (iii) It is a common practice for international exhibition centres to stagger bookings for similar exhibitions by three-month intervals. The July fair is well staggered with respect to similar fairs to be organized in January, April and October. For instance, although the TDC held the trade fair in July this year, the similar fair organized by the private sector in October still made a good record with a huge increase of overseas buyers.

In view of the above, the TDC considers that organizing an additional fair in July will not deal a blow to the business environment of the private exhibition industry.

- (b) The convention and exhibition industry is of great economic value to Hong Kong because it generates considerable income by directly promoting export trade and bringing about business travellers.

To render assistance to private exhibition organizers so that they can, among other things, assume a more active role in promoting the toys, gifts and houseware markets, the Government provides the industry with a business-friendly environment and a world-class infrastructure, including:

- (i) Construction of an international exhibition centre at the Hong Kong International Airport. The centre which is scheduled for completion in 2006 will provide an area up to 66 000 sq m and sophisticated facilities for international conventions and exhibitions.
- (ii) Coverage of the exhibition and convention sector in the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). Prior to the implementation of CEPA, Hong Kong exhibition organizers were not allowed to organize exhibitions in the Mainland except in collaboration with qualified mainland companies. With CEPA, Hong Kong exhibitions organizers may set up wholly-owned companies in the Mainland to conduct promotional activities and organize exhibitions on their own. This will provide Hong Kong exhibition organizers of Hong Kong with great business opportunities and facilitate their business development.
- (iii) A fund of \$4.9 million under the Economic Relaunch Programme of the Government to assist local exhibition organizers in conducting overseas promotion to attract exhibitors and buyers to international exhibitions organized by Hong Kong companies. With \$680,000 from the fund, Hong Kong Exhibition and Convention Industry Association

(HKECIA) organized the First Asian Exhibition Forum to explore ways through which the exhibition industry could overcome the impact of SARS and forge ahead.

Moreover, the TDC supports the development of the local exhibition industry through the following policies and strategies:

- (i) The TDC has been introducing new elements and services to the fairs it organizes in order to upgrade the performance standard of the exhibition sector. A lot of such services are taken as references by other major fairs held in Hong Kong.
- (ii) In 2000, the TDC subsidized HKECIA to conduct a survey on the exhibition sector in Hong Kong with a view to enhancing the industry's understanding of the development of the sector and facilitating the industry to formulate business plans for the future.
- (iii) On dissemination of information, the TDC publishes the Businessmen's Calendar: Trade, Exhibitions & Conferences in Hong Kong to introduce the exhibitions and conferences to be held in Hong Kong.
- (iv) With respect to publicity and promotion, the TDC endeavours to promote Hong Kong as Asia's Trade Fair Capital. This is in fact one of the nine major initiatives launched by the TDC to promote the service industries. In response to the implementation of CEPA, the TDC will publish a special report on the impact of CEPA on the exhibition industry so as to help the sector capitalize on the business opportunities arising therefrom.

MR CHAN KAM-LAM (in Cantonese): *Madam President, all along, the Government has stressed the "small government, big market" principle, but we all know that the TDC is heavily subsidized by the Government in terms of resources. In part (a) of the main reply, it is mentioned that according to a survey conducted by the TDC, response of exhibitors has been satisfactory. We know that fair scheduled in April this year was not staged due to the SARS*

epidemic and was postponed to July. Now, the TDC has decided to stage the fair in July annually, which is obviously seizing a better time slot and cutting others out. Will the Government request the TDC to review the fair held this year before deciding whether it will continue to stage the fair in future?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I have set out in detail the justifications for the TDC to continue to stage the fair. However, we will discuss with the TDC on the conduct of a review after the fair before any decision on their way forward is made.

MR MA FUNG-KWOK (in Cantonese): *Madam President, in the past few years, many complaints have been lodged against the TDC for competing with the trade for business occasionally. It is particularly the case this time for the July fair was held only because of the outbreak of SARS. We may consider the issue from another perspective. Has the Government reminded the TDC to consult the trade so that if business opportunity does arise, instead of hosting such exhibitions itself, the TDC should allow the trade to consider organizing new exhibitions by themselves? This may thus prevent the TDC from coming under criticism.*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, during the past decade, the exhibition trade in Hong Kong has made considerable achievement in terms of scale and strength. To avoid vicious competition, the TDC has taken the initiative in co-ordinating with private organizers in respect of determining exhibition themes and content, overseas markets and target purchasers and the timing of purchase season. Take the garment industry as an example, in addition to the two fashion shows on spring-summer and fall-winter fashion held by the TDC each year, exhibitions on garment, leather and fashion are organized by other organizations in different months at an interval of three months on average.

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

MR MA FUNG-KWOK (in Cantonese): *No, the Secretary has not yet answered whether the Government has recommended the TDC to find private contractors to organize this fair.*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I believe they have taken the initiative to make necessary co-ordination with private contractors for every exhibition.

MR MA FUNG-KWOK (in Cantonese): *The Secretary still fails to state whether such a recommendation was made.*

PRESIDENT (in Cantonese): Secretary, do you have anything to add? Has the Government requested the TDC to do so? Please give your reply.

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Yes, we have.

MR KENNETH TING (in Cantonese): *Madam President, may I ask the Secretary why the TDC has to stage the fair in July? Why can it not stage it in April? In fact, July is a off season, a time slot which no one likes to take up, is it the case?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): No exhibition was held in July in the past, however, due to various factors, an additional exhibition was staged in July this year. As shown by many surveys after the fair, that exhibition was well received. Basing on the results of those surveys and the justifications stated by me in the main reply, the TDC has decided to organize a similar fair again next year.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, I would like to follow up Mr MA Fung-kwok's supplementary question on whether the TDC has enlisted co-operation from private organizations. As far as I know, the TDC may invite*

private organizations to participate in the exhibitions. However, has the TDC ever considered co-operating with exhibition organizers or contracting out the work to companies that organize exhibitions?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): The organizers I have mentioned are the companies to which Members are referring, so I do not understand what Members meant when they asked whether or not there was co-operation with those organizers.

PRESIDENT (in Cantonese): I believe an explanation by the Member may help you understand the question.

MR SIN CHUNG-KAI (in Cantonese): *To be specific, my question is whether the TDC has sought co-operation with companies that organize exhibitions but not exhibitors, or has it contracted out exhibitions to companies that organize exhibitions.*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): The answer is in the affirmative, what I mentioned just now were companies that organize exhibitions.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the exhibition industry in Western Europe is the best and fully developed in the world. May I ask the Secretary which organization, or in which country there would be a government subsidized organization, like the TDC, hosting exhibitions in its own country to compete with the private sector for profit?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, our exhibition centres are now managed by private companies. Actually, in participating in exhibitions, the TDC is no different from other exhibition companies; it also needs to apply for exhibition venues. Therefore, there is no preferential treatment for the TDC.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the Secretary has not answered my question. My question is whether there are any countries in Western Europe, Europe or America that have government subsidized organizations hosting exhibitions in their own countries to compete with the private sector for profit.*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): *Madam President, I think I have already answered the question for I do not think that the TDC is competing with the private sector for profit.*

MR IP KWOK-HIM (in Cantonese): *Madam President, I attended the toys and houseware fair as the officiating guest, but I noticed that no officials from the TDC have attended. What is the relationship between the TDC and contractors of these promotion exhibitions? Is there any room for better co-operation?*

PRESIDENT (in Cantonese): *Mr IP Kwok-him, I am sorry to say that your question is not directly related to the main question or the reply of the Secretary. Who has attended the opening ceremony bears no relation to this question, perhaps you may*

MR IP KWOK-HIM (in Cantonese): *Madam President, it is only the introduction. The thrust of my question is how the TDC could assume a more active role in assisting private organizers to develop the toys, gifts and houseware markets. I wish to know if there is any room for co-operation between the Government and organizers, and how this can be achieved. I hope the Secretary can give a reply from this perspective.*

PRESIDENT (in Cantonese): *You wish to ask the Secretary how the Government would help to promote co-operation between the TDC and organizers. Is that right?*

MR IP KWOK-HIM (in Cantonese): *Yes, Madam President.*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): I have pointed out in my previous reply that the TDC is actually one of the organizers in the trade. However, for every exhibition to be staged, they would try to see if there can be co-operation with other organizers or whether there is suitable opportunity for co-operation.

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

DR LUI MING-WAH (in Cantonese): *Madam President, if private organizers stage exhibitions in October while the TDC stages a similar one in July, anyone with some business sense will recognize that the TDC, given the strong support and network of the Government, is eating away private contractors' interest. Why can the TDC not stage the exhibition in April so as to lengthen the interval between the two similar exhibitions, thus minimizing the impact on private contractors?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I have stated in my main reply that there are exhibitions in January, April and October. Now, by adding another exhibition in July, exhibitions are held at three-month intervals, which is quite appropriate for the trade.

PRESIDENT (in Cantonese): Second question.

Testing for SARS virus

2. **MR MICHAEL MAK** (in Cantonese): *Madam President, it has been reported that a private laboratory was commissioned by a private hospital to conduct Severe Acute Respiratory Syndrome (SARS) virus tests last month, but the preliminary and final results of the test were inconsistent. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of laboratories of public institutions (including those of universities) and those in the private sector that are capable of conducting SARS virus tests at present;*
- (b) *whether it has issued guidelines to private hospitals and private medical practitioners on the appropriateness of engaging private laboratories to conduct SARS virus tests; if it has, whether such guidelines have been drawn up in accordance with the standards set by the World Health Organization (WHO); and*
- (c) *whether it has issued standardized guidelines to public and private medical institutions specifying how samples should be taken from a patient's body for testing SARS virus and the items to be included in the test; if it has, whether such guidelines have been drawn up in accordance with the standards set by the WHO?*

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

- (a) There are six laboratories in the public sector which perform tests for diagnosis of the coronavirus responsible for SARS. They are located at Queen Mary Hospital, Prince of Wales Hospital, Queen Elizabeth Hospital, Princess Margaret Hospital and Tuen Mun Hospital, and the Department of Health's Public Health Laboratory Centre (PHLC). These laboratories conduct tests in accordance with the standards of the WHO, and are responsible for all confirmatory tests in the diagnosis of the SARS coronavirus. Based on information available, we are aware that a private hospital and a private institute have conducted tests for detecting the SARS coronavirus.
- (b) The WHO's guidelines on "Alert, verification and public health management of SARS in the post-outbreak period" advocate SARS tests should be conducted in a national or regional reference laboratory. To facilitate early detection and reliable testing, the Department of Health (DH) provides free public health laboratory consultation service to private hospitals and confirmatory SARS testing for all hospital patients who require this test. The DH has

met with representatives of associations of medical laboratories, biomedical scientists, medical technology, and so on, to explain to them that SARS testing was still under development and that the WHO had published diagnostic criteria and advised that laboratory testing should only be undertaken in a national or regional reference laboratory. The private laboratories were advised to send the specimens to the DH should any doctor in the private sector request SARS testing.

- (c) Guidelines drawn up in accordance with the WHO's recommendations are available to both the public and private sectors. The DH has distributed a guide to the private sector specifying the types of specimen to be collected, the transport medium, the information of the patient to be submitted together with the specimen, and the proper means of transportation for SARS samples. The guide has incorporated the WHO's recommendation on the use of laboratory methods for SARS diagnosis. The Hospital Authority (AA) has also formulated a set of internal guidelines on arrangements for diagnostic tests for SARS in accordance with the WHO's recommendations.

We will closely monitor further recommendations of the WHO and ensure that laboratory testing and reporting systems are up to international standards.

MR MICHAEL MAK (in Cantonese): *Madam President, earlier on, a laboratory researcher in Singapore was infected by the coronavirus in his laboratory. May I know whether there are any explicit monitoring measures in Hong Kong to prevent incidents similar to that in Singapore from occurring in Hong Kong?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, monitoring measures are already in place in DH laboratories. And, following the incident in Singapore, the DH also issued guidelines to private laboratories. Besides, the HA and the universities have also put in place respective monitoring mechanisms to ensure the safety of laboratory tests.

DR TANG SIU-TONG (in Cantonese): *Madam President, it is mentioned in part (b) of the main reply that tests should be conducted in a national or regional reference laboratory. Is it therefore illegal to conduct tests in a private laboratory? And, will the Government recognize the relevant test results?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, it is not illegal for medical laboratory technologists to conduct tests in private laboratories; they can conduct such tests. However, the Government has informed private laboratories that tests for diagnosis of the coronavirus causing SARS are still under development, and verification of findings is necessary. This means that it is no simple matter to conduct these tests, and the conduct of one single test cannot confirm any infection. The WHO has already drawn up a set of standards and guidelines on how the coronavirus can be diagnosed and verified. The Government has informed private laboratories very clearly on this matter.

Besides, the DH is providing advice on this matter, and I believe private hospitals and private laboratories will forward their specimens to the DH for testing instead of doing the work themselves. I believe that in future, when such tests become more reliable and the private sector can thus conduct these tests, the DH will cease to provide this service and leave the job to private institutions. At this stage, however, the position of the WHO and the Government is to advise private institutions not to conduct these tests on their own.

DR LO WING-LOK (in Cantonese): *Madam President, I think there is nothing wrong for the Government to assume all the responsibility for new tests or tests with significant public health implications. But the recent expert review on how Hong Kong and the Government should prepare for the recurrence of SARS, reference is made to "surge capacity", that is, the ability of the Government to cope when there is an unexpected service demand. With just the six laboratories in question, does the Government in fact have sufficient surge capacity, that is, the ability to cope with an unexpected service demand? Has the Government ever considered whether these six laboratories can cope in case SARS really strikes again?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, during the SARS epidemic, there were only three laboratories for such tests, namely, the public laboratory of the DH and the laboratories of the Prince of Wales Hospital and Queen Mary Hospital. Precisely because it is able to envisage an enlarged scope of service, the Government has increased the number to six now. We reckon that even if SARS does strike again, and even if there is also an epidemic outbreak like the last time, the six laboratories will suffice.

MR MA FUNG-KWOK (in Cantonese): *Madam President, government laboratories are capable of conducting such tests, but some private laboratories claim that they can also do so. So, why does the Government not try to verify whether they are really capable of conducting the test? If they are really capable, that is, if private institutions can also provide such a service, does the Government think that this can help upgrade the overall image of Hong Kong?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, there are currently too many methods of testing, and these methods are not simple at all, which is why there must be quality assurance. In Hong Kong, we do not yet have any quality assurance mechanism for all local laboratories. In addition, the testing methods are not simple. For one thing, a new method of testing must be verified and then put through various tests. Many companies worldwide are doing research on this, but their methods are all different. Regarding proper tests, there are at present two to three on the market, but their reliability is not yet ascertained. Besides, the conduct of one single test may not necessarily diagnose and confirm the presence of the coronavirus responsible for SARS. As a matter of fact, there are many problems with such a test, and huge confusion may result. As we all know, when a private laboratory conducted a test last time, huge confusion did arise in society. What is more, if SARS caused by the coronavirus really comes back to Hong Kong, we will all want the Government to know at the soonest possible time. Therefore, in the interest of public health, the most appropriate practice now is for the DH to assume all the responsibility for such tests.

DR RAYMOND HO (in Cantonese): *Madam President, the Government now requires private laboratories to submit their specimens to the DH for testing.*

May I know whether the existing SARS guidelines issued to private laboratories also cover the avoidance of any accident in the course of transporting the specimens to the DH?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, it is pointed out in the main reply that the DH has already issued very explicit guidelines to private laboratories and private hospitals.

DR RAYMOND HO (in Cantonese): *Madam President, my question is on the conveying process, on whether there is any possibility that someone may be completely ignorant of safety measures, not on the conduct of tests. My question is: Are there any detailed guidelines for people responsible for conveying, that is, the process of transporting a specimen from a laboratory to the DH, so that accidents can be avoided?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, the DH has in fact issued a variety of guidelines to private institutions, covering the conduct of tests, the conveying of media, the simultaneous submission of patient information and the proper conveying of specimens. Besides, we have also issued guidelines on the measures that should be taken to ensure staff safety in the course of conducting tests in laboratories.

PRESIDENT (in Cantonese): Third question.

Implementation of 24-hour Passenger Clearance at Border Control Points

3. **MR LAU WONG-FAT** (in Cantonese): *Madam President, regarding the arrangements for 24-hour passenger clearance, will the Government inform this Council:*

- (a) *of the number of cross-border passengers passing through the Lok Ma Chau Control Point each month since the implementation of 24-*

hour passenger clearance on 27 January this year, and how these figures compare with those in the corresponding period last year;

- (b) of the respective average numbers of passengers arriving and departing via the Control Point each day from midnight to 6.30 am the following morning; and*
- (c) whether it plans to implement 24-hour passenger clearance at the control points to be set up at the Shenzhen Western Corridor and the Lok Ma Chau Spur Line Terminal?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) To facilitate cross-boundary passengers, 24-hour passenger clearance was implemented at the Lok Ma Chau Control Point on 27 January 2003. There have since been increases in passenger traffic during the extended hours as well as during other periods of the day, resulting in a significant overall increase.

During February and March 2003 when 24-hour passenger clearance had just been introduced, cross-boundary passengers at the Lok Ma Chau Control Point averaged about 59 000 a day, representing an increase of some 39% over the corresponding period last year. During the outbreak of SARS from April to June, the passenger throughput recorded a noticeable decline to a daily average of around 50 000, which still represents an increase of some 12% when compared with the same period last year. From July to 26 October, the daily average number of cross-boundary passengers rebounded to around 77 000, representing an increase of some 61% over the same period last year. On 26 October, the passenger throughput of the Control Point reached a record high of 97 514 in a single day. In sum, a daily average of 62 000 passengers passed through the Lok Ma Chau Control Point during January to 26 October this year, representing an increase of about 40% over the corresponding period last year. Relevant statistics on cross-

boundary passengers are set out at Annex of the main reply for Members' reference.

- (b) The number of cross-boundary passengers passing through the Lok Ma Chau Control Point during the overnight period (that is, from 12 midnight to 6.30 am the following morning) has been increasing following the implementation of 24-hour passenger clearance. Up to 26 October, the daily average of passengers recorded in the overnight period stood at around 7 500. A record high of 12 705 was recorded on 26 October. The majority of overnight passengers passed through the Control Point from 12 midnight to 3.00 am, accounting for about 66% of the passenger traffic recorded in the overnight period. Moreover, the number of overnight passengers on Saturdays and Sundays, averaging 8 600 per day, was greater than that recorded on weekdays.
- (c) Authorities in Guangdong and Hong Kong have had preliminary discussions on the operating hours of the control point at the Hong Kong-Shenzhen Western Corridor. The initial thinking is to plan on the basis of 24-hour operation although specific arrangements and the detailed timetable for its implementation have yet to be continuously examined and deliberated by experts of both sides. Relevant factors include the travel pattern of passengers and our allocation of resources.

According to existing plans, the operating hours of the Lok Ma Chau Spur Line Terminal upon its completion around mid-2007 will be the same as those of the Lo Wu Control Point. Factors relevant to its determination include the travel pattern of passengers needed and the operation of train services. We also need to ensure the effective utilization of resources. Given that the Lok Ma Chau Control Point already operates round-the-clock, we would also need to carefully consider and ask ourselves whether round-the-clock service at the Terminal at the Lok Ma Chau Spur Line, which is only a short distance away, represents effective utilization of our scarce manpower and other resources.

Annex

Statistics on Cross-boundary Passengers
at the Lok Ma Chau Control Point

| | <i>2002</i> | | <i>2003</i> | | <i>2003 compared with corresponding period in 2002</i> |
|----------------------|--------------------------|----------------------|--------------------------|----------------------|--|
| | <i>No. of Passengers</i> | <i>Daily average</i> | <i>No. of Passengers</i> | <i>Daily average</i> | |
| January | 1 179 478 | 38 048 | 1 548 869 | 49 964 | + 31.3% |
| February | 1 158 890 | 41 389 | 1 719 774 | 61 421 | + 48.4% |
| March | 1 349 312 | 43 526 | 1 774 587 | 57 245 | + 31.5% |
| April | 1 400 145 | 46 672 | 1 302 071 | 43 402 | -7.0% |
| May | 1 309 410 | 42 239 | 1 433 289 | 46 235 | + 9.5% |
| June | 1 306 779 | 43 559 | 1 774 530 | 59 151 | + 35.8% |
| July | 1 450 705 | 46 797 | 2 204 428 | 71 111 | + 52.0% |
| August | 1 566 796 | 50 542 | 2 512 364 | 81 044 | + 60.4% |
| September | 1 351 441 | 45 048 | 2 287 286 | 76 243 | + 69.2% |
| October (1 to 26) | 1 274 448 | 49 017 | 2 108 343 | 81 090 | + 65.4% |
| Total | 13 347 404 | 44 640 | 18 665 541 | 62 427 | + 39.8% |

MR LAU WONG-FAT (in Cantonese): *Madam President, in view of the existence of the most comprehensive cross-boundary facilities at Lo Wu, has the Government considered enhancing the car-parking and road facilities of that area, so that after the last train has departed every day, public means of transport are allowed to pick up passengers at the Lo Wu Control Point in order to make full use of these facilities in relieving the pressure on passenger traffic, while technically meeting the demand of implementing 24-hour passenger clearance at the Lo Wu Control Point?*

PRESIDENT (in Cantonese): Secretary for Security, although this question is mainly about the Lok Ma Chau Control Point, if you have already prepared the relevant information, please try to answer this supplementary question.

SECRETARY FOR SECURITY (in Cantonese): Madam President, I may try to answer this supplementary question. Although this is outside my portfolio and belongs to the transport domain, we have discussed this issue with colleagues in the transport authorities. The situation mainly is that at present, the road network at the Lo Wu Control Point is very incomprehensive. And there is also the question of whether the existing Lo Wu Control Point can accommodate further development, such as an extension of the car park as just mentioned by Mr LAU Wong-fat. If we are to develop that area, it will involve a lot of matters like private land and land resumption. Therefore, for the time being, it is difficult to extend the road and car-park facilities of that area for other modes of public transport to provide connection service.

MR CHAN KWOK-KEUNG (in Cantonese): *Madam President, after the Immigration Department (ImmD) and the departments concerned have implemented 24-hour passenger clearance, have any particular shift arrangements been made due to insufficient manpower, rendering less resting time to and more pressure on the staff as a result? If yes, are there any improvement measures?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the implementation of 24-hour passenger clearance at Lok Ma Chau has indeed

imposed certain pressure on the front-line staff of our three departments, namely the ImmD, the Customs and Excise Department and the Police Force. At present, what we mainly do is to temporarily deploy some of the manpower from other units to the Lok Ma Chau Control Point, and rearrange the work shifts through the management at Lok Ma Chau, so that the maximum number of staff will be working during the peak periods at the Control Point. Through these two measures, although 24-hour passenger clearance is now implemented at the Lok Ma Chau Control Point, we can still cope with the passenger flow. However, where resources permit, we hope more manpower can be deployed to the Lok Ma Chau Control Point.

MR LAU KONG-WAH (in Cantonese): *Madam President, from the Annex, we can see that the rate of increase in passenger flow is rather astonishing, no matter in comparing the figures with the same period last year, or in looking at the gradually increasing figures this year alone. Has the Secretary estimated whether the figures concerned will continue to rise with more individual visits by mainlanders in the next few years? Besides, in terms of manpower deployment, there are signs of saturation not only in the middle of the night, but also during the day, and the passenger flow seems to have gone beyond the projected capacity. Thus, what will be the pattern of manpower deployment by the authorities in the next few years? How can the large influx of visitors be coped with?*

PRESIDENT (in Cantonese): Mr LAU, I did not catch your question very clearly. What is the thrust of your supplementary question?

MR LAU KONG-WAH (in Cantonese): *My supplementary question asked how there can be enough manpower and enough facilities to cope with this rising trend?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we envisage that, with more activities between the Mainland and Hong Kong in various aspects, including the development of the Mainland/Hong Kong Closer Economic Partnership Arrangement and the frequent exchanges of people between the two areas at present, the number of cross-boundary passengers at

various control points will continue to rise. We will, of course, enhance our capacity in handling the clearance of passengers, and one of the measures is to increase manpower. Besides, we also hope to make use of some high technology to facilitate our strengthening of the passenger clearance capacity. One example is that, hopefully in 2005 or at end 2004, we can introduce the automatic clearance system. Apart from enhancing the capacity of the Lok Ma Chau Control Point in handling cross-boundary passengers, we also see the need to open some new control points. Hence, the Government is now studying the project concerning the Hong Kong-Shenzhen Western Corridor. If this project can be implemented in 2005, we will have a new control point then. And this new control point will have more capacity than the existing Lok Ma Chau Control Point in handling passenger clearance. We hope that the pressure on the existing Lok Ma Chau Control Point can be greatly relieved by then.

DR TANG SIU-TONG (in Cantonese): *Madam President, from the Annex, we see that the number of cross-boundary passengers has been on the increase. At present, the Lok Ma Chau Control Point is undergoing some extension works. In this connection, what is the maximum capacity of this Control Point at present and what will be the maximum capacity after extension?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the extension works at Lok Ma Chau are generally completed. As regards the capacity of that Control Point in handling passenger clearance, we have already increased the number of counters for handling inbound passengers from the original 35 counters to the existing 50 counters, while the number of passengers that can be handled hourly has also been increased to 5 500. Besides, in handling cross-boundary vehicles, the number of vehicles that can be handled daily at that Control Point is about 32 000.

MISS CHOY SO-YUK (in Cantonese): *Madam President, may I ask the Secretary if the Government has analysed, since the implementation of the 24-hour passenger clearance, whether the passenger throughput during other periods of time at the same control point has been relieved, meaning it has been reduced, or remained the same? In other words, does this measure have any impact on the passenger throughput of other periods of time, that is, their waiting time having been shortened?*

SECRETARY FOR SECURITY (in Cantonese): I do not understand which period of time Miss CHOY So-yuk referred to. For the time being, the 24-hour passenger clearance is implemented only at Lok Ma Chau, so that visitors can cross the boundary even in the middle of the night, but this arrangement has not been implemented at other control points. I do not understand which period of time about which effects would be felt, as referred by her.

MISS CHOY SO-YUK (in Cantonese): *Madam President, let me make the point more clearly. At the Huanggang Control Point, since 24-hour passenger clearance has been implemented, more visitors will cross the boundary at night. Then at the same control point, will there be less visitors in the morning or in other periods of time so that the waiting time is shortened?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, looking at the figures concerned, we see that the average passenger throughput at Lok Ma Chau now has increased by 40% when compared with the same period last year, but there are only several thousand passengers on average every night. Therefore, the number of morning passengers has not reduced actually, but is still increasing. However, since we have extended the Lok Ma Chau Control Point, increased the number of counters and strengthened the manpower assigned to handling passenger clearance this year, the clearance time for cross-boundary passengers has not been lengthened.

PRESIDENT (in Cantonese): Fourth question.

Implementation of United Nations Framework Convention on Climate Change and its Kyoto Protocol

4. **MISS CHOY SO-YUK** (in Cantonese): *Madam President, the Central People's Government has decided to apply the United Nations Framework Convention on Climate Change (UNFCCC) to Hong Kong with effect from 5 May this year and the Kyoto Protocol under the UNFCCC will be applicable to Hong Kong when it comes into operation. Both instruments seek to reduce global emissions of greenhouse gas (GHG). In this connection, will the Government inform this Council whether it has formulated measures to implement the*

UNFCCC and the Kyoto Protocol; if so, of the relevant details; if not, the reasons for that?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, China is a signatory of both the UNFCCC and the Kyoto Protocol. Having consulted the Government of the Hong Kong Special Administrative Region (SAR), the Central People's Government notified the United Nations that the UNFCCC and the Kyoto Protocol were extended to the SAR from May 2003 onward. Although the Kyoto Protocol has not come into operation and the SAR is not obligated to reduce the GHG emission to a specified target, Hong Kong, like the Mainland and other non-Annex I parties, will discharge its obligations under the UNFCCC and the Kyoto Protocol by making its best effort to control GHG emission.

Hong Kong is indeed only a small emitter of GHG on a global scale (approximately 0.1%). The emission per capita is only 5.9 tonnes in 2000, which is comparable to the global average (4 tonnes to 5 tonnes) and much lower than the levels of such developed economies as the United States (24.9 tonnes), Australia (26.2 tonnes), Canada (23.6 tonnes), and Member States of the European Union (7.8 tonnes to 17.7 tonnes). Even if these economies meet their respective Kyoto targets by 2010, their per capita emission will still be much higher than that of Hong Kong.

Nevertheless, we have been sparing no efforts to reduce GHG emission, and contributing our efforts to mitigate global climate change. Even before the UNFCCC and the Kyoto Protocol were applicable to the SAR, through implementing a number of effective measures, the GHG emission in Hong Kong has dropped 18% from its peak back to the 1990 level by 2000, achieving the same requirements imposed on developed economies under the UNFCCC. With the application of the UNFCCC and the Kyoto Protocol to Hong Kong now, we will continue to control GHG emission and submit reports regularly to the Conference of Parties.

For specific measures, since carbon dioxide (CO₂) emitted from power plants accounts for approximately 60% of the total GHG emission in Hong Kong, and natural gas-fired power units emit 50% less CO₂ than coal-fired power units, we have only been allowing the construction of natural gas-fired power units since 1996. As the usage rate of the gas-fired units increases, this measure will

significantly help control GHG emission. At present, coal-fired units generate 50% of our electricity. The rest is generated from gas-fired units and the nuclear plant. We will continue to request the power companies to keep improving the efficiency of their coal-fired units, so as to reduce the CO₂-to-calorie ratio of the units. As air-conditioning accounts for approximately 30% of the overall power consumption in Hong Kong and water-cooled air-conditioning systems can save approximately 20% to 30% of energy, we have also been stepping up the promotion of water-cooled air conditioning and other energy-saving installations and measures, in order to reduce GHG emission caused by electricity demand.

Land transport contributes to about 15% of GHG emission. We have therefore been encouraging taxis and light buses to switch to liquefied petroleum gas (LPG), so as to reduce the generation of air pollutants as well as the emission of GHG. At present, there are 17 800 LPG taxis (98% of the fleet) and 650 LPG light buses (about 10% of the fleet) in Hong Kong, and the numbers are increasing.

Landfill gas is also a kind of GHG which contributes to about 10% of the total GHG emission in Hong Kong. We are conducting a study on the various technology options for developing large-scale waste treatment facilities, which will reduce the amount of waste to be disposed of at landfills..... (*A commotion was raised on the public gallery*)

PRESIDENT (in Cantonese): The man on the public gallery, please do not yell, please leave the gallery. (*A Security Assistant tried to approach the man and stop him from yelling*)

PRESIDENT (in Cantonese): Please leave the gallery now. (*The man kept on yelling*)

PRESIDENT (in Cantonese): Security Assistant, please escort him from the gallery. (*The man was taken away by a Security Assistant from the public gallery*)

PRESIDENT (in Cantonese): Secretary, please continue.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, we are conducting a study on the various technology options for developing large-scale waste treatment facilities, which will reduce the amount of waste to be disposed of at landfills and slow down the accumulation and emission of landfill gas in the long run. We will also step up the collection of landfill gas for use as fuel, so as to minimize the greenhouse effect it produces and reduce the use of fuels of higher global warming potential and hence further reduce GHG emission.

Apart from controlling GHG emission, we have been actively implementing afforestation programmes to increase the capacity of CO₂ absorption. Since 1991, the Agriculture, Fisheries and Conservation Department has planted more than 5 million trees in the country parks which absorb 120 Gg of CO₂ each year.

In addition to the above ongoing efforts, we are also conducting studies with other bureaux and departments on some new measures. For example:

- the role of renewable energy in the electricity market after 2008
- waste-to-energy technology, the tapping of energy from waste by non-polluting methods
- mixed fuels for motor vehicles, the addition of a certain proportion of bio-fuels into diesel
- legislative control on CO₂ emissions of motor vehicles
- improving the burning efficiency of coal-fired units

If all these ongoing measures and measures under study are successfully implemented, we estimate that our GHG emission will be further reduced by 13 000 Gg per year.

However, I would like to point out that, with the growth of population (5.7 million in 1990, and estimated to reach 7.45 million in 2010) and the increase in

economic activities, it will be somewhat difficult for us to reduce our total GHG emission further from the present low level. We will however continue to assess the scope of emission reduction of various sectors and make our best efforts to control GHG emission through cost-effective measures.

MISS CHOY SO-YUK (in Cantonese): *Madam President, does the Secretary know the SAR Government's set target for emission reduction and the assigned amount of reduction? If the set target is 7%, may I know whether the emission reduction of Hong Kong is counted separately, or it is counted together with China as a whole? If the emission reduction of Hong Kong is counted together with China as a whole, then there is not much left for Hong Kong to do.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, did Miss CHOY refer to the emission reductions prescribed by the Kyoto Protocol? Although China is a signatory of the Kyoto Protocol, no such requirement is in place, and it is not set at 7%.

PRESIDENT (in Cantonese): Miss CHOY, can you explain it?

MISS CHOY SO-YUK (in Cantonese): *I know that it is not prescribed by the relevant protocol, therefore I wish to ask whether the SAR Government knows that whether the Central Government has set the target for emission reduction, if so, how that target is assigned. For instance, will Hong Kong be counted separately, or will it be counted as part of the whole country as far as the target is concerned?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, our information shows that Hong Kong was treated as a special administrative region at the time the Kyoto Protocol was agreed upon by the Central Government. Consequently, as a separate entity, the emission reduction capacity of Hong Kong would be determined by the SAR Government itself and it would not be included in the emission reduction target of the People's Republic of China. China has adopted methods different from ours. They have adopted certain clean production technologies to deal with

emission reduction, which are perhaps not necessarily applicable to Hong Kong, because we do not have much industrial activities here. For that reason, I believe the two places are counted separately.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary mentioned in the main reply that the Government would continue to assess the scope of emission reduction of various sectors and make its best efforts to control GHG emission through cost-effective measures. May I ask the Secretary, of all of the measures we have been utilizing at present, such as the reduction of electricity demand, afforestation, the use of LPG and landfill gas, and so forth, which of them is the most cost-effective?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): In short, the best solution is to control landfill gas, because the greenhouse effect produced by methane, which is generated by landfill gas, equals to four times of CO₂, therefore it would be the least cost-effective if we simply burn the landfill gas at landfill sites right away instead of making use of it as an energy resource. If we can control landfill gas and enhance its usage, it could replace other energy resources and reduce the level of CO₂. It would also help reduce the greenhouse effect, which is a rather effective way. Next comes power plants. If power plants stop using coal-fired power units, by 2015, we would be able to reduce the emission by 7 500 tonnes. This volume is quite enormous, which accounts for almost 20% of our total emission.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary mentioned in her main reply that land transport contributed to about 15% of GHG emission, therefore the Government had been encouraging taxis and light buses to switch to LPG, so as to reduce GHG emission. However, according to the figures we presently see, almost 100%, as much as 98% of the taxi fleet, has switched to LPG, but only 10% of the light bus fleet has switched to LPG. May I ask the Secretary, of the 10%, whether they are van-type light goods vehicles or dual purpose vehicles, and given that not many light buses have switched to LPG, how the problem can be solved? In fact, drivers of van-type light goods vehicles and light buses have all along been requesting a switch to LPG, however, it*

seems that the Government neither encourages nor assists them in that. How can the problem be solved?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, among various modes of transport, the implementation of using LPG as a substitute is rather smooth among taxis. As to light buses, we have encountered some difficulties in several areas, one of them being the location of gas filling station. Many drivers of light buses consider that the routings would cause certain inconvenience, because they are fixed. Given that we are unable to place a gas refilling station on their routes, practical problems of implementation would emerge. Light buses and light goods vehicles have the same problem. As far as the overall infrastructure is concerned, the Government finds it a problem to set up LPG filling stations in densely populated areas, since we should strike the right balance in that respect. In that case, is it impossible to reduce the level of air pollution? We are currently observing the level of emission that Euro IV diesel vehicles or other alternatively fuelled vehicles could achieve before we make a decision on whether or not to adopt it. In view of that, the problem could be solved only if we strike the right balance between economic and social development and environmental pollution.

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, has your supplementary question not been answered?

MR LEUNG YIU-CHUNG (in Cantonese): *No, Madam President. Just now I asked the Secretary that it seemed 90% of the light bus fleet had not switched to LPG, nevertheless, the Secretary just explained to us the technicalities. But the actual question is whether there are other solutions besides switching to Euro vehicles. My fundamental question was whether or not a solution could be found. If there is no solution to the problem, then it will still be very serious, since almost 90% of the light bus fleet has not switched to LPG. How should we deal with them?*

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, is the supplementary you raised just now not answered?

MR LEUNG YIU-CHUNG (in Cantonese): *Yes, that is, how the problem should be solved.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, in fact the Government has provided options as far as solutions are concerned. The Government is tackling the emission reduction issue on a comprehensive scale, but making all vehicles to switch to LPG is not necessary the only solution. Just now the supplementary raised by Mr LEUNG was about the measures to be taken to make all vehicles switch to LPG, my answer was: It was not necessarily the only solution to make all vehicles switch to LPG. To a certain extent, there should be GHG emission, as it would be impossible to maintain zero CO₂ emission. However, we have to reduce the emission, and we have a wide range of options, but switching to LPG light buses is just one of the many ways. The Government has encouraged light bus owners to switch to LPG and a compensation scheme has been put in place. However, as I have explained just now, the scheme is voluntary, and if it does not work, the Government will still have other measures to reduce overall air pollution.

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

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary just now mentioned that coal-fired units generated 50% of our electricity and they accounted for a significant volume of the total GHG emission. The Secretary mentioned the introduction of a emissions trading scheme to mitigate the pollution problem. What is the timetable and progress for the Secretary's emissions trading scheme and the control on GHG emission?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, Dr HO raised a supplementary about emissions trading, which is quite complicated. At present, the negotiation with the Mainland in respect of emissions trading is confined mainly to sulphur dioxide, nitrogen oxide and suspended particles. CO₂ belongs to another level, and the Mainland has reservations about that, which is mainly due to the fact that

relevant parties are having a heated debate with the United States on the Kyoto Protocol at the global level, therefore we have not yet started the negotiations on the emissions trading issue. Of course, we do hope that the two places can have the opportunity to adopt the most cost-effective measure to reduce GHG emission.

PRESIDENT (in Cantonese): Fifth question.

Hong Kong Residents Being Extorted Money or Robbed After Being Detained on the Mainland

5. **MR LAU KONG-WAH** (in Cantonese): *Madam President, will the Government inform this Council:*

- (a) *of the number of cases reported to the police each month in the past two years alleging that criminals had extorted money from or robbed Hong Kong residents after detaining them in the Mainland, whether most of these alleged crimes took place in the Shenzhen Special Economic Zone, and whether the number of such cases shows an upward trend;*
- (b) *of the handling procedures followed by the police upon receipt of a report of such crimes, the circumstances under which they will seek assistance from their mainland counterparts, and the kind of assistance that the mainland public security authorities may offer; and*
- (c) *whether the police and their mainland counterparts have jointly examined how to curb such crimes?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The police have not maintained statistics on the number of reports made by Hong Kong residents before 2002 alleging that they have been detained in the Mainland. In 2002, on average the police received 20 such reports per month. For the first nine months of

2003, the average number of reports received each month was 30. The reports indicated that most of the alleged cases happened in Shenzhen and a majority of the reporters of the cases claimed that they were extorted or deceived for money during the detention. The number of reported cases fluctuates and it is difficult to assess the overall trend of the problem for the time being. Law enforcement agencies on both sides will closely keep in view the situation.

- (b) Upon receipt of a crime report, the police will endeavour to enquire from the reporter details of the case, including place of occurrence, time and course of events. If Hong Kong does not have jurisdiction over a particular case, and the case does not require emergency response from the police, the police will record the case appropriately. With the consent of the reporter or at his request, the police will forward the relevant information to the mainland security authorities as soon as possible for their necessary follow-up. The Hong Kong police will also explain to the reporter that because the Hong Kong police do not have the jurisdiction and power to investigate crimes which took place in the Mainland, the reporter is advised to report the case to the mainland security authorities. The mainland authorities will, in accordance with rules and procedures applicable in the Mainland, decide on the appropriate follow-up actions, including whether the case should be established and investigated. The Hong Kong police will assist in the work of their mainland counterparts, such as, facilitating the Hong Kong residents to go to the Mainland to participate in the identification process, to verify the lost property, and so on.
- (c) The Hong Kong police and the mainland security authorities have all along maintained liaison at various levels. At both the strategic and daily operational level, the two sides exchange views on matters of mutual concern, including the issue relating to Hong Kong residents becoming victims of crimes in the Mainland. The police will continue to maintain close liaison with their mainland counterparts through the existing channels as well as the Shenzhen-Hong Kong Land Boundary Police Co-operation Scheme, in order to combat such crimes by enhancing exchange of intelligence and strengthening joint actions against crime syndicates.

MR LAU KONG-WAH (in Cantonese): *Madam President, from the figures, we can see that last year, there were on average 20 cases each month and this year, there are on average 30 cases each month, which is a very alarming growth rate. Frankly speaking, when I drafted this question, I did not imagine that the situation would be so alarming that the number of detention cases would amount to almost one case each day and that this might only be the tip of the iceberg. From the Secretary's main reply, it seems that the authorities are mainly dealing with referrals and there also seems to be a sense of helplessness about the situation. May I ask the Secretary how many of the 500 or so detention cases in the past two years have been cracked? What were the normal tactics employed by criminals? For Hong Kong people visiting Shenzhen, what is the Secretary's advice to them?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the Hong Kong police do not have any information on the mainland public security authorities' detection rate of such cases. As I said earlier in my main reply, this is beyond our jurisdiction. Of course, for certain cases that we consider important or more serious, we will take the initiative to liaise with the relevant mainland public security authorities. However, I do not have an overall figure that will help me answer Mr LAU Kong-wah's supplementary question.

As regards Mr LAU's other question, and that is, issues that Hong Kong people should note when they travel to the Mainland for pleasure and for business, we suggest that any person who travel abroad, including to the Mainland, no matter whether they are visiting relatives or on business, should pay attention to their personal safety, and take good care of their personal property and travel documents. Of course, they should also avoid bringing along a large amount of valuables and we hope that they would abide by the local laws and avoid following strangers to unfamiliar places.

MR LAU KONG-WAH (in Cantonese): *Madam President, I asked what were the usual tactics of criminals? What tactics are adopted by them?*

PRESIDENT (in Cantonese): Secretary for Security, do you have such information?

SECRETARY FOR SECURITY (in Cantonese): Madam President, does Mr LAU mean why such persons were detained? According to information obtained by the police from relevant mainland public security authorities, such so-called detention cases were mostly related to business disputes. The culprits may not necessarily be criminals and those people were detained only because of business disputes. Other cases involved personal disputes and the victims might not necessarily be robbed for it might just involve a dispute between two persons. Moreover, a small number of cases were the so-called "badger game" cases and that is, it was suspected that the victims had fallen into sex traps and had been extorted money. The majority of cases is this kind of cases.

MR JAMES TO (in Cantonese): *Madam President, I hope the Government will not play down the whole issue simply because some cases were "badger game" cases. May I ask the Government if Hong Kong people's safety outside Hong Kong a concern to the Secretary? If the answer is in the affirmative, then let us look at this example, Iraq is now at war and the Secretary will issue a travel advisory in this relation. If there are a lot of cases in Shenzhen involving Hong Kong people being robbed, involved in incidents and made victims of crimes or detained, will the Government liaise more closely with the relevant departments of the Mainland, such as finding out how many cases have been detected and which places are particularly risky. In its safety advisory to Hong Kong people, will the Government only remind them not to go to certain black spots in Hong Kong? However, if certain places in Shenzhen or the Mainland are black spots for robbery, is it also necessary for the Government to issue an advisory to the people in this regard? Has the Secretary made any such analysis and will he do so?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we are certainly concerned about the safety of Hong Kong people outside Hong Kong. However, we should look at the whole incident from a rational angle. According to the figures we have got, Hong Kong people make as many as tens of millions of trips to the Mainland for pleasure or for business each year. I said earlier that there had been about 30 so-called detention cases each month for the first nine months of this year and the majority of them involved private and business disputes. Mr James TO asked me what black spots of crime were there in the Mainland, but I really do not know. This is because very often the cases in question were related to business or personal disputes and we certainly could

not rule out the possibility that some cases were sex traps laid by criminals. Therefore, we often remind the people that if they travel to the Mainland on business or for pleasure, they had better avoid following strangers to unfamiliar places on their own, and if they had better go with their friends.

MR MICHAEL MAK (in Cantonese): *Madam President, I would like to learn more about blackmailing and detention cases. How many of them involved criminals who are Hong Kong people and were organized — as the Secretary said earlier that most of the cases involved personal or business disputes — Hong Kong people being extorted money or detained in an organized manner? The Secretary said in part (c) of the main reply that the Hong Kong police had all along maintained close liaison with the mainland public security authorities, so has he tried to find out whether inadequate police manpower or corruption problems have resulted in Hong Kong people not being protected?*

SECRETARY FOR SECURITY (in Cantonese): *Madam President, I do not have any information to confirm or deny whether Hong Kong people are involved in such cases. Personally, I rarely heard that Hong Kong people were involved in kidnapping and blackmailing cases on the Mainland. As regards Mr Michael MAK's question on whether the mainland police force is inadequate, I do not think so. I also do not have evidence to prove that corruption on the part of mainland public security authorities have led to an increase in the number of such blackmailing cases.*

DR RAYMOND HO (in Cantonese): *Madam President, last year, I wrote twice to the Security Bureau to inform the Secretary that despite the fact that certain members of the engineering sector were not involved in any personal disputes, they were still being extorted money, robbed or looted. The Secretary stated in both of his replies that he would notify the public security authorities of Shenzhen. In his earlier reply to Mr James TO's supplementary question, the Secretary said he did not know of any black spots of crime in Shenzhen. If the Security Bureau of Hong Kong has really maintained close liaison with the Shenzhen public security authorities, will it be able to obtain information on the relevant black spots from the mainland information database, so as to draw Hong Kong people's special attention?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, if I have any information on the black spots of crime in the Mainland, I would be very happy to tell the public to pay attention to those black spots, but I do not have such records at the moment.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary said earlier that he might not be able to obtain any information on the relevant detection rate. Would the Secretary please imagine that more than 500 members of the public have told him that they would like to learn about the relevant progress, but the Secretary has not bothered to obtain information on the detection rate or progress from the relevant mainland authorities. Does the Secretary feel that he has let the public down and does he think that this will increase their sense of helplessness? Will the Secretary consider asking the relevant mainland public security authorities again to seriously consider keeping him informed of the relevant progress, so that he can convey the information to Hong Kong people?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I am not saying that we will wash our hands completely off the matter after referring the cases in question to the mainland public security departments. The Government has set up a unit within the Immigration Department to offer assistance to Hong Kong people who run into trouble outside Hong Kong. When the police receive any reports on Hong Kong people being unfairly treated, extorted money or otherwise on the Mainland, the police can refer such persons to this Unit, which offers assistance to Hong Kong people outside Hong Kong if they need any assistance, and that Unit will be very happy to follow up the matter for them. Of course, since we do not have any jurisdiction on the Mainland, we can only make follow-up enquiries. If members of the public want us to make enquiries with the mainland public security authorities on the progress of the relevant cases, I am also very happy to follow up. However, after all, the public need to report the case to the relevant public security authorities on their own and they can also make enquiries with the relevant public security units at the time when they report the cases. If the public want us to help follow up the progress of the cases, we are very happy to offer assistance.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I was actually asking whether there is a "system" and the Secretary only said he would follow up the case for the public if they receive enquiries from individual members of the public. However, may I ask the Secretary if he would consider establishing a system, so that regular exchanges and reports can be made after notifying the other party?*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, some victims may not be willing to let us follow up the cases for them out of privacy considerations. Therefore, it is up to the reporters of the case — after all, they have to make their own reports to relevant mainland public security authorities. Under our existing system, if the victim hopes that we can follow up the cases for them, we will be happy to do so. I think the existing system is already adequate.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary said earlier that tens of millions of people would visit the Mainland and there were only 30 such cases each month, so it seemed that it is only a very small percentage. But actually, the figure of 30 cases each month is definitely not very small because it will amount to several hundred cases in several months. The Secretary said earlier that some cases involved Hong Kong people being illegally detained on the Mainland as a result of business disputes or other problems, may I ask the Secretary whether such cases are after all illegal activities? If yes, since the Security Bureau has maintained close liaison with mainland public security authorities, why can it not focus the discussions on such matters? Such illegal detention cases should not have happened indeed. Why can the Bureau not work closely with the relevant mainland departments so as to put a stop to such cases? This is especially true when the mainland authorities now emphasize that they should work according to the law.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have also said that we are very much concerned about Hong Kong residents being unfairly

treated outside Hong Kong, including on the Mainland. As regards cases in which Hong Kong people are detained as a result of private and business disputes, I think we have to respect the local public security authorities and they are acting in accordance with the local law. On the premise of "one country, two systems", we can only refer the requests of Hong Kong people to the mainland public security authorities. If we discover that Hong Kong people are being unfairly treated on the Mainland, we will certainly voice the concern of the Government of the Hong Kong Special Administrative Region. However, after all, we have to respect the mainland public security units for they are undertaking law enforcement actions according to mainland laws.

MRS SELINA CHOW (in Cantonese): *Madam President, my earlier question was very clear, and that is, we learned that many illegal detention cases were related to business disputes. That means in terms of mainland laws, such detentions are illegal activities. So, why can the Secretary not work closely with the mainland public security authorities to stem such illegal activities?*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, I would like to reiterate that both the police and officers of the Immigration Department do not have any jurisdiction on enforcement and investigation in the Mainland. As regards whether claims of being illegally detained is regarded as "illegal" activities, since we do not have any investigative powers on the Mainland, we cannot determine whether the case, in which a victim is being detained, has occurred under a legal or illegal situation. Therefore, we can only refer the relevant case to the mainland public security authorities, so that they can conduct investigations in accordance with the local law.

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

DR LUI MING-WAH (in Cantonese): *Madam President, no matter whether Hong Kong people are being extorted money or detained on the Mainland, I believe there is nothing much that the Hong Kong Government can do. However, in order to prevent the recurrence of such cases, can the Government prepare some publicity leaflets to give statistics on the mode of such crimes over the years, for at least, it can educate Hong Kong people on what to look out for when they visit the Mainland?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I thank Dr LUI Ming-wah for his suggestion and we will think about it back in the office.

PRESIDENT (in Cantonese): Last oral question.

Four Funding Schemes for SMEs

6. **MRS SELINA CHOW** (in Cantonese): *Madam President, the Government has implemented four funding schemes for small and medium enterprises (SMEs) since December 2001, namely the SME Loan Guarantee Scheme, the SME Export Marketing Fund (EMF), the SME Training Fund (STF) and the SME Development Fund (SDF). The authorities have also reviewed the funding schemes and have introduced a number of improvement measures. In this connection, will the Government inform this Council of:*

- (a) *the number of applications received by the authorities and the amount of grant involved in such applications, under each of the above four funding schemes since their launch, as well as the number of those applications submitted by SMEs in the wholesale and retail trades; and*
- (b) *the response of SMEs to the above improvement measures?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, in 2001, the Government set aside \$1.9 billion to

establish four SME funding schemes with a total commitment of \$7.5 billion. The purpose is to encourage SMEs to strive for continuous self-improvement and help them obtain financing, open up external markets, upgrade human resources and enhance competitiveness.

In the light of the recommendations of the SME Committee following a review of the four funding schemes in December last year, the Government raised the ceiling of grant per SME under the EMF and the STF in February this year. Since March this year, the scope of the SME Loan Guarantee Scheme (SGS) was further expanded to cover working capital loan guarantee. To assist SMEs to enhance their competitiveness in the aftermath of the outbreak of Severe Acute Respiratory Syndrome, the Government further increased the maximum amount of grant per SME under the EMF, and the subsidy level under the STF in June this year.

At present, the maximum amount of loan guarantee and grants an SME may receive under the SGS, EMF and STF has substantially increased from \$1.025 million to \$4.11 million.

In response to the enquiries raised by the Honourable Mrs Selina CHOW, I hereby reply as follows:

- (a) As at 18 October 2003, some 42 000 applications were approved under the four funding schemes, involving loan guarantee and grants of about \$2.96 billion. Of these applications, about 2 000 were from the wholesale and retail sector, with loan guarantee and grants amounting to approximately \$65 million.

Breakdown by individual funding schemes is as follows:

- (i) some 7 000 applications for the SGS were approved, representing a successful rate of about 99% and involving loan guarantee of \$2.654 billion. Of these applications, about 150 were related to the wholesale and retail sector, with loan guarantee amounting to approximately \$50 million;
- (ii) some 11 000 applications for the EMF were approved, representing a successful rate of about 95% and involving

grants of about \$165 million. Of these applications, about 560 were related to the wholesale and retail sector, with grants amounting to approximately \$8.2 million;

- (iii) some 24 000 applications for the STF were approved, representing a successful rate of about 94% and involving grants of about \$73 million. Of these applications, about 1 300 were related to the wholesale and retail sector, with grants amounting to approximately \$4.4 million;
- (iv) a total of 58 applications for the SDF were approved, representing a successful rate of about 15% and involving grants of about \$65 million. One of the funded projects aims primarily to assist SMEs in the wholesale and retail sector to enhance supply chain management through information technology. Besides, apart from this, many other of the funded projects are targeted at SMEs in general, and thus SMEs in the wholesale and retail sector could benefit as well.

- (b) The improvement measures are generally supported and well received by SMEs. Since the implementation of the improvement measures, applications for the SGS, EMF and STF have increased. The average number of applications for the SGS received per week has increased from 64 before the implementation of the improvement measures to the present 116, representing an increase of 81%. That for the EMF has increased from 66 to 340, registering an increase of over 400%. For the STF, there is a surge from 215 to 618, representing an increase of nearly 200%.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary has explained in his main reply the distribution of the funding schemes. It is noted that under the SGS, EMF and STF, the number of successful applications, the amount of loan guarantee and grants are minimal for SMEs in the wholesale and retail trade, accounting for less than 2% under the SGS, less than 5% under the EMF and less than 5% under the STF. The wholesale and retail trade forms a major part of the service industry, representing 80% of the industry with more*

than 200 000 establishments. From the figures, does the Secretary consider the publicity conducted among SMEs in the wholesale and retail trade insufficient, or there are other fundamental difficulties that deter them from submitting applications?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, applications submitted by the wholesale and retail trade accounted for 5% of the total applications, and the number of applications approved also accounted for 5% of the total applications approved. Thus, compared to other trades, the wholesale and retail trade did benefit in no less measure. Citing the STF as an example, the wholesale and retail trade in fact ranked the fourth among the other beneficiaries, just after the import and export sector, the professional services and the information technology trade. As for the EMF, the wholesale and retail trade came third after the import and export sector and the jewellery sector.

To assist the SMEs in the wholesale and retail trade to better understand the funding schemes, the Trade and Industry Department (TID), in co-operation with the Hong Kong Retail Management Association, organized some seminars last year. SMEs in the wholesale and retail trade were invited and briefed on the purposes and application procedures of the funding schemes. In addition, the TID maintains close contact with the "Hong Kong Association of Retail and Wholesale" (香港零售批發總會) to understand the needs of the industry. We will make appropriate co-ordination if and when required.

MR HOWARD YOUNG (in Cantonese): *Madam President, of the four funding schemes mentioned in the Secretary's main reply, both the number of successful cases and application ratios for the SGS, STF and EMF have been high. However, as for the last funding scheme, that is, the SDF, both the number of applications and success rate have been low. It can be noted from the figures that the ratio of approved applications was very low. Was it due to the relatively vague concept of SMEs about development support that they were at a loss as to how to make applications? As this is not the same as procuring equipment or providing training, whether the low numbers of application and successful cases were the result of its problematic definition?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, quite a number of the applications received under the SDF were of the same nature, objective and target. These applications have been separately submitted by different business associations, industry support organizations or professional institutions. To ensure the effective use of public resources and avoid resource overlap, the Vetting Committee would carefully consider every application and evaluate their effectiveness before deciding on the need of recommending these applicant organizations to consolidate their respective applications and join hands to launch a project which combines their strengths. If it was not feasible, the Vetting Committee would select the most cost-effective project for financing. While taking into account the interests of various parties, the above arrangement could ensure the effective utilization of resources, thereby enabling more trade associations to take part in the funded projects. However, as the situation could not be reflected in the statistics, the figure was on the low side. As for other reasons, a considerable number of applications were rejected due to their dissatisfactory standard, while some of them failed to obtain funding for not meeting the basic requirements.

MR JAMES TIEN (in Cantonese): *Madam President, as pointed out in the Secretary's main reply, a total commitment of \$7.5 billion was set aside in 2001 and so far, about \$2.9 billion has been expended, of which \$2.6 billion was used for the SGS, accounting for the highest amount. Also, according to the Secretary, since the implementation of the improvement measures this year, the number of applications under the SGS has recently increased from some 60 to 116. Even with the \$7.5 billion commitment and the relaxed requirements, the increase has been insignificant as opposed to the overall funding allocated. Will the Government further relax the existing funding criteria?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, as at 18 October 2003, the amount of funding approved was \$302,700,000. In other words, the unspent amount is \$597,300,000. Regarding the issue of further relaxation, as the response has remained enthusiastic, we have no plans to relax further the requirements. We will look into the possibility of allowing other enterprises to submit applications in the light of the existing arrangements under the funding schemes.

MR KENNETH TING (in Cantonese): *Madam President, in part (a) of the main reply, it can be noted that the loan guarantee and grants involved under the funding schemes amounted to \$2.96 billion. Will the Government inform this Council of the amount expended so far in the \$1.9 billion or so commitment set aside for the four funding schemes, and whether it is satisfied with the amount expended?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): The loan guarantee involved in cases approved so far amounted to a total of some \$2.9 billion. We are quite satisfied with the figure. As mentioned in my response to Mr James TIEN's supplementary question, the amount left is in the region of \$500 million to \$600 million. We hope that more manufacturers can grasp the opportunity and submit applications.

DR LUI MING-WAH (in Cantonese): *Madam President, the Government set up these four funding schemes with a view to providing assistance to the business sector. It has been almost three years since then, but the number of applications stood at only 42 000 which was indeed minimal comparing to the number of business establishments in Hong Kong. Can the Government account for this phenomenon? Why have the four funding schemes in Hong Kong not been made use by so many people?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, I believe different trades apply for the resources based on a number of different factors and it may be difficult to infer to which particular scheme they are interested. They have to take into account the prevailing economic conditions, market demands or even their own operations in deciding on submitting applications. Thus, it is up to individual companies to determine the overall benefit of these funding schemes.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary mentioned just now that the wholesale and retail trade accounted for 5% of the funding which was not insignificant on average. However, I think the Secretary cannot infer from the average number to maintain that the distribution is fair*

enough. In fact, the establishments in the wholesale and retail trade account for the largest number in the service industry. If the fund granted and number of cases are both very low, there must be some reasons for it. May I ask the Secretary whether consultation work would be stepped up to find out the reason why they could not benefit from the schemes even in such a hard time, with a view to adjusting the relevant criteria?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): The figures cited by me were the numbers of applications submitted by the trade. If no application is submitted, no funding can be approved certainly. Nonetheless, if the number of applications is taken into account for comparison, the result is indeed not bad, for the amount granted accounted for 5% of the total amount granted and applications submitted accounted for 5% of total applications. We will continue to conduct publicity activities in all aspects. Let me cite a few examples. We will organize seminars in collaboration with business organizations, professional bodies and SME support organizations in various trades, or promote the schemes through their publications. Also, we will promote the funding schemes among SMEs jointly with lending institutions in the loan guarantee scheme, various training institutions, and institutions engaging in overseas marketing activities, and encourage SMEs to submit applications for funding. We will launch a new series of publicity activities to invite more applications for funding.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary might not have caught my supplementary question clearly. My supplementary question is: Will the trades be consulted extensively on how the criteria should be revised for their benefit, thereby enabling them to submit applications?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, as the number of applications and amount of loan granted have been encouraging, we do not have such a plan. Anyway, we will consider the proposal.

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

WRITTEN ANSWERS TO QUESTIONS**Illegal Importation of Meat and Live Pigs**

7. **MR WONG YUNG-KAN** (in Chinese): *Madam President, will the Government inform this Council:*

- (a) *of the total quantities of illegally imported meat and live pigs seized by the Customs and Excise Department (C&ED) in the past three years, together with a breakdown by the types of meat, as well as the average penalties imposed on those convicted of illegal importation of meat or live pigs;*
- (b) *of the number of licensees of fresh provision shops (FPS) (including market stalls) prosecuted for selling illegally imported meat and the sentences imposed on those convicted in the past three years; and*
- (c) *whether the relevant department(s) will take further measures to intercept the illegal importation of meat and live pigs and prevent the sale of illegally imported meat?*

SECRETARY FOR SECURITY (in Chinese): Madam President, at present three government departments are responsible for taking prosecution action against illegal importation of meat, poultry and livestock into Hong Kong. If the C&ED found any persons who had imported cargoes (including meat, poultry and livestock) undeclared or without import licences, the persons involved will be prosecuted in accordance with the Import and Export Ordinance (Cap. 60). The C&ED will also seize and forfeit the smuggled meat, poultry and livestock and hand them over to the Food and Environmental Hygiene Department (FEHD) or the Agriculture, Fisheries and Conservation Department (AFCD) for further action.

The FEHD will take appropriate enforcement action against persons importing meat without valid official certificates pursuant to the Public Health and Municipal Services Ordinance (Cap. 132). The AFCD will prosecute persons importing live animals or birds without the requisite licences according to the Public Health (Animals and Birds) Regulations (Cap. 139) and the Rabies Regulation (Cap. 421).

Our reply to the Honourable WONG Yung-kan's question is as follows:

- (a) In the past three years, the C&ED seized a total of 573 480 kg of illegally imported meat. The annual breakdown of the figure is set out below:

| | <i>2000</i> | <i>2001</i> | <i>2002</i> |
|----------------------------------|-------------|-------------|-------------|
| Chilled or Frozen Meat (kg) | 218 100 | 134 471 | 19 168 |
| Chilled or Frozen Poultry (kg) | 83 043 | 7 783 | 1 749 |
| Fresh Meat (kg) | 41 433 | 16 025 | 42 986 |
| Freshly Slaughtered Poultry (kg) | 3 909 | 2 562 | 2 251 |
| Live Pig (no.) | 0 | 0 | 0 |
| Total (kg) | 346 485 | 160 841 | 66 154 |

The penalties imposed on those convicted of illegal importation of meat in 2000 to 2002 are summarized as follows:

| | <i>Minimum/Maximum Fine</i> | <i>Minimum/Maximum Period of Imprisonment</i> |
|------|---------------------------------|---|
| 2000 | \$100/\$50,000 | seven days/seven months |
| 2001 | \$100/\$10,000 | 14 days/14 months |
| 2002 | \$100/\$5,000 | two months/four months |

- (b) In the past three years, one market stall tenant and three FPS licensees were prosecuted for selling meat obtained from illegal sources. The market tenant and two of the FPS licensees were convicted. Fines were imposed on all the convicted persons. The minimum and the maximum fine involved in these cases are \$800 and \$30,000.
- (c) The concerned departments have implemented effective strategies to combat illegal importation of meat. In the aspect of interception of illegally imported meat at source, the C&ED has stepped up random checks on suspicious vehicles and passengers at land boundary control points. In addition, the C&ED attaches great importance to the collection and analysis of intelligence and information concerning smuggling. The C&ED maintains regular contacts with legal importers to collect market information with a view to

monitoring the demand and supply trends and formulating effective enforcement measures. On the other hand, the Customs authorities of Hong Kong and the Mainland have regular liaison to exchange information and intelligence on smuggling activities. Parallel operations will be mounted on need basis to combat cross-boundary smuggling activities.

Suitable measures are in place at the retail level to supplement efforts in combating meat smuggling. Under the licensing and market tenancy conditions imposed by the FEHD, FPS licensees and market tenants are required to keep purchase invoices that show details of the sources of meat supply for at least 60 days. Repeated breaches of the above conditions may lead to cancellation of licence or termination of tenancy.

In addition, the FEHD conducts surprise inspections at retail outlets to check if the meat on sale comes from approved sources. Offenders will be prosecuted. Upon conviction, in addition to penalty imposed by the Court, the FEHD will cancel the licence or terminate the tenancy agreement of the offender.

Cost-saving Programme Carried Out Before Endorsement by Building Committee

8. **MR ALBERT HO** (in Chinese): *Madam President, it has been reported that the Building Committee (BC) of the Housing Authority endorsed a cost-saving programme in June this year. Under the programme, new public housing (PH) units will no longer be provided with iron gates; paint instead of tiles will be used for decorating the exterior walls of corridors; and an intelligent energy efficiency system will be adopted for public lighting within the blocks, and so on. However, I have learnt that, prior to the endorsement of the said programme, iron gates had already not been provided for the new PH units at Tsz Wan Shan and Tin Shui Wai. In this connection, will the Government inform this Council of:*

- (a) *details of the measures under the programme which were taken by the Housing Department (HD) prior to its endorsement by the BC,*

including the names of the estates and number of units involved, the measures taken and the amount of money saved; and

- (b) *the rationale of the HD for taking the measures mentioned in (a), and the number of complaints lodged by the residents of the affected units?*

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

- (a) The cost-effectiveness initiatives endorsed by the Housing Authority's BC in June this year are applicable to new public rental housing estates under planning and construction. These new initiatives had not been implemented before their endorsement.
- (b) The newly completed PH estates referred to in the question were originally Home Ownership Scheme (HOS) developments. They were converted to public rental housing following cessation of HOS sales. Metal gate is not a standard provision for flats under the HOS. Hence, flats in estates converted from the HOS are not equipped with metal gates. Tenants have been informed of non-provision of metal gates before in-take. They have also been advised that if they prefer, they can install gates complying with the guidelines issued by the HD at their own cost. The HD has not received any complaint from tenants of these estates in this respect.

Impact of Full Liberalization of Fifth Freedom Traffic Rights in Shanghai on Hong Kong

9. **MR HUI CHEUNG-CHING** (in Chinese): *Madam President, it has been reported that the Shanghai Municipal Government and the Civil Aviation Administration of China would jointly set up the Leading Group for the Facilitation of the Development of the Asia Pacific Aviation Hub. The leading group would actively strive for the full liberalization of the fifth freedom traffic rights for passenger and freight services in Shanghai, in order to accelerate Shanghai's development into an Asia Pacific aviation hub. In this connection, will the Government inform this Council whether:*

- (a) *it has assessed the impact of the full liberalization of the fifth freedom traffic rights for passenger and freight services in Shanghai on the growth rates of the passenger and freight services of the Hong Kong International Airport (the HKIA); if it has, of the results; if not, the reasons for that; and*
- (b) *it has considered discussing with the Shanghai Municipal Government the formulation of diversion and collaborative measures between the HKIA and the Shanghai Pudong International Airport; if it has, of the details; if not, the reasons for that?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, we have been monitoring very closely the liberalization of traffic rights at major airports in the neighbouring region, including those in the Mainland. We have also maintained close contact with the relevant mainland authorities on whether Shanghai is opening up its fifth freedom traffic rights. Generally speaking, the granting of fifth freedom rights by one country to its aviation partner is to allow airlines of the latter to carry passenger and cargo traffic to and from a third country/region. However, such operators must also secure the necessary fifth freedom rights from the third country/region concerned before such fifth freedom traffic could be carried. Therefore, the extent of additional flights to and from Shanghai that would result from the opening up of fifth freedom rights at Shanghai would depend on whether third-party countries concerned would grant the corresponding fifth freedom rights. At present, most countries still regard traffic rights information as sensitive information and do not release it to the public. Hence, it is very difficult to accurately assess at this stage the number of additional flights that could be brought about if Shanghai fully opens up its fifth freedom rights and the consequential impact on the passenger and cargo throughput at the HKIA.

The HKIA and the Shanghai Pudong International Airport are both China's aviation gateways as well as aviation hubs in the Asia Pacific Region. Both airports enjoy an extensive aviation network. However, since the two airports are located separately at the Pearl River Delta and the Yangtze River Delta with different catchment areas, direct competition between the two airports is not significant.

With China's accession to the World Trade Organization, its economic ties with other countries are gradually expanding, and the demand for international air transportation will increase continuously. At the same time, there have been growing ties between Hong Kong and the Mainland. Upon the signing of the Closer Economic Partnership Arrangement and the launch of "Individual Visit Scheme", demand for air services between Hong Kong and the Mainland will grow steadily. With such great development potential in the aviation market, there exists considerable co-operation opportunities between the two airports. We should take advantage of such opportunities to create a win-win situation that benefits the development of both airports.

The Shanghai/Hong Kong Economic and Trade Co-operation Conference held recently fully recognized the importance of strengthening co-operation between the airports of Hong Kong and Shanghai towards the promotion of trade and economic development of the two places. The Airport Authority Hong Kong and the Shanghai Airport (Group) Company Limited have discussed ways to enhance co-operation and signed a letter of intent on the co-operation framework as a basis for further detailed discussion. The framework includes airport operation and management, business operations and modernization of airport management, and so on. The enhanced co-operation between the airports of Hong Kong and Shanghai has provided a good foundation for the overall economic co-operation between the two places. The Hong Kong Special Administrative Region can contribute to the development of mainland airports by sharing with the mainland counterparts our experience in airport management. At the same time, through mutual exchanges and co-operation, Hong Kong will also benefit from the operation experience of the airports in Shanghai. By complementing each other's strengths, co-operation between the airports of Hong Kong and Shanghai could create more business opportunities for each other.

Increasing Interconnection of Power Supplies

10. **MR FRED LI** (in Chinese): *Madam President, in July this year, the authorities released the consultant's report on the Technical Feasibility Study on Increasing Interconnection Between the Two Power Companies, which has recommended that the route of the two power companies' new interconnectors should start from Yau Ma Tei Substation, run through the West Kowloon*

Reclamation, cross the Victoria Harbour under the seabed, and land in the Central-Wan Chai reclamation area. It will then go into the new transformer building and run along Harbour Road to the new Wan Chai Substation. In this connection, will the Government inform this Council:

- (a) of the follow-up actions taken and the progress of the interconnection plan since the release of the above report;*
- (b) whether it has assessed how the various possible outcomes of the recent proceedings relating to the Central Reclamation Phase III will impact on the interconnection plan; if it has, of the assessment results, and whether it has drawn up alternative routes for the interconnectors and identified other suitable landing sites for the interconnection cables on Hong Kong Island; and*
- (c) whether it has made a final decision on increasing interconnection of power supplies; if it has, of the decision; if not, when such a decision is expected to be made?*

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

- (a) and (c)

As explained at the meeting of the Economic Services Panel on 28 July 2003, increasing interconnection between the two power companies encompasses issues and carries implications which go beyond those covered by the Technical Study. We have since consulted the Energy Advisory Committee and had a preliminary study of various important issues related to interconnection including the legal, business, investment, finance, liability and regulatory aspects. These issues will be taken forward in the context of the post-2008 electricity market review.

- (b) The Central Reclamation project and the landing point for the proposed interconnector are two separate issues.

The consultancy study on the technical feasibility of increasing interconnection between the two power systems in Hong Kong, commissioned by the Director of Electrical and Mechanical Services, identified a possible landing point for the interconnector on the Central Reclamation on Hong Kong Island, because at the time of the consultancy study, the Central Reclamation was confirmed. The consultants considered that routing optimum for technical interface between the new interconnector and the Hong Kong Electric Company Limited supply network. If we were to increase interconnection between the two power systems, the landing point on Hong Kong Island for the new interconnector could be either on or outside the Central Reclamation area. Details relating to interconnection, including implementation details such as the interconnector routing and landing point on Hong Kong Island, will be worked out in the context of the post-2008 electricity market review.

Funding Development of Football Game

11. **MR FREDERICK FUNG** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the amount of funding allocated to the Hong Kong Football Association Limited (HKFA) by the Hong Kong Sports Development Board (SDB) in each of the past five years, and the percentage of such amount in the total funding allocated by the SDB to various national sports associations (NSAs) each year;*
- (b) *the existing channels for the authorities to monitor the use of the SDB's funding by the HKFA and the effectiveness of these channels; and*
- (c) *the specific measures now in place to support and assist in the development of football in Hong Kong, particularly the First Division league matches organized by the HKFA and the participating teams, as well as football training for local youths?*

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

- (a) The SDB allocates funding or subvention to the HKFA for the development of football and the amount allocated in the past five years is as follows:

| <i>Year</i> | <i>Allocation to HKFA</i> | |
|-------------|---------------------------|---|
| | <i>(HK\$M)</i> | <i>(Percentage of SDB subvention to all NSAs)</i> |
| 1999-2000 | 1.89 | 2.9% |
| 2000-01 | 2.17 | 3.1% |
| 2001-02 | 2.03 | 2.7% |
| 2002-03 | 2.40 | 3.1% |
| 2003-04 | 2.35 | 3.3% |

- (b) All subvented sports organizations are required to follow the Code of Practice, as well as the application and accounting procedures established by the SDB. These requirements are all published in a handbook. Any organization found not following these policies and procedures will have their funding suspended until the anomaly is rectified. The system of monitoring has been inspected by the Independent Commission Against Corruption and Audit Commission and found to be satisfactory.
- (c) The Leisure and Cultural Services Department (LCSD) and the HKFA organize a series of youth football development programmes annually for youngsters aged 6 to 19. These include the Youth Football Promotion Scheme, the Junior Athletes Football Training Scheme, the Young Athletes Football Training Scheme and the District Football Teams Training Scheme. Through the provision of systematic, comprehensive and interrelated football training programmes for different age groups, talented players may gradually progress to become professional players.

In 2003-04, the LCSD has allocated \$3.54 million for the training of these youngsters. The expenses are mainly used to cover venue charges for training and competitions, enrolment of trainees, engagement of coaches and publicity.

With the various youth football training schemes well established, in order to further promote football in all 18 districts and to nurture talented youngsters, the LCSD has been working with the HKFA to set up a new division (Third Division District Team) in the Hong Kong Football League in 2002-03. The purpose is to recruit youngsters with potential aged under 22 from the abovementioned schemes and provide more training and competition opportunities for them. Expenses of these district teams are met by the respective District Councils and local resources while the LCSD provides assistance to the HKFA and the district football teams in arranging venues for training and competition. Through the concerted efforts of the LCSD, the HKFA and the District Councils, all 18 districts have participated in this year's league, as compared with 11 districts in the previous year.

As for the professional football league, the First Division Football League is organized by the HKFA and the Government does not participate in the event directly. However, the HKFA has been given priority in booking LCSD football pitches as training ground for its member clubs and for organizing its football leagues.

Impact of Implementation of Harmonization of Pre-primary Services

12. **MR WONG SING-CHI** (in Chinese): *Madam President, regarding the implementation of the harmonization of pre-primary services from the 2004-05 school year, will the Government inform this Council:*

- (a) *of the assistance to be rendered to child care bodies (CCBs) which need to undergo restructuring as a result of the implementation of the harmonization of pre-primary services, so as to ensure a smooth transition of such bodies;*
- (b) *as the authorities have indicated that the qualifications of serving and trained child care workers (CCWs) and kindergarten (KG) teachers would be recognized by the authorities upon the implementation of the harmonization of pre-primary services, without the requirement for further qualification assessment or attendance of conversion courses, of the respective numbers of*

CCWs and KG teachers whose qualifications will and will not be recognized by the authorities; and how the authorities will assist those CCWs and KG teachers whose qualifications are not recognized;

- (c) since the teacher to children ratio for CCBs serving children aged two to three will be changed from 1:14 to 1:15 to bring it in line with that for CCBs serving children aged three to six, of the estimated number of child care service workers who will consequently lose their jobs, and how the authorities will assist them; and*
- (d) whether any operators of CCBs have indicated their decision to cease operating child care services in the light of the implementation of the harmonization of pre-primary services; if so, of the number of CCBs concerned, whether the overall demand for child care services will be affected, and how the authorities plan to tackle the problems concerned?*

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

- (a) The Education and Manpower Bureau and Social Welfare Department (SWD) have jointly set up a special team to work out the details on the implementation of the harmonization of pre-primary services, such as legislation amendment, provision of subsidies to parents and operators, as well as mutual recognition arrangements with regard to the registration of serving KG teachers and child care workers, and so on, with a view to ensuring a smooth transition of the CCBs. Upon completion of its tasks, the special team will hold sessions to brief the sector on the specific arrangements as soon as practicable.

In the meantime, the special team has also held focus group discussion with representatives of the sector, to keep them informed of the progress of the harmonization exercise and gauge their views. In the days to come, the team will continue to hold focus group meetings to collect more views to ensure a smooth implementation of the harmonization of pre-primary services. In addition, the

special team has also set up a "one-stop" point for answering enquiries and rendering support for the child care bodies in need.

- (b) In the 2002-03 academic year, the numbers of serving and trained KG teachers and CCWs were 6 524 and 3 890 respectively. The authorities had undertaken that serving and trained KG teachers and CCWs would be mutually recognized by the SWD and the Education and Manpower Bureau as Registered Teachers/Qualified KG Teachers and CCWs respectively upon harmonization, without further qualification assessment or requirement of attending conversion courses. Under such arrangements, the harmonization exercise will not render the qualifications of serving and trained CCWs/KG teachers unrecognized.
- (c) With regard to KGs, the teacher to children ratio has already been improved steadily from 1:30 since the 2001-02 academic year. The 1:15 ratio as proposed in the harmonization of pre-primary services will create a greater demand for the overall number of teachers of pre-primary services. As far as child care centres are concerned, the existing teacher to children ratio of 1:14 will be changed to 1:15 following the harmonization of pre-primary services. This ratio represents the minimum requirement. Operators are at liberty to adopt a more favourable ratio.

For child care centres with 100 and 112 children on average, even though the teacher to children ratio will be changed from 1:14 to 1:15, the demand for the number of CCWs will remain to be seven and eight respectively, which is comparable with the existing manpower requirement. Therefore, there would not be any significant impact.

- (d) As far as we are aware, no child care body has indicated its decision to cease operation in the light of the implementation of the harmonization exercise, given that this is actually in line with the sector's aspirations for years. With a steady decline in our children population, there has been closure of some KGs/child care centres or reduction in their intakes over the past few years. These phenomena have no direct relationship with the harmonization exercise.

Use of Government Land Granted on Short-term Leases

13. **MR ALBERT CHAN** (in Chinese): *Madam President, I have received a number of complaints against lessees of government land on short-term leases who have not used or managed the land in accordance with the lease conditions, such as abandoning the land for prolonged periods or making unauthorized use of the land. In this connection, will the Government inform this Council of:*

- (a) the existing number of short-term leases granted;*
- (b) (i) the number of cases in which the lessee surrendered, of his own accord, the leased land to the authorities;*
 - (ii) the number of cases in which the authorities resumed land on grounds that the lessee had breached the lease conditions; and*
 - (iii) the respective numbers of warnings issued and prosecutions instituted against lessees who have made unauthorized use of the land*
- over the past three years; and*
- (c) the number of government staff responsible for monitoring the use of government land by lessees, the number of inspections of the leased land they conduct each year, and the measures in place to ensure that lessees of government land use and manage their land in accordance with the lease conditions?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese): Madam President, in response to the question raised by the Honourable Member in respect of Short Term Tenancies (STTs), my reply is as follows:

- (a) The current number of STTs is 4 358.*
- (b) Over the past three years, from October 2000 to September 2003, the relevant statistics are as follows:*

- (i) the number of STTs surrendered by the tenants is 358;
 - (ii) the number of STTs cancelled by the authority because of breaches of tenancy conditions is 80;
 - (iii) the number of warning letters issued to tenants of STTs for breaches of tenancy conditions is 3 119. There have been no prosecution cases against tenants because such action is not applicable in a landlord-tenant contract such as an STT. However, appropriate actions to enforce the tenancy conditions have been taken.
- (c) Monitoring the use of sites covered by STTs is part of the overall duties of staff in the 14 District Lands Offices (DLOs). The average number of site inspections by DLO staff relating to the STTs is 3 000 each year.

To ensure compliance of the STT conditions, DLO staff will conduct inspections to detect any breach of the tenancy conditions. Where breaches have been detected, DLO staff will issue warning letters to the tenants requiring them to rectify breaches of the STT conditions. In the event that the breaches are not rectified, appropriate enforcement actions (such as cancellation of the STTs) will be initiated.

Publicity Campaign to Promote the Features and Attractions in 18 Districts

14. **MR EMILY LAU** (in Chinese): *Madam President, in May this year, the Home Affairs Department launched a publicity campaign entitled "區區有睇頭，香港樂悠遊" to promote the features and attractions in the 18 districts throughout Hong Kong, with a view to attracting local people and tourists to visit the places promoted, and hence boosting the local community economy. However, I have noted that the information on the website specially set up for the campaign (the dedicated website) is available only in simplified and traditional Chinese but not in English, and the Announcements of Public Interest (APIs) for the campaign are produced in Cantonese only, with no Putonghua and English versions. In this connection, will the executive authorities inform this Council:*

- (a) *of the reasons for not making the information available also in English on the dedicated website and not producing Putonghua and English versions of the APIs;*
- (b) *whether they will consider making the information available also in English on the dedicated website and producing the Putonghua and English versions of the APIs; if so, when the relevant webpages and APIs will be available; if not, of the reasons for that; and*
- (c) *whether the Hong Kong Tourism Board (HKTB) will be invited to publish information about the campaign on its website or provide a hyperlink to connect to the dedicated website, and whether information leaflets for the campaign will be printed in various languages for distribution to tourists; if so, of the timeframe for such work; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, in a bid to boost the local community economy, the Home Affairs Department promotes the popular leisure spots and local features in the 18 districts in Hong Kong with a view to attracting local people and tourists through various means, including setting up websites, producing APIs and organizing other publicity activities.

A Chinese website was set up as a start since we wanted to have a website in place as soon as possible and the majority of Hong Kong people and mainland tourists are proficient in Chinese. Preparation work for an English website is near completion. It is expected to be launched within this year.

Regarding the APIs mentioned in the question, a Cantonese version was broadcast on television and on all the buses and outlying island ferries in Hong Kong between May and August this year in order to make effective use of limited resources to reach out to the greatest number of audience.

In order to further boost the local community economy, we are planning a new series of publicity programmes to promote local tourism and consumer spending. We shall also enhance the promotion of the features and attractions of the 18 districts with a view to attracting mainland tourists. The publicity programmes under consideration include APIs and television specials on tourism,

pamphlets, posters and giant banners. Depending on the target audience, the publicity materials will be broadcast or produced in languages which suit their needs. The new publicity measures are expected to be launched next year.

Our website at present provides a hyperlink to the website of the HKTB, which has also consented to provide a hyperlink to our website. The connection work is expected to be completed soon.

Outsourcing of Medical Examination Service for Disciplined Services Officers

15. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the outsourcing of the medical examination service for disciplined services officers, will the Government inform this Council of:*

- (a) the disciplined forces using the outsourced service at present;*
- (b) the amount of savings achieved from the outsourcing of such service in the past year; and*
- (c) the number of complaints lodged against the outsourced service from disciplined services officers in the past year, and the officers' overall evaluation of the service?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President, prior to September 2000, medical examinations for appointment-related purposes were conducted mainly by the Medical Examination Board (MEB) of the Department of Health. Since September 2000, the Government has outsourced such medical examination service with a view to improving the efficiency and cost-effectiveness of conducting medical examination for appointment-related purposes. Against this background, my reply to the specific questions are as follows:

- (a) At present, all the disciplined services departments use the outsourced medical examination service for disciplined staff, including the Auxiliary Police Force, for appointment-related purposes.

- (b) As the expenditure on appointment-related medical examinations in any one year hinges on the number of appointees in that year, it would be difficult to have a direct comparison of the savings achieved by the Government as a result of outsourcing the medical examination service. It should also be noted that under the outsourced arrangement, expenditure is incurred only when a medical examination is conducted whereas under the MEB service, a core group of staff needs to be maintained irrespective of the usage of the service. For general reference purpose, after the outsourcing, 15 posts in MEB have been deleted, resulting in a saving in notional annual salary cost at mid-point of around \$4.2 million. The actual expenditure incurred by all government departments in 2002-03 in using the outsourced medical examinations service is around \$2.1 million.
- (c) No complaint was lodged by disciplined services staff against the outsourced medical examination service in the financial year of 2002-03. From 1 April to 30 September 2003, three complaints were lodged by auxiliary police staff. These complaints have been referred to the relevant service providers for follow-up actions. In general, all the disciplined services departments using the outsourced medical examination service are satisfied with the performance of the service providers.

Recycled Fuel Oil Produced from Marine Polluting Waste

16. **MISS CHOY SO-YUK** (in Chinese): *Madam President, I have learnt that the marine polluting waste collected by the Tsing Yi Chemical Waste Treatment Centre (TYCWTC), if treated with the oil-water separation process and mixed with other oil products, can produce recycled fuel oil. Moreover, the Government requires that recycled fuel oil should be used only as fuel for ocean-going vessels and not for any use on land. The authorities also require that all activities relating to the supply of recycled fuel oil to ocean-going vessels should only take place in Hong Kong. In this connection, will the Government inform this Council:*

- (a) *of the respective quantities of the marine polluting waste collected by the TYCWTC and the recycled fuel oil produced therefrom in each of the past three years;*

- (b) *as marine polluting waste can produce recycled fuel oil by applying the above treatment process, of the reasons for incinerating such waste in the past;*
- (c) *of the types and mixing ratios of the oil products added;*
- (d) *of the reasons for not promoting extensively the fact that ocean-going vessels may benefit from the use of recycled fuel oil;*
- (e) *whether it knows if the recycled fuel oil has any impact on the power system of ocean-going vessels; and*
- (f) *how it ensures that recycled fuel oil will be used as fuel for ocean-going vessels only and will not be shipped out of Hong Kong and used for purposes which are not in accordance with the requirements laid down by the Hong Kong authorities?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President,

- (a) In the past three years, the quantities of marine polluting waste (Marpol waste) collected by the TYCWTC were as follows:

| | |
|------|---------------|
| 2000 | 23 500 tonnes |
| 2001 | 37 300 tonnes |
| 2002 | 27 500 tonnes |

In the past three years, the quantities of oil arising from oil water separation of the Marpol waste were as follow:

| | |
|------|---------------|
| 2000 | 7 760 tonnes |
| 2001 | 11 130 tonnes |
| 2002 | 8 400 tonnes |

- (b) Oil water separation has always been the treatment method for Marpol waste at the CWTC. Incineration is rarely used for such purpose.

- (c) The oil arising from oil water separation must be able to meet certain quality specifications before it can be mixed with Bunker C Fuel at a ratio of 9 to 1 by volume to form recycled fuel oil. The amount of Bunker C Fuel must constitute not less than 10% of the volume of the recycled fuel oil.
- (d) The contract with the operator of the CWTC allows the operator to arrange the production and sale of recycled products that are derived from the treatment of chemical waste. The recycled fuel oil is produced and sold by the CWTC operator under this arrangement. It would not be appropriate for the Government to market or promote the products produced by a private company.
- (e) Neither the Environmental Protection Department (EPD) nor the CWTC has received any adverse reports or complaints from the shipping industry in this regard.
- (f) The trading of recycled fuel oil is governed through licensing under the Waste Disposal Ordinance. The licence stipulates that recycled fuel oil is restricted for use as fuel by ocean-going vessels only and its trading must be carried out within Hong Kong. The CWTC operator is required to submit monthly transaction records (including the quantities and names of the user vessels) to the EPD. The Department would closely monitor these transactions.

Tram Drivers Collapsed While Performing Driving Duties

17. **MR LAU KONG-WAH** (in Chinese): *Madam President, two tram drivers felt unwell and collapsed on the 29th of last month and the first of this month respectively while performing driving duty. In this connection, will the Government inform this Council whether:*

- (a) *it knows the details of these two incidents;*
- (b) *it knows if the Hong Kong Tramways Limited (HKT) has recently introduced new arrangements in respect of the working hours for tram drivers; if so, whether it has assessed if the collapse of the two drivers was due to fatigue caused by the new arrangements; and*

- (c) *it has discussed with the company ways to avoid the recurrence of similar incidents, so as to safeguard passengers and other road users; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, according to information provided by the HKT, the first incident occurred at about 4.20 pm on 29 September 2003. The motorman fainted when the tram arrived at the westbound tram platform near Kornhill during the journey from Shau Kei Wan to Happy Valley. The second incident occurred at about 11.10 am on 1 October 2003. The motorman fainted while the tram was stationed at the westbound tram platform near Health Street West during the journey from Shau Kei Wan to Western Market. In both incidents, the HKT immediately sent a replacement motorman to continue the journey and tram service resumed within about 15 minutes. The motormen concerned were delivered to hospital immediately for treatment.

The HKT has confirmed with the Transport Department (TD) that it has not introduced any recent change that would increase the working hours for motormen or shorten the 30-minute rest time for meal break for each shift. According to medical advice, the two motormen fainted owing to illness rather than fatigue.

The HKT provides annual medical examination to its motormen of age 55 or above. Motormen may consult the medical doctors stationed at the HKT's office for medical services at specified hours if they do not feel well while on duty. The HKT has also provided medical insurance coverage to motormen who need to be hospitalized. The TD has reminded the HKT to advise motormen to report any illness that may affect their work to the company management and seek medical consultation accordingly. The HKT will also strengthen the deployment of inspectors to monitor the health condition of motormen when they are on duty and to provide assistance to the motormen in case of emergency. In addition, the HKT has already installed the Driver Vigilance Device on all its trams to ensure passenger safety. With this system, a tram will move only if a special button is pressed by the motorman. If the button is released, the tram will halt automatically.

Eligibility of United States Green Card Holders for Candidature in Legislative Council Elections

18. **MR ALBERT CHAN** (in Chinese): *Madam President, I have received complaints alleging that a person holding a Green Card issued by the United States Government participating in the 2000 Legislative Council Election might have contravened section 37 of the Legislative Council Ordinance (Cap. 542), which stipulates that at a Legislative Council election, except for elections regarding the 12 specified functional constituencies (the same exception applies below), a candidate must have "no right of abode in any country other than the People's Republic of China". For this matter, I have made several enquiries with the Department of Justice (D of J), asking whether holding a Green Card issued by the United States is equivalent to having the right of abode in a foreign country, thereby rendering the holder ineligible for candidature in Legislative Council elections. However, the Secretary for Justice has refused to answer my enquiry on grounds that giving legal advice to individuals is not a major function of the Department. In this connection, will the Government:*

- (a) inform this Council of the reasons other than that given above for the D of J to refuse to answer my enquiry about whether holding a United States Green Card is equivalent to having the right of abode in a foreign country, thereby rendering the holder ineligible for candidature in Legislative Council elections; and*
- (b) state unequivocally whether United States Green Card holders are defined as persons with the right of abode in a foreign country and whether they are eligible to take part in Legislative Council elections?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Chinese): Madam President, the subject of nomination of candidates for Legislative Council elections falls within the overall policy remit of the Constitutional Affairs Bureau.

As regards the nationality and right of abode requirement of a candidate standing for a Legislative Council election, the Government's policy has been clearly reflected in section 37 of the Legislative Council Ordinance. Under this provision, a candidate nominated for an election for a geographical constituency,

or for election by the Election Committee, shall be a Chinese resident who is a permanent resident of Hong Kong with no right of abode in any country other than the People's Republic of China. As for functional constituency elections, except in the case of the 12 specified constituencies^(Note), a candidate shall likewise be a Chinese citizen who is a permanent resident of Hong Kong with no right of abode in any country other than the People's Republic of China. If a candidate does not meet the above requirement, he will not be eligible to be nominated as a candidate.

To our understanding, in general, a Green Card issued by the United States Government does not grant the holder the right of abode in the country.

In general, any member of the public who has a complaint on election-related matter may lodge the complaint with the Electoral Affairs Commission (EAC) within 45 days of the date of the relevant election. Depending on the subject matter, the EAC may follow up on the complaint or it may refer the complaint to the appropriate authorities.

(Note) The 12 specified functional constituencies are:

- (a) the legal functional constituency;
- (b) the accountancy functional constituency;
- (c) the engineering functional constituency;
- (d) the architectural, surveying and planning functional constituency;
- (e) the real estate and construction functional constituency;
- (f) the tourism functional constituency;
- (g) the commercial (first) functional constituency;
- (h) the industrial (first) functional constituency;
- (i) the finance functional constituency;
- (j) the financial services functional constituency;
- (k) the import and export functional constituency; and
- (l) the insurance functional constituency.

Preventing Spread of Tuberculosis

19. **MS EMILY LAU** (in Chinese): *Madam President, at the end of last month, two students from the same secondary school were successively confirmed to have contracted open tuberculosis (TB), which is highly infectious. In this connection, will the executive authorities inform this Council:*

- (a) *whether they have taken measures promptly to enhance efforts to prevent the spread and outbreak of TB in the community; if so, of the details of such measures; if not, the reasons for that;*
- (b) *whether health education programmes on strengthening the prevention of TB will be launched in schools, homes for the elderly and other communities; if so, of the details;*
- (c) *of the measures in place to cope with the outbreak of TB in the community; and*
- (d) *whether they have conducted researches on TB and updated the information on the TB germ regularly; if so, whether the information obtained has indicated mutation of the TB germ into a new strain?*

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

- (a) The Department of Health (DH) confirmed on 9 October 2003 that two students of a secondary school in Wang Tau Hom had come down with TB. The two students were given anti-TB treatment once they were confirmed to have TB. They were also given sick leave until they were rendered non-infectious. Upon notification of these cases, we have conducted active case finding in the school and among their family members to investigate the close contacts of the two students to prevent any potential spread of the disease. As at 17 October 2003, about 160 staff and students of the school, as well as the household contacts of the patients, had chest X-ray taken to ascertain that they had not contracted the disease.

Moreover, we have stepped up educational work in the school. The DH has organized a health talk on TB prevention and control for staff, and distributed to them video compact discs and pamphlets of health advice on TB. The DH also arranged a meeting for the parents and teachers of the school to inform them of the precautionary measures they should take to prevent TB.

- (b) The DH has been providing health education on TB in schools, elderly homes and within the community on an ongoing basis. In 2002, the DH has organized over 1 000 health talks related to this subject.

The World TB Day is an annual reminder of the potential threat of TB and need for prevention and effective control. The DH maintains websites on the Internet dedicated to TB (< www.info.gov.hk/tb_chest> and < www.cheu.gov.hk> for Healthzone), TB telephone hotline and a 24-hour health education hotline to facilitate the public to access information on TB. A range of social marketing means is also utilized to publicize related messages.

- (c) TB is endemic in Hong Kong but the overall trend is declining. Each year there are about 7 000 cases of TB notified to the DH. The majority of persons infected by the TB germ will remain healthy because of natural personal immunity. When the infection is quiescent, the individual has no symptoms, nor will the person transmit the infection to others.

We have put in place a set of comprehensive measures with a multi-pronged approach consisting of surveillance, prevention, case finding and contact tracing as well as effective treatment to prevent upsurge of TB cases in the community. BCG (Bacilli Calmette-Guerin) vaccination is given to around 99% of newborn babies. The vaccine is also recommended for children under the age of 15 who have never received it before.

On disease notification and surveillance, TB is a notifiable disease under the Quarantine and Prevention of Disease Ordinance (Cap. 141). A medical practitioner who makes a diagnosis of TB is required to notify the case to the Director of Health. DH staff will trace close contacts of TB patients for assessment and early treatment to contain the spread of the infection. The DH runs TB and Chest clinics throughout the territory to provide free medical treatment and assessment. Directly observed anti-TB treatment is highly effective in curing the disease. The Hospital Authority also provides hospital services for TB patients.

In case of a TB outbreak in the community, the above control measures will be intensified to control the source of infection and interrupt its spread. The regimen of surveillance, case-finding contact tracing and supervised treatment has been effective in controlling outbreak of TB in the community.

- (d) The DH maintains a strong surveillance system for tracking TB epidemiology in Hong Kong and assessing its changing trend. The DH and collaborating parties also undertake continuous research on TB. The DH's Tuberculosis Reference Laboratory supports the Department's TB and Chest Service in providing a range of laboratory services for the clinical management of TB and organizing and participating in TB surveillance and epidemiological studies. In collaboration with the TB and Chest Service, the Laboratory is actively involved in a number of TB clinical trials, as well as epidemiological studies. We have been monitoring the prevalence of multi-drug resistance of TB strains, which has caused concern in the effective treatment of TB, and have found the prevalence of those strains to be declining from the surveillance data in recent years.

CEPA

20. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, the Government of Hong Kong Special Administrative Region (SAR) has reached an agreement with the Central People's Government on the implementation details of "Mainland/Hong Kong Closer Economic Partnership Arrangement" (CEPA). In this connection, will the Government inform this Council:*

- (a) *regarding trading of goods, of the sectors whose manufacturers are expected to be attracted by CEPA to conduct their manufacturing in Hong Kong, with a breakdown by sectors of the posts to be created by such manufacturers;*
- (b) *regarding trading of services, of the number of overseas organizations expected to be attracted by CEPA to set up companies in Hong Kong, as well as the number of posts to be created accordingly;*

- (c) *whether it has formulated measures to encourage and help Hong Kong businessmen to develop the domestic market of the Mainland; if so, of the details; if not, the reasons for that; and*
- (d) *of the measures to expedite the work of assessing the eligibility of enterprises under the definition of "Hong Kong service suppliers"?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): Madam President, the conclusion and implementation of CEPA will bring about many opportunities to Hong Kong business, trade and service sectors, and greatly enhance economic co-operation and integration between the Mainland and Hong Kong. Preferential access opportunities for Hong Kong products and services under CEPA will benefit our services sectors in their expansion into the mainland market, and open new opportunities for businesses. We therefore anticipate that CEPA will help promote Hong Kong's traditional and emerging industries, facilitate our economic restructuring and create employment opportunities.

- (a) On trade in goods, the zero import tariff preference will render Hong Kong products more competitive in terms of price *vis-a-vis* those produced by other economies when entering the mainland market. We believe that this preference will attract to Hong Kong manufacturing of brand name products, or manufacturing processes with high value-added content or substantial intellectual property input, thereby promoting the restructuring and diversification of industries in Hong Kong towards high value-added and high technology. Many of the 273 products currently attract high tariffs. Some specific examples are: articles of jewellery (35%), micromotor for toys (24.5%) and clocks and watches (23%). Though the Mainland has committed to lowering tariff rates in its World Trade Organization (WTO) accession protocol, the committed final bound tariff rates (that is, after full implementation of its WTO commitments) for some products within the 273 codes will remain at a high level (tariffs for some products remain as high as 35%). Zero tariff preference under CEPA will make these Hong Kong products more competitive *vis-a-vis* those produced elsewhere. The tariff preference will at the same time increase the incentive to manufacture these products in Hong Kong. We

believe that the sectors concerned are more likely to set up new manufacturing plants in Hong Kong, or increase the manufacturing processes here, and thereby creating more jobs. Separately, according to trade statistics, the 273 items covered in the first phase include many product types in which Hong Kong traded substantively with the Mainland, such as textiles and clothing (HK\$16.7 billion), electrical and electronic products (HK\$2.4 billion), optical and photographic articles (HK\$1.2 billion), plastic articles and paper articles (HK\$4.5 billion). We believe that these sectors also have high potential for production expansion and increasing exports to the Mainland, and thereby, bring about employment opportunities.

As for the specific number of posts that would be created as a result of CEPA, it depends on how the trade in Hong Kong and overseas would like to leverage on the CEPA benefits to gain greater market access in the mainland market as well as on the business development strategy of individual enterprises. This will determine the scale of CEPA-induced business activities, the direct and indirect economic spin-offs, as well as employment opportunities for Hong Kong. The Government believes that the implementation of CEPA will have a very positive impact on Hong Kong economy. However, since the zero tariff arrangement will only be effective from 1 January 2004, we believe that an assessment of its practical effect could only be conducted after CEPA has been implemented for some time.

- (b) On trade in services, the WTO-plus market liberalization measures in the 18 services sectors would give Hong Kong service suppliers a "first mover" advantage. At the same time, CEPA provides a new platform for businesses in Hong Kong as well as foreign investors to tap the mainland market. Under CEPA, objective and transparent criteria are laid down on what constitutes a Hong Kong service supplier. A service supplier incorporated or established under the laws of the SAR and has substantive business operations here can enjoy CEPA treatment, regardless of the origin of its capital. In addition to setting up a company in Hong Kong, overseas companies and investors can choose to co-operate with business partners in Hong Kong through various routes and means to expand into the

mainland market. They may also merge with or acquire an existing Hong Kong company. All these business and investment activities will inject new impetus to Hong Kong's economy and enhance local employment opportunities.

As a matter of fact, Hong Kong's excellent business environment, simple and low tax regime, cosmopolitan lifestyle, superb geographical location, free economy, rule of law, skilled workforce with international vision, world-class infrastructure as well as efficient and clean government are factors attracting many overseas multinational corporations to set up their regional headquarters or offices in Hong Kong. According to figures just released by Invest Hong Kong, as at June 2003, the number of regional headquarters reached another all-time high (nearly 1 000) and there was also an increase of regional and local offices registered (exceeding 2 200). It is anticipated that the implementation of CEPA will attract even more overseas companies to invest and expand their business in Hong Kong. This will further enhance the position of Hong Kong as a centre of logistics, information, financial services and trade in China and the Asia Pacific Region, facilitate the co-operative relationships between the Mainland and Hong Kong in various aspects of manufacturing and provision of services, as well as promote quality one-stop service; and thereby create more employment opportunities.

As for the number of posts created in the services sectors, it depends on how the trade in Hong Kong and overseas would like to leverage on the CEPA benefits to gain greater market access in the mainland market as well as on the business development strategy of individual enterprises. This will determine the scale of CEPA-induced business activities, the direct and indirect economic spin-offs, as well as employment opportunities for Hong Kong. The Government believes that the implementation of CEPA will have a very positive impact on Hong Kong economy. However, since the majority of the preferences under services trade will only be effective from 1 January 2004, we believe that an assessment of the practical effect could only be conducted after CEPA has been implemented for some time.

- (c) The Government has been encouraging and helping Hong Kong businessmen to develop the mainland market. The Commerce, Industry and Technology Bureau, Trade and Industry Department (TID), Office of the SAR Government in Beijing, Guangdong Economic and Trade Office (GDETO), and the Hong Kong Trade Development Council (TDC) will, at the governmental and enterprises levels, continue to actively collect information on mainland trade and economic laws and regulations, as well as business and commercial news. The latest information will be disseminated to Hong Kong businesses through websites, GDETO Newsletter, the TID's Commercial Information Circulars, as well as the TDC's website, research reports and newsletters. The information will help Hong Kong traders fully grasp the latest policies and commercial developments in the Mainland when formulating their business strategies. At the same time, through large-scale promotion activities, seminars and visits, we will encourage exchanges and liaison between businesses and trade associations in Hong Kong and relevant mainland authorities, which will be conducive to establishing linkage and enhancing understanding of relevant policies and regulations, as well as to expanding business co-operation opportunities.

As regards domestic sales in the mainland market, the Government notes that there are areas in the mainland laws and regulations which the trade may wish to seek clarification, such as the scope of liberalization, application procedures as well as the approving authorities in different provinces and cities. We have already conveyed questions raised by the trade to the mainland authorities in detail; and relevant Policy Bureaux and departments are also liaising with their mainland counterparts with a view to seeking answers to these queries as soon as possible. Moreover, we are proposing to the Mainland to set up designated enquiry points and one-stop service counters for individual service sectors, including distribution, in responsible ministries and departments to answer questions Hong Kong companies may have in relation to doing business in the Mainland, as well as to facilitate relevant applications.

- (d) The TID has already set up a designated CEPA Branch to provide one-stop Hong Kong Service Supplier (HKSS) certification services

for all the 18 service sectors. Application for HKSS certificates has been open to the telecommunications sector since 2 October. Relevant application procedures, application forms, supporting documents to be submitted, as well as other related information have been released to the trade through the TID's Notice to Service Suppliers. The same information has also been uploaded to the TID's website. Under normal circumstances, the TID will complete the processing of an application within 14 clear working days from the date of receipt of the duly completed application form accompanied by the statutory declaration and all necessary supporting documents. The Government encourages all applicants to read thoroughly relevant notices issued by the TID, and to gather all necessary documents before making the application, with a view to expediting the verification process. Moreover, the TID has also set up an enquiry hotline for questions relating to the application of HKSS certificate.

BILLS

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Import and Export (Facilitation) Bill 2003.

IMPORT AND EXPORT (FACILITATION) BILL 2003

Resumption of debate on Second Reading which was moved on 25 June 2003

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

MR KENNETH TING (in Cantonese): Madam President, today, I am going to put forth the Liberal Party's views of the Import and Export (Facilitation) Bill 2003 (the Bill). We support the passage of the Bill.

Hong Kong is one of the major free ports in the world, so it is critical that we have a convenient, efficient and effective processing mechanism for imports

and exports. I have to point out that, in comparison with our competitors in the Pearl River Delta, the charges for import and export services in Hong Kong are on the high side. Take Yantian Port in Shenzhen as an example, the handling charges of a 20-foot container is only HK\$1,600, but it costs \$3,000 in Hong Kong. As for a 40-foot container, which our competitors charge only \$2,100, we are charging \$4,000, the difference being about double in amount. We must therefore establish our competitive edge on other fronts, such as quality of service and efficiency, in order to maintain our status as the freight hub of South China.

Take port transport as an example. Actually, figures show that the throughput of the Shenzhen port in terms of container turnover last year increased by 39%, a growth rate far exceeding that of Hong Kong. We can see that in the last couple of years, cargo traffic growth in the Mainland was answered by a drop in Hong Kong. Hong Kong's status as the freight hub is being challenged.

In recent years, with the co-ordination of the Hong Kong/Guangdong Co-operation Joint Conference, the efficiency of cargo import and export between Hong Kong and the Mainland has been raised, which is commendable indeed. However, we think that in addition to strengthening its co-operation and co-ordination with Guangdong Province, the Government of the Hong Kong Special Administrative Region (SAR) should work harder to further enhance Hong Kong's competitiveness in this aspect.

For this reason, I think that it is wise of the authorities to review the existing ordinances with a view to partially or wholly removing the series of control on the permits for import and export or transshipment, or replacing it with a notification system. This can simplify the handling procedures for import and export or transshipment of cargoes, and shorten the lead time for clearance. Moreover, since the duration for which cargoes have to be stored in Hong Kong will also be shortened, the cost of transportation can be reduced and our competitiveness be enhanced accordingly. Such measures employed by the authorities actively to lower the operational cost and improve the business environment have all along commanded the support of the Liberal Party.

Certainly, we have no objection to the maintenance of a certain degree of control on some specific goods, such as radioactive substances, dangerous drugs and strategic commodities, for these types of goods do pose considerable threat

to public safety and public health. Hong Kong, as a metropolitan city, has the responsibility to honour its international obligations by handling the import and export of these materials with due care to ensure public safety.

Madam President, I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Secretary for Commerce, Industry and Technology, do you wish to reply?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY:
Madam President, I would like to thank Members for their support to the Import and Export (Facilitation) Bill 2003, enabling the resumption of the Second Reading debate to take place in such a short time.

I would also like to thank the Honourable Kenneth TING for his valuable suggestions to facilitate trade between Hong Kong and the Pearl River Delta, and to improve the business environment of Hong Kong.

The purpose of the Import and Export (Facilitation) Bill 2003 is to further facilitate trade and to reduce the cost of compliance to business. The Bill seeks to simplify or remove the licensing control on nine categories of articles, namely, television sets, video cassette recorders and video cassette players; air conditioners and refrigerators; poultry carcasses and poultry products; ozone depleting substances; left-hand-drive vehicles; outboard engines exceeding 111.9 kW; marine fish; optical disc mastering and replication equipment; and radio-communications transmitting apparatus. These relaxation measures were made after careful consideration and wide consultation, and they are welcomed by the trade.

Upon passage of the Bill by the Legislative Council, we will publish the commencement date of the Ordinance in the Gazette to enable early

implementation of the relaxation measures so that the business sector can benefit from the proposed relaxation measures as soon as possible.

Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Import and Export (Facilitation) 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): Import and Export (Facilitation) Bill 2003.

Council went into Committee.

Committee Stage

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

IMPORT AND EXPORT (FACILITATION) BILL 2003

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Import and Export (Facilitation) Bill 2003.

CLERK (in Cantonese): Clauses 1 to 6.

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 to 5.

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.

IMPORT AND EXPORT (FACILITATION) BILL 2003

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY:

Madam President, the

Import and Export (Facilitation) Bill 2003

has passed through Committee without amendment. 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 Import and Export (Facilitation) 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): Import and Export (Facilitation) Bill 2003.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the District Court Ordinance.

PROPOSED RESOLUTION UNDER THE DISTRICT COURT ORDINANCE

CHIEF SECRETARY FOR ADMINISTRATION: Madam President, I move the motion standing in my name on the Agenda.

The purpose of the motion is to raise the financial limits of the civil jurisdiction of the District Court from \$600,000 to \$1 million.

The civil jurisdictional limits of the District Court were last increased from \$120,000 to \$600,000 in September 2000. At that time, the Administration indicated its intention to further increase the limits to \$1 million in two years' time, subject, of course, to the outcome of a review to be conducted by the Judiciary.

The Judiciary has now completed its review. The review shows that following the last revision of the jurisdictional limits, the costs of litigation in the District Court are about one third lower than those in the High Court. Consequently, it will reduce the financial burden on court users if civil cases involving smaller claims may be heard in the District Court. The review also indicates that the new caseload for the District Court arising from the proposed increase in the jurisdictional limits should be manageable. There is also an adequate pool of judges with extensive civil experience to cope with the additional caseload arising from the proposed new limits of the District Court.

The Judiciary has accordingly proposed that the financial limits of the District Court should be increased from \$600,000 to \$1 million, in respect of general civil cases and equity cases where land is not involved. It has consulted the two legal professional bodies, the Civil Court Users' Committee and the Panel on Administration of Justice and Legal Services of the Legislative Council. All of them are content with this proposal.

Having considered the outcome of the Judiciary's review, the Administration now proposes that, with effect from 1 December this year, the financial limits of the civil jurisdiction of the District Court should be increased from \$600,000 to \$1 million, in respect of general civil cases and equity jurisdiction where land is not involved.

I invite Members to support this motion.

The Chief Secretary for Administration moved the following motion:

"That with effect from 1 December 2003, the District Court Ordinance (Cap. 336) be amended in the provisions specified below by repealing "\$600,000" wherever it appears and substituting "\$1,000,000" -

- (a) section 32(1) and (3);
- (b) section 33(1)(b);
- (c) section 37(2)(i), (ii) and (iv); and
- (d) section 52(1)(a) and (d)."

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

Does any Member wish to speak?

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Proposed resolution under the Mutual Legal Assistance in Criminal Matters Ordinance to approve the Mutual Legal Assistance in Criminal Matters (Netherlands) Order.

PROPOSED RESOLUTION UNDER THE MUTUAL LEGAL ASSISTANCE IN CRIMINAL MATTERS ORDINANCE

SECRETARY FOR SECURITY (in Cantonese): Madam President, I move that the resolution to make the Mutual Legal Assistance in Criminal Matters (Netherlands) Order (the Order) be passed by this Council.

The Hong Kong Special Administrative Region is fully committed to international co-operation in combating serious crimes. In this connection, we have embarked on a programme to establish a network of bilateral agreements with other jurisdictions on mutual legal assistance in criminal matters. These agreements ensure reciprocity between the contracting parties and enhance international co-operation in the fight against transnational crime. Including the Netherlands, Hong Kong has signed agreements on mutual legal assistance in criminal matters with 15 jurisdictions.

The Mutual Legal Assistance in Criminal Matters Ordinance (Cap. 525) provides the necessary statutory framework for implementing the mutual legal assistance arrangements and enables provision of assistance in the investigation and prosecution of criminal offences, which includes the taking of evidence, search and seizure, production of material, transfer of persons to give evidence and confiscation of the proceeds of crime.

Pursuant to section 4(2) of the Ordinance, the Chief Executive in Council has made the Order to implement the bilateral arrangement for mutual legal

assistance in criminal matters with the Netherlands. The Order is introduced to this Council for approval today.

The Order specifies the scope and procedures in relation to the provision of assistance. It also provides for safeguards of the rights of persons involved in criminal proceedings. The Order is substantially in conformity with the provisions in the Ordinance. However, as mutual legal assistance practices vary from jurisdiction to jurisdiction, it is necessary to modify some of the provisions of the Ordinance to reflect the practice of the particular negotiating partner. These are necessary to enable Hong Kong to comply with its obligations in the particular agreement. The modifications made to the Ordinance for the implementation of the Agreement with the Netherlands are summarized in Schedule 3 to the Order.

A subcommittee was set up by the Legislative Council to scrutinize the Order in March 2003. The Subcommittee met twice. At the meetings, the Subcommittee examined specific articles under the Order. I would like to thank the Chairman, the Honourable James TO, and other members of the Subcommittee for their careful examination of the Order and their support to our submission of the Order to the Legislative Council for approval.

I would like to inform Members that we have made two amendments to the Order subsequent to the completion of the scrutiny of the Subcommittee. The first amendment concerns Article 14(5) of the Agreement. During its scrutiny, the Subcommittee noted that there was a translation error in the Chinese text of this Article. The essence of it is that the references to the "Requested party" and "Requesting party" in this subclause have been reversed. The Subcommittee has asked the Administration to rectify this error before the Order is submitted to the Legislative Council for approval. Pursuant to the Subcommittee's request, we have subsequently discussed with the Dutch authorities on the matter and the error has already been rectified by way of an exchange of diplomatic notes between the two sides. This amendment to the Agreement is recorded in Schedule 2 to the Order.

The second amendment relates to the territorial application of the Agreement. Article 22 of the Agreement stipulates that the Agreement may be extended to the dependent areas of the Kingdom of the Netherlands, that is, the Netherlands Antilles and Aruba, upon the request of the Kingdom of the Netherlands. The Dutch authorities have, pursuant to that Article, written in to

request that the Agreement be extended to those areas. In response to this request, we have revised the Order by stating clearly in section 2 of it that the Kingdom of the Netherlands includes the Netherlands Antilles and Aruba.

To strengthen our co-operation with other jurisdictions in criminal justice and international law enforcement, it is necessary that the Order is made to enable the relevant bilateral agreement to be brought into force.

I now invite Members to approve the making of the Mutual Legal Assistance in Criminal Matters (Netherlands) Order.

Thank you, Madam President.

The Secretary for Security moved the following motion:

"That the Mutual Legal Assistance in Criminal Matters (Netherlands) Order, made by the Chief Executive in Council on 7 October 2003, be approved."

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

MR JAMES TO: Madam President, in my capacity as Chairman of the Subcommittee on the Mutual Legal Assistance in Criminal Matters (Ireland) Order and the Mutual Legal Assistance in Criminal Matters (Netherlands) Order, I wish to report on the Subcommittee's deliberations on the Netherlands Order.

The Subcommittee has examined the Netherlands Order and compared its provisions with the model agreement on mutual legal assistance in criminal matters. While the Subcommittee has no objection to the substance of the Order, members have sought clarification on certain provisions in the bilateral agreement signed with the Netherlands.

The Subcommittee has noted that the Order does not include a provision to cover the situation of refusal of assistance if the request relates to an offence carrying death penalty in the Requesting Party.

The Administration has explained that the Dutch authorities do not favour the inclusion of this provision because death penalty has been abolished in both the Netherlands and Hong Kong. The Administration has, however, agreed with the Netherlands that "essential interest" referred to in Article 4(c) of the Agreement can be used as the ground to refuse assistance for death penalty offences, should death penalty be reintroduced by either Party and assistance requested for a death penalty offence.

The Subcommittee has also sought clarification on the procedure to be adopted in case there is dispute over the claim of immunity by a witness.

The Administration has clarified that the opinion of the legal representative provided by the Dutch authorities will, consistent with Article 10(5) of the Agreement, be admissible in evidence to enable a Magistrate to rule on an immunity claim by a witness. If there is a dispute over the claim, the Magistrate has the discretion to decide whether a separate document procedure should be adopted to deal with that part of the evidence under dispute. The Administration has also advised that the Magistrate's decision on the claim is judicially reviewable.

The Subcommittee has noted that the Chinese translation of the "Requesting Party" and "Requested Party" in Article 14(5) has been reversed. The Administration has undertaken to rectify the translation error by way of an exchange of notes with the Dutch authorities. In the Netherlands Order now under consideration, the translation error has been rectified.

As regards the extension of application of the Agreement to the Netherlands Antilles and Aruba, this is already provided under Article 22 of the Agreement which stipulates that the Agreement may be extended to those areas upon the request of the Netherlands.

With the Administration's explanation, the Subcommittee considers the Netherlands Order acceptable.

Madam President, with these remarks, the Subcommittee supports the resolution to make the Mutual Legal Assistance in Criminal Matters (Netherlands) Order.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Secretary for Security, do you need to reply?

SECRETARY FOR SECURITY (in Cantonese): No, Madam President.

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

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Appointment of a select committee.

APPOINTMENT OF A SELECT COMMITTEE

DR LAW CHI-KWONG (in Cantonese): Madam President, in my capacity as Chairman of the Subcommittee to prepare for the appointment of a select committee, I move the motion as printed on the Agenda.

Madam President, from March to June this year, there was an outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong. Some 1 700 people were infected, and 299 of them died unfortunately. Health care workers were among those infected persons or deceased. Besides, the World Health Organization also issued a travel advisory against Hong Kong, scaring tourists away and plunging local trades and industries into a recession. The epidemic has dealt severe blows to our society, economy and people's livelihood.

The Panel on Health Services recommended at the House Committee meeting on 30 May that a select committee be set up by the Legislative Council to inquire into the handling of the SARS outbreak by the Government and the Hospital Authority (HA) and also to conduct a full review on the whole incident. Meanwhile, on 28 May, the Government also announced the establishment of an Expert Committee chaired by the Secretary for Health, Welfare and Food to review the fight against SARS.

Some Members were at the time dissatisfied that the terms of reference of the Expert Committee were confined to a review of the work on combating the epidemic instead of dealing with the question of culpability. Some Members were also of the view that it was inappropriate for the Secretary for Health, Welfare and Food to chair the Expert Committee because he was not only the chief decision-maker in the handling of the epidemic but also the main architect of the HA. So, these Members thought that placing the Secretary at the helm of the Expert Committee would be tantamount to asking him to conduct "an inquiry into himself", thus affecting the credibility of the Committee. These Members all maintained that the Legislative Council should conduct an independent inquiry into the handling of SARS immediately, so as to ascertain who should be held accountable.

However, at the House Committee meeting on 30 May, some Members argued that since there might be another outbreak of the epidemic in winter, the most important task should be to allow the government officials concerned, the senior management of the HA and health care workers to make good preparations to prevent a resurgence of the epidemic. So, they maintained that if the Legislative Council also conducted an inquiry at the same time, the work of combating the epidemic might be affected because the people concerned would have to bear the extra burden of having to give evidence before two committees.

In the end, the House Committee passed a motion, requesting the Government to set up an independent commission of inquiry before October this year to find out the truth and ascertain who should be held responsible. It was decided that if the Government did not accede to the request, the House Committee might consider recommending the Legislative Council to set up a select committee. Regarding this request, as early as 2 June, when the Chief Secretary for Administration met with the former House Committee Chairman, he already said that the Government would not set up any independent commission of inquiry. Later on, the former House Committee Chairman wrote to the Chief Executive on this matter, and the latter made no undertaking on the setting up of an independent commission of inquiry in his reply.

Madam President, the Expert Committee published its report on 2 October. It concludes that it "has not found any individual deemed to be culpable of negligence, lack of diligence or maladministration." At the House Committee meeting on 10 October, the Panel on Health Services once again recommended to establish a select committee by virtue of the powers conferred by the Legislative Council (Powers and Privileges) Ordinance to inquire into the handling of the epidemic by the Government and the HA. Members unanimously agreed to the recommendation. Basically, Members were of the view that the report of the Expert Committee could not answer the aspiration of society, because the experts had only focused on drawing lessons from past mistakes. The people were generally disappointed at the Expert Committee's conclusion that no one should be held responsible. For this reason, Members maintained that the Legislative Council was obligated to conduct an independent inquiry, so that public hearings on the handling of the epidemic by the Government and the HA could be held to examine the performance of the Government and officers at "policy-making and management levels" of the HA and also to ascertain their culpability.

At the House Committee meeting on that day, Members set up a Subcommittee on preparing for the appointment of a select committee. Then on 17 October, the Subcommittee submitted its report to the House Committee on the terms of reference, approach and composition of the select committee.

Madam President, Members have reached a general consensus on the establishment of the select committee. They are of the view that the proposed terms of reference are appropriate, and that the select committee should be endowed with flexibility, so that it can decide on its own the areas of concern to

be investigated. Members also agree that the proposed terms of reference are not intended to include any examination of treatment protocols adopted in treating SARS patients, and that it would not be the function of the proposed select committee to adjudicate on the legal liability of any individual or party summoned to give evidence.

I must point out that Members do hold divergent views on whether the terms of reference should specify that the aim is to examine the performance and accountability of "senior" government and HA officers or their officers at "policy-making and management levels" in the handling of the epidemic. This point was deliberated in detail at the relevant meetings of the Subcommittee and the House Committee.

Some Members are of the view that the terms of reference of the select committee should not make any reference to "senior" officers or officers "at policy-making and management levels", lest this may convey a wrong message to the public that the select committee has a predetermined view from the outset that senior officers of the Government and the HA are culpable in their handling of the epidemic outbreak. Besides, these Members also maintain that the terms of reference as they are worded already imply that since "senior" officers or officers "at policy-making and management levels" will also be the focus of investigation, and also since the question of culpability will thus be directed more to senior officers than to junior ones, it should be unnecessary to make any reference to these officers.

But other Members argue that since the focus of the inquiry is the "senior" officers or officers "at policy-making and management levels" of the Government and the HA, instead of the performance of all officers, a reference to these officers in the terms of reference will make the inquiry more focused. Some Members also point out that the select committee's terms of reference should reflect its focus more clearly, lest the public may cherish overly high expectations about the scope of inquiry. Some other Members also fear that deleting the reference to "senior" officers or officers "at policy-making and management levels" may induce anxiety among all employees of the Government and the HA.

In the end, at the House Committee meeting on 17 October, a resolution with 20 votes in favour, 14 votes against and two abstentions was passed to add "officers at policy-making and management levels" to the terms of reference.

Madam President, the House Committee also agreed that the select committee should design its own approach and procedures having regard to the approaches and procedures adopted by other select committees in the past. As for the membership size of the select committee, Members are of the view that it should not exceed 15. Members also agreed that if the motion today is passed, the House Committee shall, at its meeting to be held the day after tomorrow, that is, 31 October, make nominations for appointment by the President.

Madam President, the Legislative Council is vested with the constitutional duty of monitoring the performance of the executive. All the select committees of the Legislative Council in the past were able to complete their tasks satisfactorily and effectively. I am convinced that if the motion today is passed, the select committee will definitely adhere to its terms of reference and conduct its inquiry with a highly responsible attitude and under the principle of fairness, impartiality and openness. It will also submit its report to the Legislative Council after the completion of its task.

Madam President, in the following part of my speech, I shall express my personal opinions about the motion and reflect some of the views held by the Democratic Party. During the Chief Executive's Question and Answer Session on 15 May, Mr SIN Chung-kai asked a question on behalf of the Democratic Party, requesting the Chief Executive to set up an independent commission of inquiry. But the request was rejected by the Chief Executive. Therefore, at the House Committee meeting on 30 May, the Democratic Party supported the establishment of a select committee by the Legislative Council. However, many Members said at that time that the Government should first be requested to establish an independent commission of inquiry, and that the idea of establishing a select committee under the Legislative Council should be considered only if the request is turned down by the Chief Executive. The Democratic Party accepted this arrangement.

The report published on 2 October by the Expert Committee appointed by the Government was followed by widespread discontent in society about its handling of culpability. Had the Chief Executive been willing to respond to public opinions by immediately announcing the establishment of an independent commission of inquiry, I believe he might have been able to restore the faith of some people. Unfortunately, the Chief Executive did not do so. More than 1 000 people were infected by SARS, and 299 people died as a result. Thousands of families were directly affected. And, also because of the months

of recession caused by the epidemic, all Hong Kong people have been impacted to varying degrees. Since the Government has repeatedly refused to establish an independent commission of inquiry, we Legislative Council Members are obligated to ascertain who should be held accountable.

With these remarks, I beg to move.

Dr LAW Chi-kwong moved the following motion:

"That this Council appoints a select committee to inquire into the handling of the Severe Acute Respiratory Syndrome outbreak by the Government and the Hospital Authority in order to examine the performance and accountability of the Government and the Hospital Authority and their officers at policy-making and management levels in that regard; and that in the performance of its duties the committee be authorized under section 9(2) of the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to exercise the powers conferred by section 9(1) of that Ordinance."

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

MR KENNETH TING (in Cantonese): Madam President, SARS has definitely dealt very heavy blows to Hong Kong. Besides claiming 300 valuable lives, it also infected some 1 700 people and produced immense impacts on our life and economy. Therefore, even after the release of the report compiled by the government-appointed Expert Committee, many in society still have queries about the issue of culpability in the SARS outbreak. Some even hope that someone can be held responsible. The Liberal Party thinks that this is understandable.

As a matter of fact, the Liberal Party has always said that it will positively consider the establishment of a select committee by the Legislative Council. At the same time, we realize that society does have certain expectations, which is why at the House Committee meeting on 10 October, we voted for the appointment of a select committee by the Legislative Council, so as to ascertain the truth and culpability.

As I have pointed out, the Liberal Party supports the establishment of a select committee by the Legislative Council, but I still wish to comment on the wording of the motion. Since the wording of the motion has been endorsed by the House Committee, the Liberal Party certainly respects it. But the expression "policy-making and management levels" in the motion does rouse our worry that the scope of inquiry and objective of the select committee may thus be limited. The Liberal Party maintains that the select committee should exert its utmost to ensure fairness and a comprehensive inquiry, so as to find out the real circumstances surrounding the case, and ascertain the truth and establish accountability. Admittedly, since SARS is such a serious incident, the management must be held responsible to a certain extent, and it is only understandable that the public may think that people at management levels should be held accountable, but the Liberal Party at the same time maintains that if we really wish to find out the truth, we should not limit our scope of investigation targets. This is the only way to ensure that the inquiry is comprehensive enough.

Therefore, during the initial discussion on the wording of the motion, the Liberal Party supported the idea that the targets of investigation should be defined more broadly as "officers of the Government and the HA" instead of being confined to any specific levels or people. But out of our respect for the House Committee, the Liberal Party will still support the motion today. But it also hopes that Members can still pay heed to this point.

Besides, at the beginning, the Liberal Party said that if the Government could establish an independent commission of inquiry, then for the sake of effective resource deployment, the Liberal Party would render its support. However, since the Government is not going to do so, the Liberal Party can only support the appointment of a select committee by the Legislative Council.

The World Health Organization has issued a warning that SARS may emerge again in winter. For this reason, the Liberal Party has also expressed its worries, in the hope that the select committee may have enough time to make preparations, and that all hearings can be deferred to the beginning of next year, lest health care workers may be hindered in their fight against SARS. In this connection, the Liberal Party maintains that even if the inquiry of the select committee is to commence immediately, Members can still take realistic circumstances into account and accord priority to refraining from hindering health care workers' fight against SARS.

In addition, the Legislative Council election next year has led to various speculations in society, thus politicizing the work of the select committee. This gives the Liberal Party an added reason for hoping that the select committee can conduct its inquiry and hearings seriously and prudently, clinging to impartiality and objectivity in the process, so as to make sure that they can face their own conscience, the victims and their families with no qualms.

Finally, I believe Members all know that the work of the select committee will be heavy, tedious and protracted. As a result, we must advise Members that once they have decided to join the select committee, they should remain dedicated throughout; they must not be absent frequently or simply disappear altogether, because that will affect the work progress of the select committee.

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

MISS CHAN YUEN-HAN (in Cantonese): Madam President, from March to June this year, SARS infected 1 755 people in Hong Kong, and 299 of them died as a result. A total of eight health care workers died in harness unfortunately.

Since the outbreak of the incident, members of the public already started to demand an inquiry into the whole incident. Although we knew that this virus was new to us, that we were acutely short of experience at many stages in the course of the incident, we nonetheless thought that something must have gone wrong with the Government, the Hospital Authority (HA) or the relevant government departments. That was why the people had all along strongly demanded the conduct of an independent investigation and review of the SARS outbreak, saying that this was necessary, and the Government eventually appointed an Expert Committee to conduct an investigation.

Unfortunately, perhaps constrained by the terms of reference, the investigation report only stressed that overall, the epidemic in Hong Kong had been handled well, although there were clearly significant shortcomings of system performance during the early phase, and that the Expert Committee has not found any individual deemed to culpable of negligence, lack of diligence or maladministration. The report received strong reactions from the people after its release, and even the SARS Review Committee set up by the HA itself also

did not deal with the question of culpability owing to the constraints imposed by its terms of reference. The situation as such, we in the Federation of Trade Unions and the Democratic Alliance for Betterment of Hong Kong are of the view that the people would very much want the Legislative Council to set up an independent inquiry committee. For this reason, we support the establishment of such a committee.

I also hope that through an inquiry into the incident, we can identify the problems. We of course do not wish to see a resurgence of SARS, and this is a positive way of looking at such an inquiry, but I must also say that it will be equally positive for Hong Kong if our efforts can identify the problems and find out why they occurred and who should be held responsible. Besides, I also think that the entire community, especially SARS patients and the families of the deceased are very much discontented with the situation.

Madam President, earlier today, I saw on television that a family member of a deceased SARS patient had been granted legal aid to instigate legal actions. When I was watching the news on television, I could also feel the grievances of the deceased's surviving family member. He simply did not understand why his family member should have died. I think this is precisely the most important reason for us to set up a select committee.

Madam President, although our inquiry will have to be conducted against a very tight schedule, I still think that with all the experience we have, the select committee formed by us will certainly be able to complete its task within the limited time available.

Regarding the wording of the motion, we may well have different views. But I do not think that these differences will involve any fundamental principles. Nor do we think that any specific senior officers should be made the targets. We do not think that it is necessary to do so. But we also think that it is fine to focus on officers at policy-making and management levels, because there must be some targets of investigation after all. But I must still say that this does not involve any fundamental principle. That is why we will support the motion today. Thank you, Madam President. I so submit.

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

DR LO WING-LOK (in Cantonese): Madam President, a question is frequently discussed in the community and that is: Two committees comprised of experts and independents respectively have already done reviews and made many recommendations, why must the Legislative Council still insist on setting up a select committee to conduct another inquiry? Perhaps I can share with Members the roles and work achievements of the two expert committees on which I have studied. I will also talk about why I feel that it is necessary for the Legislative Council to set up this select committee.

The Government appointed a committee comprised of 11 experts. It spent several months to complete a review report in which there are 46 recommendations. I find that these 46 recommendations are worthy of support indeed, and the details should be further studied and implemented.

In the review conducted by this committee of 11 experts, the perspective used is one of peer review among doctors. In other words, most of the members of this review committee are doctors, and it is for doctors to make a judgement on the work done by doctors. We are used to looking at a matter from the point of view of peer doctors, to see what we would have done if we were in their shoes.

As a doctor myself and looking at this matter from the perspectives of public health and medical treatment, I find this approach acceptable. Therefore, insofar as the 46 recommendations made by the professionals are concerned, not only will I recommend them to the community, I also think that they should be implemented.

However, SARS is obviously not a matter related to medical treatment and public health *per se*. It also involves the administration and management of public sector institutions. On a wider spectrum, it involves more important issues like the governance of the Hong Kong Special Administrative Region, and is thus also related to a wider political dimension. Therefore, the report produced by the 11 experts is obviously unable to comprehensively answer all the questions from the community to which answers are required. Thus, the report which Mr Ronald ARCULLI took the lead to announce (the ARCULLI report) plays another role.

The criteria and perspectives adopted by the ARCULLI report are different from the former report. The most important part is that the incident

was examined by sharp-eyed administrators and managers, who cast severe criticisms against the administration and management of the Hospital Authority and the government departments concerned. This also follows a very pragmatic approach in looking at the matter. That is, for those issues that the first report produced by the 11 experts (most of them are doctors and experts) has failed to note or dwell in detail, the ARCULLI report can spot them out and make 45 useful recommendations. I will commend these 45 recommendations to the community. While we have to value these recommendations, we also have to implement them as soon as possible once the details are finalized.

After two such substantive reviews, why does the Legislative Council still insist on setting up a select committee? The reason is very simple. We always talk about justice. Not only do we have to do justice in society, the public should also be able to see clearly that justice is being done.

The reviews by the committee of 11 experts and the committee headed by Mr ARCULLI were both conducted behind closed doors. Although people of different backgrounds and sectors in the community were invited to present their views, the course of hearings was kept from the public. I do not mean that the hearings of these two committees are not doing justice. But under the circumstances, members of the public are unable to see that justice is being done. The persons responsible for the reviews are neither representatives of the public nor representatives of the related sectors. Although the members of the two committees are renowned world-class experts or persons with high credibility in Hong Kong, the public will still ask whether these experts had adopted their own perspective or the public's perspective in looking at the matter, in asking questions before they conducted the reviews?

If the review was conducted by the representatives selected by the people or by the related sectors, will the result be different? If members of the public still have this question in mind, this surely explains why it is necessary for the Legislative Council to set up a committee comprised of members with extensive representation. By doing so, the last doubts, or the last questions in the people's minds can be solved. In doing so, the public can see that justice is being done, and they can obviously see an important process of how it is being done.

People may ask: Will it be a better arrangement if a senior Judge is appointed to conduct an independent inquiry? In fact, before the conduct of

these two reviews, there was indeed an opportunity of appointing a senior Judge to conduct an independent inquiry. However, after a period of time, when the expert reports on various aspects were completed, the opportunity seemed to have slipped. On different occasions, I have mentioned the reasons for this. And the key is the word "appointment". Who would appoint the senior Judge, and to whom would he be accountable? How was the accountability?

Although not all Members of the Legislative Council are returned by universal suffrage of one person, one vote, every Member has to be accountable to his/her voters. Thus, we can say that the Legislative Council has the highest accountability among the appointed committees, and it is also for this reason that its inquiry commands the highest credibility. Therefore, I think we owe the public a clear explanation. They may wonder whether it should be conducted by a senior Judge or by the Legislative Council. In fact, I would like to say to the public: Treasure your representative, encourage him to exercise this right of asking questions for you and finding answers for you. That is why the Legislative Council cannot be replaced by other institutions or other committees. I hope that the public can treasure it.

If you value your representatives, you can reproach them severely. In the Legislative Council Election next year, if you have seen that your representatives were not doing well in this inquiry, you should immediately hold them accountable to you. Here I would also call upon the mass media to keep a close eye on the performance of every member of this committee, and examine whether he is doing any justice and whether he is acting responsively to the community. I will also say to this Council that this is indeed an opportunity for the community to see that the Legislative Council has a very very important status in the three arms of government, which we should value very much. And we should also let it bring its functions into full play.

With these remarks, Madam President, I support the setting up of a select committee.

DR TANG SIU-TONG (in Cantonese): Madam President, on 15 March 2003, the World Health Organization (WHO) mentioned the name Severe Acute Respiratory Syndrome (SARS) for the first time. Within only a few months, this coronavirus unknown before spread all over the world, infecting 8 000

people and killing 900-odd of them. In Hong Kong alone, 1 755 people had contracted SARS and 299 people passed away due to the disease. Doubtless SARS is one of the infectious diseases that have caused heavy casualties in local history. The lesson given to us through the lives of nearly 300 people should not be overlooked. In order to look into the causes leading to this tragedy, the Government and the Hospital Authority (HA) have respectively commissioned a committee to conduct an investigation into the incident, and have also published the investigation reports.

However, that people in the community have strongly demanded the Legislative Council to appoint a select committee to investigate the SARS incident reflects that there are inadequacies in the two investigation reports. Among them, the report by the Expert Committee commissioned by the Government points out: The Committee has not found any individual "deemed to be culpable of negligence, lack of diligence or maladministration". This has triggered off dissatisfaction among not a few members of the public, especially family members of those SARS patients who lost their lives in the SARS incident. The reason for this, in the final analysis, is that apart from some people suspecting the report being only a "self-inspection", more importantly, the report of the Expert Committee is only a report on a review of the medical system, while the general public and critics actually ask for a political or policy review report. What they ask for are not only some recommendations to reform the medical system and institutions, but they also ask to know whether any officials or executives of the medical institutions concerned should be held responsible for the incident. In comparison, the review report by the HA has pointed out more directly that there was maladministration on the part of the government departments concerned in handling SARS. Some examples are the delay of the Health, Welfare and Food Bureau in preventing the spread of the epidemic in the community, the mistakes committed by the Department of Health (DH) in the follow-up work in the early stage and in tracing the index patients of the Amoy Garden incident. Nevertheless, since it is basically an internal review document, it can only look at the incident from the perspective of the HA. Being constricted by the terms of reference, it has no authority to comprehensively review the work done by various policy makers of the Government in handling the epidemic. As a result, some departments, such as the DH, have expressed deep discontents towards the review report.

In fact, in terms of the mode of investigation, I am inclined to setting up an independent commission chaired by a Judge to head the investigation. It is

because the status of a Judge is neutral, while not a few Members of the Legislative Council have political considerations themselves. If they have preconceptions about this investigation, it is easy that they will lose their objectivity. Besides, if the responsibility lies with the Judge, he can fully follow the legal procedures in summoning all the related persons or professionals to testify in the interest of an in-depth examination of the case. The result of the investigation should be better than that of a select committee set up by the Legislative Council. However, since the Government has refused to set up an independent commission, that is, an independent commission of inquiry chaired by a Judge, which would initiate to look into the responsibility of the officials concerned and the management level of the HA in this incident, I think that Members of the Legislative Council are duty-bound to set up this select committee to ascertain responsibility, and to give an account to the patients died in the SARS incident and their surviving family members. Nevertheless, I would also draw the attention of all members of the committee that before the investigation has come up with any result, we should not put the slightest blame on anybody, lest the person being investigated will be done injustice.

It is indeed beyond my understanding why the Government did not have any intention to look into the responsibility of the officials and the senior management concerned after the tragedy in face of the continuous demand made by the public. It did not have such an intention even after the publication of the report by the Expert Committee. Although the report emphasizes that the Committee has not found any individual "deemed to be culpable of negligence, lack of diligence or maladministration", it is basically difficult to gauge whether anyone has been negligent or lack of diligence. Nevertheless, even from the report of the Expert Committee, for the so-called "lack of clear leadership", "insufficient communication within the HA", "inadequate contingency planning", do all these not constitute maladministration? We have to note that these phrases often occur in the report, meaning that these mistakes were not uncommon in the entire incident. It seems that someone should be held responsible for all this. The report of the Expert Committee only attributes all the fault to the institutions, but it has forgotten that the system is designed and operated by human beings, and that it can be changed. The senior level of the departments concerned is the designer and operator of the system, and it also possesses the power to change the institutions. If there are any problems with the institutions, they naturally cannot shirk the responsibility. That the report has not condemned anybody because of this reason is not justifiable.

The appointment of a select committee by this Council is meant to investigate whether the handling of SARS by the Government and the management level of the HA is appropriate or not, and to examine whether anyone has to be held responsible for this. Since there are already two investigation reports now which can serve as the basis of investigation for the select committee of the Legislative Council, I believe they will facilitate this Council in accomplishing its work of investigation more effectively. I hereby support the motion. Thank you, Madam President.

MS AUDREY EU (in Cantonese): Madam President, honestly, before the House Committee of the Legislative Council decided to set up this select committee, I myself was inclined to think that the Chief Executive should, under Chapter 86 of the Laws of Hong Kong, appoint a person of standing and credibility in the legal profession, such as a Judge, to head the conduct of public hearings — I stress, public hearings — on SARS and the related incidents. Unfortunately, the Government is still unwilling to do so after such a long time, or one can even say that it simply refuses to do so. The situation as such, I agree that the Legislative Council should be duty-bound to establish this select committee.

Time-wise, appointing a person of standing and credibility in the legal profession to conduct an open inquiry has one practical advantage. It is practically impossible for the Legislative Council to complete the inquiry all in one go; it can only conduct two hearings a week, of four hours each, in an intermittent manner. This is not to speak of the fact that the Legislative Council must still attend to other business. In contrast, if a specially appointed commission, that is, an independent commission appointed by virtue of Chapter 86 of the Laws of Hong Kong, can be established to conduct an open inquiry, it will be possible to complete the whole inquiry all in one go.

In addition, one other factor which must be considered is the fact that next year will be the election year of the Legislative Council. For this reason, the establishment of a select committee at this juncture will inevitably carries some kind of political overtone, particularly when the Chief Executive himself and Directors of Bureaux are bound to be involved. But I very much agree with Dr LO Wing-lok that it is important to ensure that justice is seen to be done in the eyes of everybody.

That being the case, once the Legislative Council has set up an open select committee, I am sure that people will all be discerning enough to see what is going on. If the Legislative Council fails to discharge its duties properly, or if the powers of this select committee are even abused to achieve certain political objectives, I am sure that people will certainly know how to make their own judgements which will naturally be reflected in the Legislative Council Election. Therefore, I do not think that those government officials to be subject to investigation will need to worry that Legislative Council Members may use this as an opportunity to achieve certain political objectives. The reason is that things like this are after all quite like a double-edged blade, and so there is a possibility of backfiring. Moreover, Legislative Council Members all understand that the select committee will give them immense powers, and I am sure that while exercising these powers, they will all be mindful of the fact that their ultimate aim is to serve the people.

Furthermore, I think there is also one recent incident, as mentioned by Dr LO Wing-lok, from which we should draw a lesson — the investigation and report of the inquiry committee set up by the Hospital Authority. The publication of the inquiry report has met with the strong responses of the Health, Welfare and Food Bureau and the Department of Health (DH). Both of them basically maintain that the inquiry was procedurally unfair. To begin with, it is argued that when the inquiry committee requested access to information during the investigation, the DH, which might likely be subject to criticisms and investigation, was not so informed. Then, it is also argued that the facts cited in the report of the inquiry committee do not tally with those provided by the DH. Admittedly, it is difficult for us to determine at this stage whether such strong responses are justified, but the incident has nonetheless brought into light a very important problem, the problem of procedural justice. I am sure that during the course of its inquiry, the select committee will also attach great importance to the problem of procedural justice, so as to ensure the fair and open conduct of the inquiry.

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

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

MR MICHAEL MAK (in Cantonese): Madam President, first of all, I must make a declaration of interest. I am a salaried employee of the Hospital

Authority (HA). During the epidemic outbreak, my health care colleagues were the worst-hit; 386 of them were infected and eight died in harness. They lived each day of the outbreak in desperation, helplessness and fear. Even today, when they recall what happened then, they still shiver, as the bitter experience has become an indelible part of their memories.

During the epidemic outbreak, the Government failed to issue any uniform and explicit guidelines for health care workers, so public hospitals all did things in their own ways, thus leading to confusion among front-line health care workers. The authorities also failed to provide health care workers with adequate and proper personal protective gear, thus greatly increasing their chances of contracting SARS in the course of work. Health care workers were unable to get across their grievances to the top management, and every day during the outbreak, I received many complaints and calls for assistance from health care workers about the shortage of personal protective gear and unclear guidelines on infection prevention. I believe many Members here must have heard of the many complaints and views on various problems aired by health care workers in radio phone-in programmes during the period.

In late April, I conducted a questionnaire survey among my constituents and managed to get some 600 responses. Eighty-two percent of those polled were of the view that the organizations they worked for had not provided sufficient resources to deal with SARS. Some respondents said that their hospitals had failed to put in place adequate measures to prevent infection, and that manpower deployment had been very chaotic, thus adding to their anxieties. Health care workers were on the front line, so why had they been made to combat the virus without any protection and at the risk of their own lives?

Health care workers were on the front line, and despite the health hazards they faced and the anxieties felt by their families, they nonetheless held their positions and exerted their utmost to provide quality services to the public. Their noble professionalism has won the acclaim of all Hong Kong people and the people of other countries. That said, they simply should not be pleased by such warm applause and praises, for they should in the very first place be entitled to a safe working environment and the truth.

In May this year, the Government and the HA announced the establishment of their respective inquiry committees on SARS, and following this, between June and July, I conducted another questionnaire survey and

managed to get some 800 responses. The findings indicate that over 90% of those polled were of the view that some organizations were culpable for dereliction of duty in their handling of SARS, and more than 80% of them also thought that someone must be held accountable as the prime culprits of mishandling the SARS outbreak. Besides, the Severe Acute Respiratory Syndrome Expert Committee, chaired at the time by the Secretary for Health, Welfare and Food, and also the Hospital Authority Review Panel on the SARS Outbreak were dismissed respectively by 90% of the respondents as being unable to review the handling of SARS fairly and impartially. In marked contrast, over 96% of the respondents maintained that an independent inquiry committee on SARS should be established, and most of them (numbering 527) opined that the Legislative Council should set up a select committee.

This survey can clearly reflect the aspirations of my health care colleagues and show that they have the greatest faith in the credibility of the Legislative Council. As their representative, I must truthfully reflect their aspirations and fight for their legitimate rights and interests. For this reason, I support the establishment of a Legislative Council select committee to give health care workers and the community a reasonable account of the SARS incident.

The various sectors of society are generally sceptical of the Government's handling of the SARS epidemic. For instance, why did the authorities not take appropriate precautions when they first learnt of the atypical pneumonia outbreak in Guangdong? Why did they not close down Ward 8A of the Prince of Wales Hospital? Why were the residents of Block E of Amoy Gardens not isolated until so late in time? Why were the authorities so over-optimistic in the initial days of the outbreak, thus lowering the people's vigilance? Why did they insist on using the corticosteroid and Ribavirin therapy as the basic treatment protocol for SARS patients? Why was it impossible to provide health care workers with proper and sufficient protective gear?

The inquiry reports of the Government and the HA were published in October, but the two reports have both given very scant treatment to the various concerns of the people as mentioned above, nor have they pointed out which organizations or decision-makers must be held accountable. These reports have definitely evaded the question of responsibility, failing to realize accountability and face the people. The SARS Expert Committee report even concludes: "Overall, the epidemic in Hong Kong was handled well, although there were clearly significant shortcomings of system performance during the early phase

when little was known about the disease and its cause. The Committee has not found any individual deemed to be culpable of negligence, lack of diligence or maladministration."

Many health care workers and members of the public are disappointed at such a conclusion. After the release of the Expert Committee report, I launched yet another questionnaire survey. This survey is still in progress, but as of today, I have received some 300 responses. About 84% of the respondents do not agree to the conclusion of the Expert Committee report: "..... the epidemic in Hong Kong was handled well.....". The Committee has not found any individual deemed to be culpable of negligence, lack of diligence or maladministration." Besides, about 78% of the respondents were of the view that the report is not fair and impartial. The findings indicate that most of the health care workers whom I represent think that the Expert Committee has failed to conduct a fair, impartial and open inquiry into the SARS incident. These findings tally totally with those of my second survey and are thus highly reliable, showing health care workers' view that it is more appropriate for the Legislative Council to set up a select committee to inquire into the SARS incident.

I of course agree to the recommendations made by the SARS inquiry reports of the Government and the HA, because they are definitely of immense help in bettering the public health and health care system of Hong Kong. But the two committees are appointed respectively by the Government and the HA. The Government was in overall command of the battle against the epidemic, while the HA was in charge of all public hospitals in the fight, both being decision-making organizations. Therefore, the investigation committees appointed by them suffered in the very first place an intrinsic handicap — their independent status is altogether doubtful. Actually, both health care workers and members of the public generally have doubts about the independence of these committees.

All Hong Kong people, particularly the infected, the deceased and their families, are victims of the epidemic. Totally 1 755 Hong Kong people were infected by SARS; 299 people lost their valuable lives, eight of whom being dedicated health care workers. Many families were torn asunder, many homes were broken and many people died; the physical and mental trauma suffered by the victims simply cannot be healed. Many rehabilitated SARS patients are still battered by various sequelae such as avascular necrosis and dyspnea, or shortness of breath. Why were they made to endure such sufferings? The

people of Hong Kong are full of doubts, and they all want to know the truth. During the march on 1 July, apart from opposing the enactment of legislation to implement Article 23 of the Basic Law, many people also demanded the establishment of an independent commission of inquiry on SARS. The aspiration of the public in this regard is beyond any doubt.

The people's demand for an open, fair and impartial inquiry report is not intended so much to find fault with any organizations or individuals, but just to uncover the truth, to find out how the Government and the decision-makers and management of the HA performed, and to ascertain the responsibility they must bear. All along, we have been telling our children that they must admit their errors and bear responsibility for what they have done, so in connection with the SARS review, it is all the more necessary for us to face the public with courage. Besides having to tell the people of Hong Kong what actually happened, we must also demonstrate to the whole world that Hong Kong is a world city in the true sense of the term. Hong Kong was indeed scared out of its wits by the epidemic, but it must still pluck up its courage to address its errors squarely, to face the masses, to discharge its obligation as a world city and to live up to the standards and quality expected of a metropolis.

The epidemic has cost us dearly and taught us an indelible lesson. We cannot possibly explain away the chaos in health care institutions simply by saying that SARS was new to us, and that we did not know much about it. As the saying goes, "Today is yesterday's pupil", so we must admit our mistakes sincerely before we can draw any lesson from our failure, before we can identify the problems and before we can avoid a repetition of our mistakes. The Legislative Council should set up a select committee inquire into the handling of SARS by the Government, and I trust the select committee thus established will be able to conduct an open, fair and impartial inquiry which can do justice to the SARS victims and all Hong Kong people. With these remarks, I support the motion of Dr LAW Chi-kwong.

Madam President, quite a number of Honourable colleagues wonder whether my presence in the select committee will lead to any conflict of interests. I have said many times before that although I am a salaried employee of the HA, my scope of duties, decision-making power and responsibilities during the time of the SARS incident did not have anything whatsoever to do with the outbreak of the epidemic. I was just a member of staff responsible for policy

enforcement in my hospital, and there was no SARS outbreak in the hospital where I worked during the time. I also hope

PRESIDENT (in Cantonese): Mr Michael MAK, you should perhaps say all this at a meeting of the House Committee to members intending to, or not intending to, elect you. The motion topic now is on whether a select committee should be set up for the SARS incident.

MR MICHAEL MAK (in Cantonese): Yes, Madam President. Thank you. I support the motion.

CHIEF SECRETARY FOR ADMINISTRATION: Madam President, Honourable Members have given their views passionately on the proposed appointment of a select committee to inquire into the handling of the SARS outbreak by the Government and the Hospital Authority.

The magnitude, nature and impact of the SARS epidemic were unprecedented in the modern history of Hong Kong. It costed 299 deaths and infected 1 755 individuals. It was a most tragic epidemic which caused such distress to many of our citizens, challenged our health care sector and ravaged our economy in the short term. The epidemic was a wake-up call for our health care system, and for health care systems all over the world, to urgently review the system capacity and how to better prepare for any future outbreaks of new and emerging infectious diseases. To this end, on 28 May, the Chief Executive set up a SARS Expert Committee to review the management and control of SARS outbreak in Hong Kong. The 11 members of the SARS Expert Committee, co-chaired by Sir Cyril CHANTLER and Prof Sian GRIFFITHS, were drawn from professionals and academics from Hong Kong, the Mainland and across the world. All are renowned experts in their own fields, with high standing in the international arena. They attach great importance to the independence, objectivity and transparency of the review. In conducting its review, the SARS Expert Committee had carefully considered relevant information collected from various channels, including public submissions, meetings with stakeholders and persons involved in the epidemic, and also site visits. Where appropriate, additional information and clarification were obtained, and the relevant parties were given the opportunity to respond.

Through this process, the SARS Expert Committee has conducted a thorough, independent, impartial and professional review of the SARS epidemic in Hong Kong. Its report concluded that overall, the epidemic in Hong Kong was handled well, but there were shortcomings in the systemic performance during the early stages of the SARS outbreak, when little was known about SARS or its cause. But many of the shortcomings were rapidly put right, and others compensated for by the hard work of everyone involved. The Committee assessed critically the decision-making process as well as decisions themselves taken against the knowledge and information available at that particular time, and what could have been done at that time. The report concluded that no individual was identified to be culpable of negligence, lack of diligence or maladministration in the handling of the SARS outbreak. In drawing their conclusions, the Committee members recognised the hazards of retrospective judgement.

The experts have stressed that there are important lessons to be learned to protect this society in the future, and to protect the world in the future. They have put forward 46 recommendations in the report to enhance the preparedness of Hong Kong against SARS. We have set up a Task Force to co-ordinate the implementation of these recommendations. Indeed, all the urgent tasks in relation to the recommendations have been put in place.

Implementing recommendations of the SARS Expert Committee for future preparedness is our top priority. The Government will devote its full attention, energy and resources to mobilize the community towards early achievement of these goals. We also believe that the Honourable Members share this view. That said, we fully respect the decision of the Legislative Council in keeping with the spirit of co-operation between the Administration and the legislature, and we would work closely with the select committee if the Council so decides to approve this motion.

Thank you.

PRESIDENT (in Cantonese): I now call upon Dr LAW Chi-kwong to reply.

DR LAW CHI-KWONG (in Cantonese): Madam President, it is not at all easy to make Members in this Chamber come to a consensus on any matter. But the

SARS outbreak is an incident of immense importance and also a great concern to society.

The whole incident was marked by sorrow, grievances, disappointment and fears, and members of the public all very much hope to find out the truth and also an answer to the question of culpability.

In the remarks delivered by Members just now, I think we must be mindful of several points. Some Members asked whether the select committee of the Legislative Council would conduct a full investigation into this case. I think we should note the most important words found in Members' remarks just now, the words of "fair", "impartial" and "open", that is. But I also think that Members should also seriously consider whether the inquiry can be comprehensive. The select committee will also need to examine this question, because if this motion is passed today, it will have to be set up as soon as possible and start working. And, the schedule of the select committee will be very tight. If it is to complete all work and submit its report before the term of the current Legislative Council comes to an end on 7 July, it must finish all investigation work before end June.

As pointed out by Ms Audrey EU, there is a need for procedural fairness, and we must therefore reserve some time for the parties concerned to give their responses; so, we can roughly estimate that if we are to complete the inquiry before the end of June, the collection of relevant facts will have to be completed in late April next year. In other words, less the Easter, Christmas and New Year holidays, there will just be 21 weeks left. According to past experience, and assuming that we can only take evidence from two to three persons each time, we will be able to hear the testimonies of at most 40 to 60 persons in the time to come. But for almost every important issue, there are many people who are very keen on giving testimony, so the number mentioned above may easily be exceeded.

For this reason, we must exercise restraint and conduct a focused inquiry, so that we can achieve the objectives espoused in the motion today.

I just wish to remind Members that the focus of the motion before us now is about the handling of the epidemic outbreak and the performance and culpability of the people concerned. Therefore, the second problem we must note is that everyone of us wants to know the truth, to know what actually went

wrong in this incident. But I also hope that we will not seek to re-invent the wheel, because the SARS Expert Committee appointed by the Government has in fact presented very clear views on some of the problems with the health care system. And, even the internal inquiry of the HA has also pointed to the crux of many problems. But not enough has been done in two areas, though, and they are what happened during the decision-making process and the culpability of the decision-makers and top management.

I believe that the select committee to be set up must explore what the focus of the inquiry should be. But certainly it is not supposed to deal with all the problems related to the SARS incident, because the reports have already touched upon many of these.

And, we must also pay attention to the third problem, one which I think the Legislative Council should also note in conducting the work in this respect. Dr LO Wing-lok has talked about this problem, and so has Ms Audrey EU. And, this problem explains precisely why we must complete the inquiry before July. The reason is that July will already be the time to start the electioneering for the Legislative Council Election next year. But as Members also know, electioneering actually starts much earlier than the registration of candidature. For some incumbent current Members, on the very day they assumed office, they might have already started making preparations for the next election. Therefore, I very much hope that when the Legislative Council handles this work, Members will refrain as much as possible from considering whether any actions they take may affect the voting decisions of their constituents.

If we really decide to do this work, then all Members, regardless of the manner in which they are returned, should not consider the impact on their constituents' voting decisions in the future, nor should they regard the decisions they make in this matter as a demonstration to their constituents of whether they are doing a good job as Legislative Council Members. It is admittedly important to do the job of a Legislative Council Member well. But if the elections next September become a factor of consideration in making judgement, the principle of a fair inquiry will definitely be affected.

For these reasons, the inquiry will not be an easy job at all because, as I have pointed out, time is short, the atmosphere has changed, and the people hold very high expectations. Members all know that during the several months of

the SARS attack, everyone of us actually formed an opinion of some kind about the incident, and since the Legislative Council is after all a political arena, it will be a tall challenge to strike a proper balance, preventing our established opinions from influencing our future inquiry while adhering to impartiality, fairness and openness.

Madam President, in spite of all this, and as all Members have pointed out, this is still a responsibility which the Legislative Council must bear. That is why we must deal with this motion today. I hope Members can support the motion and will also endeavour to do the job well. Thank you, Madam President.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee, and I shall not repeat the recommendations now. I only wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Reducing gas, electricity and water charges.

REDUCING GAS, ELECTRICITY AND WATER CHARGES

MR TAM YIU-CHUNG (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

In the past few years, various businesses in Hong Kong have encountered difficulties in their operation and the public have been subject to the threat of layoffs and salary reductions. Although deflation in Hong Kong has maintained and the cumulative deflation rate in Hong Kong between 1999 and 2002 reached 12.4%, the basic expenses of every household, shop and food establishment — gas, electricity and water charges — have never been reduced and the burden borne by the general public and the operating costs of various trades and industries have no doubt increased.

Starting from this month, a number of public transport operators, which earlier on claimed that there was no room for fare reduction because of high costs, have finally implemented measures to reduce their fares, including the offer of fare discounts and interchange concessions. Although these measures cannot benefit all passengers, they are an indication that the public transport operators have fulfilled some of their social responsibilities and that they are willing to tide over the hard times with the public. As the three major public utilities in Hong Kong, the Hong Kong and China Gas Company Limited (Towngas), the Hongkong Electric Company Limited (HEC) and CLP Power Hong Kong Limited (CLP Power) are even more duty-bound to lower their charges or offer concessions to their clients expeditiously, in order to take some of the burden off the public and the commercial and industrial sectors and speed up Hong Kong's economic recovery.

The Democratic Alliance for Betterment of Hong Kong (DAB) conducted a survey and research on the state of water and gas charges in August and September respectively. Consequently, it also organized a signature campaign to demand a reduction in gas and water charges. We submitted to the Government a total of more than 74 000 signatures collected from members of the public calling for a reduction in water charges. In addition, we also submitted to the Towngas more than 50 000 signatures calling for a reduction of gas charges. Today, at the entrance of the Legislative Council Building, I also received another batch of signatures in support of this motion, which calls for a reduction in water, electricity and gas charges. I will hand over the signatures to Secretary Stephen IP. That so many members of the public have signed up to

call on the public utilities to reduce charges is an indication that there is widespread public discontent with the excessive water, electricity and gas charges, therefore, neither the Government nor the public utilities should sit on the issue any longer, or else a social crisis will arise.

In August, when the DAB was conducting the signature campaign to call for a reduction in water charges, many members of the public conveyed to us the view that the gas charges were exorbitant, imposing a heavy burden on them. Consequently, we made a point of conducting a survey, enquiring the public of their monthly expenses on fuel. The findings show that among the 1 410 respondents, 70% of gas users had to pay over \$200 in fuel costs each month and the gas charges of more than 15% of the users were over \$500. In terms of the proportion of gas charges to monthly family expenses, gas charges account for over 5% of the family expenses of as much as 22.1% of gas users. It can be seen that the situation as related by members of the public is serious.

It is based on three reasons that the DAB has moved this motion calling on the public utilities to reduce their charges today:

Firstly, deflation has been continuous, so there is room for a reduction in charges. After the CLP Power increased its charges by 4.9% in 1998, the charges have been frozen. Although rebates have been offered on five occasions since 1999, the reason for this was the overestimation of the increase in demand for electricity and over-investment in constructing the Black Point Power Station, so the public were made to pay \$3.4 billion more in electricity tariff between 1996 and 1998, therefore, the public's losses had to be compensated. As regards the HEC, it increased its charges on three occasions during a period of deflation, that is, in 1999, 2000 and 2002 respectively, and the cumulative increase was as high as 15%. In reviewing the electricity charges for 2003 in November last year, it withdrew its request to increase the charges and froze the electricity tariff only under public pressure. As regards the Towngas, gas charges have been frozen since 1998 but no concession was offered during this period.

From 1999 to 2002, the cumulative inflation rate in Hong Kong was 12.4%, however, there was no reduction in the charges levied by the public utilities and their proportion to the living expenses of the public had all along been on the increase, dealing a further blow to the livelihood of the public and seriously affecting their quality of life. Therefore, in order to truly relieve the burden of the public, a reduction in charges is the single most effective approach.

Secondly, the companies have recorded substantial profits continuously. The supply of electricity and gas in Hong Kong are commercial operations and the companies have to be accountable to their shareholders in terms of profit. We fully understand this. However, if we go through the performance of these three companies last year, the net profit of the CLP Power under the Scheme of Control Agreement was more than \$7 billion and that of the HEC was more than \$6 billion, whereas the net profit of the Towngas was as high as \$3 billion. A reduction in charges only means making a little bit less profit to them and they are definitely not incurring any loss in business. Therefore, we believe that under the prevailing economic situation, it is reasonable to request them to lower the charges appropriately.

Take the Towngas as an example. The number of towngas users rose from 1.33 million in 2000 to 1.47 million in 2002, representing an increase of more than 10%. The volume of gas sold also rose year on year. The volume sold in 2002 increased by 5.84 billion megajoules as compared to that in 2000. As a result of the continuous increases in the number of clients and the volume of gas sold, the turnover and profit of the Towngas still posted increases even without an upward adjustment of charges. With the backing of a huge annual profit, the public utilities definitely have the capacity to adjust their charges downward.

Thirdly, I would like to talk about bearing social responsibility. The CLP Power, the HEC and the Towngas are three long established companies with a history of over 100 years in Hong Kong. They have witnessed the marvelous achievements of Hong Kong in the past and enjoyed the fruits of its development. Today, with the Hong Kong economy in the doldrums and the soaring unemployment rate, we hope that these three companies can bear some social responsibility and adjust the electricity and gas charges downward at a time of adversity, so as to alleviate the increasingly heavy burden borne by the public in their daily life.

As regards water charges, the DAB made two requests when it met with the Guangdong Provincial Government in August. The first was to supply water with flexibility, and the second was to reduce the price of water from the Dongjiang. On supplying water with flexibility, we can see that the present water supply agreement lacks flexibility. Even if the demand in Hong Kong falls, the amount for the volume specified in the agreement has still to be paid. Hong Kong cannot make any adjustment flexibly in response to the changes in

local rainfall and the volume of water consumption. Consequently, in the past few years, Hong Kong was obliged to purchase the excess Dongjiang water, which was eventually discharged into the sea, resulting in a huge waste of water resources and money.

According to information, the volume of water used in Hong Kong each year is about 950 mcm, of this, 280 mcm can be supplied by the water collected through local reservoirs. In other words, under normal conditions, Hong Kong needs about 680 mcm of Dongjiang water to meet its demand. This demand is far lower than the 810 mcm specified in the agreement reached by the two sides.

Recently, an official of the Water Supplies Department pointed out that after the concealed piping for transferring Dongjiang water had been commissioned, apart from transferring little-polluted water here, it was also no longer necessary for Guangdong Province to pump additional water from the upper reaches of the river to Hong Kong, so the volume of water supplied to Hong Kong had become more flexible. Moreover, after the concealed piping was commissioned, the actual volume of water supplied had dropped 20% at the most compared to the past, however, Hong Kong still had to pay the amount specified in the agreement. For example, the actual volume of water supplied between July and November this year was 42 mcm less than that specified in the agreement, however, if calculated at a price of \$3.082 paid by Hong Kong to the Mainland for each cubic metre of water, Hong Kong had to spend an additional \$130 million of public funds under the agreement.

In view of this, the DAB requests that Guangdong Province and Hong Kong revise the details of the water supply agreement as soon as possible and set the annual supply of water at 680 mcm, as well as specifying in the agreement that the Hong Kong side can increase the water supply to 810 mcm when necessary.

The present price of Dongjiang water was determined in 1996. Under normal circumstances, a revision should have been made in 1999. However, the two sides have not yet been able to reach a consensus. According to the water supply agreement, there are three criteria for determining the price of water, namely, inflation, operational costs and the exchange rate of the Renminbi. The DAB believes that, after taking into account these three factors, there should be room for a downward adjustment in the price of Dongjiang water. In view of this, the DAB requests that the price of Dongjiang water be adjusted

downward by 20% to reflect the present situation of these three factors. The Government can also return all the expenses thus saved from the purchase of Dongjiang water to the public to alleviate their financial burden.

Madam President, in the past few years, Hong Kong has gone through many trials and tribulations. The burden of everyday life on the public has been onerous and the industrial and commercial sectors have found the operation difficult. We hope that the Government can adopt proactive measures to reduce water charges and encourage public utilities to reduce gas and electricity charges, so as to bring more sunshine to Hong Kong and more joy to the public and to the industrial and commercial sectors.

With these remarks, I beg to move.

Mr TAM Yiu-chung moved the following motion: (Translation)

"That, as various public transport operators have reduced their fares or offered concessions to passengers, this Council urges the Government to adopt the following measures to further alleviate the burden on the public and the commercial and industrial sectors, and speed up the economic recovery of Hong Kong, thereby promoting employment:

- (a) expeditiously discussing with the gas company and the two power companies and encouraging them to reduce their charges or provide concessions to consumers;
- (b) lowering the permitted rates of return of the two power companies in the interim review on their Schemes of Control; and
- (c) expeditiously consulting with the Government of Guangdong Province on entering into a new agreement on the supply of Dongjiang water and introducing a clause that allows flexibility in the supply of water, and returning to consumers all the savings derived from the purchase of Dongjiang water."

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

Mr Fred LI 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 Fred LI to speak and move his amendment.

MR FRED LI (in Cantonese): Madam President, on behalf of the Democratic Party, I move that the motion be amended as printed on the Agenda. The Democratic Party has all along supported a reduction of electricity, gas and water charges. But since we consider the motion of Mr TAM Yiu-chung not entirely satisfactory, I shall move an amendment to it.

We have always been concerned about the levels of electricity charges, and over the past two years, we have moved a number of motions, urging the Government to hold negotiations with the two power companies and the Hong Kong and China Gas Company (Towngas), in the hope that they may reduce their charges or offer rebates. We maintain that the present high levels of electricity charges are attributable to the outdated Schemes of Control Agreements (SCAs). The practice of computing the profits and returns of the power companies on the basis of their net asset values will eventually induce them to boost their assets incessantly for the purpose of increasing their profits. This practice is beneficial only to their shareholders, but not to their customers, society and the entire community.

For this reason, Mr TAM Yiu-chung's proposal on lowering the permitted rates of return of the two power companies is in fact just a stop-gap solution instead of any long-term one. Besides, it is also unrealistic for Mr TAM Yiu-chung to ask the Government to lower the permitted rates of return of the two power companies in the interim review of their SCAs, because before the SCAs expire in 2008, any changes to them will require the consent of both sides, that is, the Government and the two power companies. As a result, as far as this matter is concerned, the hands of the Government are actually tied. However tactful Secretary Stephen IP is, and no matter how well he can handle things, he will have very little room for manoeuvre. This is a great pity, but also the reality. Out of a respect for the spirit of contract, the Democratic Party thinks that it is more appropriate to add "striving to" to the motion. We can only plead with and urge the Government to strive to obtain mutual consent for adjustments. This is also consistent with the spirit behind the Democratic Party's demands for reductions of public utility charges over the past two years.

Regarding the question of water supply, the Democratic Party agrees that we should strive for a clause which allows flexibility in the supply of water. Over the past years, the past 15 years — 15 years again as in the case of the two power companies — we have, according to the Audit Commission, wasted \$3.4 billion due to the inflexible water supply agreement signed in 1989. We have been required to pay charges all the same despite the fact that our lower-than-expected demand for water has made it unnecessary to supply any water to us; we have also been forced to discharge surplus Dongjiang water, and there have also been reservoir spills. The total sum of money thus wasted amounted to some \$3 billion.

Currently, 80% of Hong Kong's potable water comes from Dongjiang, and Hong Kong people have become increasingly reliant on Dongjiang water. The proportion of our drinking water that comes from Dongjiang has gone up from 50% in 1985 to 80% at present, so Dongjiang has become our vital source of water. The Government, in its report entitled "Strategy for Long-term Fresh Water Resource" published in April last year, pointed out that Hong Kong will continue to rely on Dongjiang water in the next 20 years. However, as the economy of Guangdong continues to develop and the demand for water there increases, should Hong Kong continue to rely on Dongjiang as the sole source of water? At present, Hong Kong purchases Dongjiang water at the price of \$3.08 per cu m, which is far higher than the price of \$1 per cubic metre paid by Macao to purchase Xi Jiang water. Should we thus look for alternative sources of water? Desalination, for example, has seen great improvement in terms of costs and other aspects. Should the Government positively look for other sources of water in the interest of the people instead of sticking rigidly and solely to Dongjiang water?

Madam President, my amendment also covers the first sentence of Mr TAM Yiu-chung's motion on transportation. It is stated right at the beginning of the motion that "various public transport operators have reduced their fares or offered concessions to passengers". Then, the Government is urged to ease the people's burden by striving for a reduction of electricity and gas charges, for example. This gives people an impression that the DAB thinks that the present levels of fares are acceptable, so it is not necessary to fight for anything more. We in the Democratic Party have reservations about such a message and its presentation.

Although individual public transport operators have offered fare concessions, such concessions fall far short of the people's expectations. In the case of buses, only routes charging a fare of \$15 offer a 10% discount. And, in the case of routes with fares ranging from \$10 to \$14.9, the discount is just 5%. As for routes charging a fare of less than \$10, there is even no discount at all. So, people living in the urban areas in fact cannot enjoy any fare concessions at all. The two railway corporations, on the other hand, offer concessions in the forms of "one free ride for 10" and "one free ride for eight" respectively.

The Democratic Party conducted a telephone survey last week. Some 700 people were polled, and the findings show that 85% of the respondents are of the view that all these discounts or interchange concessions are inadequate, and that transportation fares are still very high. Therefore, we have to move an amendment to tell the Government, to tell public transport operators that transportation fares are still much too exorbitant, and the burden of the people is still much too heavy. The Democratic Party hopes that the bus companies and the two railway corporations can offer fare reductions direct to answer the demand of the people. Only in this way can the financial burden of their passengers be really reduced.

As for gas charges, although the Towngas has already frozen its levels of charges since 1998, we must still note that the cumulative deflation rate over the same period is as high as 15% and the unemployment rate has also risen to 8.3%. And, despite its slight drop recently, the unemployment rate is still very high. However, there have been no changes at all to the levels of gas charges. Although the Towngas has repeatedly stressed that it is not under the protection of any franchise or SCA, and that it does not enjoy any preferential treatment or advantage, the fact remains that all newly completed public and private housing developments are fitted with towngas pipes. As many as 70% of all Hong Kong households are using towngas as the main cooking fuel. In the absence of any strong competitors, the number of Towngas customers is expected to keep on increasing. The Towngas is thus a major public utility operator enjoying an existing advantage, so should it not lower its charges as a token of contributing to the well-being of society?

Similarly, the two power companies should also lower their charges. At present, the power supply markets on the two sides of the Victoria Harbour — the mentioning of which really scares people these days — are respectively

monopolized by the two power companies. The most that the CLP Power has done in the past few years was to offer some kind of rebate to its customers, and it has never reduced its charges. And, in the case of the HEC, it even increased its net electricity charges by 4.4 cents and 6.6 cents in 2001 and 2002 respectively, at the respective rates of 4.9% and 7%. Not until as late as last year that the HEC hastened to freeze its charges due to public pressure. That again, given the past years of recession, it was still very unreasonable of the power company to have increased its charges.

Madam President, in the past two years, the Democratic Party has moved a number of motions demanding public utility operators to reduce their fees and charges, and these motions did arouse much attention. Members may still remember that last year, the real estate, catering and education sectors all rose to criticize that electricity charges in Hong Kong were much too expensive. In the past year, SARS dealt a further blow to our economy, plunging the various trades and industries into a state of downturn from which they have yet to recover. It is such a great pity that the various public utility operators have so far failed to adjust their fees and charges, and because of this, the levels of fees and charges have remained very high. The Democratic Party hopes that the Government can listen again to our opinions today and work harder to fight for reasonable levels of fees and charges for the people.

Madam President, on behalf of the Democratic Party, I move the amendment.

Mr Fred LI moved the following amendment: (Translation)

"To delete "as various" after "That," and substitute with "although individual"; to add "through interchange schemes, not all members of the public have benefited from these concessions; hence" after "public transport operators have reduced their fares or offered concessions to passengers"; to delete "lowering the permitted rates of return" after "(b)" and substitute with "striving to amend the Schemes of Control"; to add ", including the method for calculating their returns," after "of the two power companies"; to delete "on their Schemes of Control" after "in the interim review"; and to add ", as well as exploring other water sources so as to increase the supply of potable water" after "and returning to consumers all the savings derived from the purchase of Dongjiang water". "

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

MR HUI CHEUNG-CHING (in Cantonese): Madam President, this Council debated a motion on "Reducing electricity and gas tariffs" in November last year, urging the relevant public utilities to reduce or freeze their tariffs and offer concessions. The response had been positive, as the two power companies and the Towngas announced a one-year freeze on their tariffs subsequently. The CLP Power had even introduced a rebate package at a cost of \$910 million, offering a tariff rebate to its 2 million customers. This shows that the two power companies do appreciate their interdependent relationship with Hong Kong people and the industrial and commercial sectors. Such a relationship underpinned by mutual understanding should continue to be maintained and developed.

The cost of doing business in Hong Kong has all along been on the high side. This is an obstacle to Hong Kong in attracting investment and maintaining its competitiveness in the international arena. To the people and the small and medium enterprises (SMEs), electricity, water and gas charges are the most basic expenses in their living and business operation. Over the years, the Hong Kong economy has remained in the doldrums; the people and the SMEs have been suffering from a hard time. Recently, with the support of the Central Government's policies, the signing of CEPA and DIY tours by mainlanders, the local economy has begun to show signs of a pick-up. If the public utilities can, in consideration of their ongoing handsome profits, proactively take matching measures by adjusting downward their tariffs and charges or offering concessions to customers, consumer spending will be stimulated and momentum will be injected into Hong Kong's economic recovery, and this will ultimately benefit Hong Kong as a whole and the various sectors of the community.

The Government announced at the end of July an adjustment mechanism which allows for increase and reduction in transport fares for public consultation. The new mechanism will encourage transport operators to enhance efficiency and determine the rate of increase or reduction in accordance with the changes in costs and productivity, with a view to alleviating the burden on the people and the industrial and commercial sectors.

On the supply of electricity, under the existing SCAs, the two power companies are allowed a permitted rate of return at 13.5% of the average net fixed assets. Regarding this mechanism whereby the permitted rate of return is calculated, there have long been many discussions in the community, and there have been views that the criteria are unreasonable and that this will induce the two power companies to be over optimistic in projecting the growth of future demand for electricity and hence increase their investments considerably in return for a higher level of profit. Consequently, this would lead to a reserve capacity far exceeding the international level, resulting in waste and a heavier burden on the people. Certainly, to uphold the contractual spirit, the Government should not unilaterally change this rule of the game via this year's interim review. But since the SCAs will expire in 2008, the authorities should conduct a comprehensive and in-depth review of the calculation method and level of the permitted return as soon as possible and widely consult the views of various sectors in the community, in order to make preparations for the liberalization of the electricity market in 2008 and for tariff adjustments to more closely tie in with economic conditions.

Many proposals have been put forward in the community on the liberalization of the electricity market and the introduction of competition in the future. Such proposals include the liberalization of the retail electricity market to enable independent electricity providers to acquire electricity from other power plants for re-sale, or inviting participation from electricity suppliers in Guangdong Province. I urge the Government to expeditiously look into the viable proposals on market liberalization and introduction of competition as well as the relevant regulatory frameworks, in order to ensure a level playing field for operators and the appeal of the market, thereby encouraging investment from operators and ensuring a sufficient and stable supply of electricity. Moreover, the pricing criteria under the new regulatory framework should duly reflect the prevalent economic conditions and prices. As I have all along advocated, the Government should endeavour to lower the business costs in Hong Kong in order to attract investment. This will have a positive impact on the stimulation of the economy and creation of jobs. Apart from encouraging public utilities to reduce their tariffs or charges through negotiations in order to assist the industrial and business sectors, particularly the SMEs, to reduce their costs, more practical efforts by the Government are warranted in respect of the pricing and adjustment mechanisms of these utility service providers. For example, the two power companies should be encouraged to continue with studies on the

development and use of renewable energy, in order to provide less expensive and environmentally-friendly electricity to the people.

Regarding the supply of gas and other kinds of gas fuels, there has not been a monitoring mechanism on their operation similar to that on the electricity market in Hong Kong. Control is imposed mainly through limitations on the operators in respect of liquefied petroleum gas (LPG) cylinders, the laying of LPG pipes on the streets, and the distance between a LPG storage tank and residential premises. This has objectively granted advantages to the Towngas to outgrow its competitors and hence weaken customers' bargaining power. From the perspectives of fair competition and users' interest, the authorities must exercise monitoring on the determination of charges by, for instance, incorporating into the process a similar adjustment mechanism which allows for increase and reduction in the charges in the light of the domestic price indices, or adopting vetting procedures similar to those for bus fare adjustments. Certainly, it is most important to open up the market, thereby regulating tariffs or charges through the introduction of competition. For these public utilities which are indispensable to the people's living and business operation, some measure of government monitoring is inevitable, but the key is that monitoring should be kept to an extent of not dealing a blow to investment sentiments.

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam President, while the Severe Acute Respiratory Syndrome (SARS) epidemic has been brought under control, we have yet seen a significant rebound in the business turnover of the catering industry. Although the overall market atmosphere has improved following the policy of allowing residents in some provinces in the Mainland to visit Hong Kong individually and the signing of CEPA between Hong Kong and Guangdong Province, the business of the catering industry has barely returned to the level prior to the SARS outbreak, and there is still a long way to go before a true recovery can be achieved.

Electricity, gas and water charges account for a total of 12% of the sales turnover of the catering industry. Please bear in mind that it is 12% of the sales turnover, not the operational costs. In other words, for every \$100 of business, \$12 will have to be paid as charges to the power companies, the Towngas and the Water Supplies Department.

Given huge consumption of electricity and the need to consistently cook with naked flame, the catering industry has been very sensitive to electricity and gas tariffs. During the early stage of the financial turmoil, the industry had racked its brain to achieve power savings but in vain, because unlike other industries, it is impossible for us to relocate our work processes to places where the cost is lower. Once a restaurant opens its door for business, it has to turn on all the lights and switch on the oven and steamer well beforehand. It is impossible to turn on the stove to cook food only after an order is placed by a customer.

In addition, since the outbreak of SARS, many restaurants have taken the initiative to rinse bowls, chopsticks and spoons for customers with boiling water to ensure hygiene. This new measure has further increased power and water consumption. Therefore, the catering industry has very limited room to lower the cost through economizing on power consumption. If electricity and gas tariffs do not come down, the industry can only succumb to the reality.

In fact, high electricity tariffs have already undermined the competitiveness of the industrial and business sectors in Hong Kong. Local manufacturers and foreign-funded factories which have to consume a huge amount of electricity have decided to relocate northwards. Whether or not they will return to Hong Kong because of CEPA remains unknown.

Deflation has persisted for 58 months in Hong Kong with a cumulative decline in prices of 16%. Salaries, rents, costs of dining and even the prices of conventional daily necessities and new commodities have declined sweepingly, with the exception of power and water charges which have a significant bearing on the livelihood of the general public and the operation of businesses, for not a single cent has been reduced. It is, therefore, necessary for the two power companies to adjust their tariffs in the light of the actual situation.

During the economic depression back in 1998, the CLP Power and the HEC still effected an increase of 5% and 4.5% in their tariffs respectively. In 2001 and 2002, the HEC even increased its tariffs by 4.5% and 5.3% respectively, contrary to the market situation. Not only had it refused to lend a helping hand to the public and investors who were in a most critical situation, it had, worse still, added to their sufferings. During the rampant attack of SARS, the HEC had only suggested its customers to apply for loan guarantee for

electricity tariffs, but this was virtually useless to the hardest-hit industries which were in deep water and on the verge of folding up. Has the HEC ever ridden out the hard times with Hong Kong people together?

The HEC stated some time ago that its tariffs could not be reduced any further on the ground that its development fund was at a low level. But we must not forget that the HEC enjoys a guaranteed return of 15% on its shareholders' capital. In the first half of the year, the profit from its franchised operation even exceeded the permitted return. We must bear in mind that the HEC now charges \$1.013 per unit of electricity, higher than the \$0.88 charged by the CLP Power. If it refuses to reduce the electricity tariffs on the ground that little is left in the development fund, this may only reflect mismanagement by the HEC and its failure to achieve growth, which has nothing to do with anyone else. It is all the more unreasonable to make the people and businesses pay world-class electricity tariffs for this reason.

As for the CLP Power, the several rebate packages offered to its users have no doubt won applause from consumers. I will certainly give it a big hand if the CLP Power had dug into its own pocket to foot those rebates to its users, and I would have no complaint about it. But where did the money for the rebates come from? It came from the development fund of the CLP Power. Then where did the money in this development fund come from? It is the part of its profit in excess of the maximum rate of return, and the overcharged tariffs are then reserved by way of this fund to cope with contingency needs. To wit, wool still comes off the sheep's back; the money will eventually be paid by us.

After the several rebate packages, the development fund still has a balance of \$2.8 billion this year. This proves that the CLP Power is entirely in a position to offer rebates to its users in proportion to the tariffs payable by users. Regrettably, on the several occasions when rebates were offered, the CLP Power had ignored the difference in the electricity tariffs payable by commercial users and residential users, for it had only offered rebates at uniform amounts of either tens of dollars or hundreds of dollars. Seeing that their money is dished out to all the other users, how will commercial users who have been paying electricity tariffs in huge sums ever be convinced?

Like the two power companies, the Towngas has never reduced its charges. While the Towngas has frozen its charges since 1999, the gas charges per

megajoule in Hong Kong has remained the highest compared to the three worldwide gas producers and suppliers. During the unusual times of the SARS outbreak, the Towngas only introduced a scheme under which payment of gas charges could be deferred for two months, failing to fully answer the aspirations of all sectors in the community.

But in all fairness, the Towngas operates on commercial principles and it does not enjoy the protection of any franchise or profit guarantee. To the catering industry, we must thank the Towngas for sponsoring "Our Ten Commitments Campaign" organized by the Hong Kong Catering Industry Association and encouraging staff of the Hospital Authority to patronize catering establishments through making donations in proportion to the amount of consumption. I hope that in 2006 when the Towngas can convert to using the less expensive natural gas, its charges can come down accordingly.

As regards water charges, the catering industry certainly hopes for a stable and sufficient water supply. However, we cannot support the approach adopted by the authorities, that is, predetermining the level of water consumption in Hong Kong and then purchasing water from Guangdong Province, but in the event of a surplus of water, the water will be discharged into the sea, thus causing wastage. In negotiating with Guangdong Province, the Government should calculate the volume of water to be purchased in accordance with the actual need and then return the savings thus made to Hong Kong people.

Speaking of water charges, I must mention the Trade Effluent Surcharge (TES). In 1994, the Government, after misleading the Legislative Council, made the catering industry pay for the TES based on an unreasonable discharge standard. Finally, it turned out that over 80% of the Government's income from the TES was borne by the catering industry. I hope that the Financial Secretary should expeditiously work with the Policy Bureau to review the arrangements for levying the TES as well as the relevant appeal mechanism.

The SCAs concerning guaranteed profits were concluded between the Government and the two power companies decades ago. The economic environment and public affordability back then were very much different from they are nowadays.

The Liberal Party has all along respected the contractual spirit. But as the economy has been going downhill for a long time and after the tragic battle

against SARS, all sectors of the community do have justified expectation of a downward adjustment in electricity and gas tariffs. The people and all trades and industries, particularly the catering industry, are still struggling hard to keep their heads above water. On the contrary, public utilities have been fattening on gigantic profits. The power companies, whose profits have even exceeded the maximum rate of return, have nevertheless held aloft the outdated SCAs which guarantee their profits, refusing to ride out the hard times with the people together. This is indeed disappointing.

Madam President, I so submit.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, Hong Kong people always say that the operating costs here are high, while the Government and the business sector say that workers' wages in Hong Kong are high. But the land premium, public transport fares, water charges, and electricity and gas tariffs have not been adjusted downward despite persistent deflation over the last few years. This is actually a major reason explaining why costs in Hong Kong have remained at a high level.

Over the years, Madam President, the electricity tariffs charged by the two power companies have been among the highest in the world, second only to Japan in Asia. The reason is that under the protection of the SCAs, whereby profit is pegged with capital expenditure, the two power companies are allowed a fixed return at 15% of their fixed assets. Let us take a look at the CLP Holdings. Among its net profit of \$371.4 billion in the first half of the year 2002-03, \$3.045 billion came from its business under the SCA. This shows that there is actually room for the two power companies to reduce their tariffs. Moreover, given a persistent deflation in Hong Kong, the real profits of the two power companies have already increased even without an increase in tariffs. While the CLP Power has occasionally offered tariff rebates which may be taken as a form of tariff reduction, what the people really hope for is a true tariff reduction, not rebates. The HEC is even more outrageous, and as Mr Tommy CHEUNG has already explained this earlier, I am not going to repeat the points here. The exorbitant electricity tariffs have not only affected the people's livelihood seriously, but also posed an enormous obstacle to industrial development in Hong Kong.

Madam President, in recent years, we have found that many industries have left Hong Kong. Some in the manufacturing industry have stated that they relocated their plants away from Hong Kong because the electricity tariffs are too high here. Now that we have CEPA, and some of them are thinking about returning to Hong Kong, but they are also concerned about the expensive electricity tariffs and water charges here. Such being the case, I think the electricity tariffs and water charges at their present levels have already dealt a severe blow to Hong Kong's industrial development. I very much hope that the Government and the several public utilities can think about this.

Madam President, the profit control schemes of the two power companies will expire five years later in 2008. However, in this year's report on the interim review of the SCAs, the Government should reverse the unreasonable provisions in relation to the supply of electricity in Hong Kong and expeditiously put in place an interconnection system, so as to facilitate the provision of electricity to the public at reasonable costs and at the same time ensure the effective utilization of resources. The situation in Hong Kong now is that a monopoly virtually exists in the electricity and gas industries. In the long term, the Government should enact a fair competition law to introduce competition into these sectors, so that the charges for these services will be lowered as a result of competition, thereby reducing the business costs in Hong Kong.

Here, I would also like to make another point. As we pointed out earlier, whether it be the CLP Power, the HEC or the Towngas, they are all public utilities companies. Generally speaking, I hope that members of the community or people who are based in Hong Kong, be they businessmen or wage earners, or people from all walks of life will shoulder social responsibilities. As we can see, Hong Kong is facing a hard time. After 1997, Hong Kong has encountered unprecedented difficulties economically and there has been serious unemployment among the wage earners. As the entire society is faced with major hardships and great challenges, all sectors of the community should also face up to these plights and make an effort to overcome the problems. I think the gas company, the power companies and the water supply authority, on which the people as well as all industries and business rely, have an unshirkable duty. They should see clearly the present situation in Hong Kong and make changes on their own initiative.

Madam President, in fact, I hope that all these companies established in Hong Kong can observe one spirit, and as I pointed out earlier on, many small

and medium enterprises wish to return to Hong Kong but they are often deterred by the excessively high charges of these companies. If we all wish to be based in Hong Kong and to develop in Hong Kong, I very much hope that these public utilities can give more consideration to this. Madam President, we do see that some of these companies, such as the Towngas or the CLP Power, have in recent years taken the initiative to offer rebates to the community. But compared to their profits, it is obvious that they have been doing far less than they should. I hope that through our discussion here or further discussions in the community, particularly as CEPA has opened up new opportunities, the Government can discuss with the relevant companies on ways to lower these charges, in order to enhance the competitiveness of Hong Kong. It is often said that wages are so high in Hong Kong that they have eaten into our competitiveness. From the example that I cited earlier on, we can actually see that these companies are impeding our development because their charges are too expensive.

Madam President, on the supply of Dongjiang water, as some colleagues said earlier, this is a very difficult and knotty problem to us at the moment. Obviously, there is an excess of supply over demand. More often than not, we can see that water is over provided and eventually discharged into the sea. The hefty water charges asides, from a global perspective, water may still be a very precious resource in many territories and in many cases. The relevant parties should consider how, within the parameters of the existing agreement with Guangdong Province, the problem of all water users, including commercial users, having to pay expensive water charges, while at the same time addressing the need to respect the contractual spirit, thereby identifying a way to protect this natural resource of the world.

Madam President, I very much hope that the Government can make an effort in this regard, because we have to pay an additional \$130 million for this yearly. Another \$130 million, alas. I know that we have to pay \$100 million for the Harbour Fest, and we have to pay \$130 million for this. I very much hope that the Government and Guangdong Province can make the best of their efforts to truly make changes to the existing situation which allows for no flexibility at all.

With these remarks, Madam President, I support Mr TAM Yiu-chung's motion. Thank you.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, our meetings have all been very special since the start of this Session in that we have been revisiting old issues almost in all our discussions. In the first meeting after this Council resumed, the motion moved by me and that by Ms Emily LAU for debate were both "classics". So, old issues were already revisited in the first meeting. Again, today's topic for discussion is also an old issue that has been discussed before. So is the motion to be moved by Dr YEUNG Sum later on.

It is obvious that this is a rehash of an old topic, even more so than all the other topics. During the many years when I have served as a Member of the Legislative Council, this issue has been rehashed over and over again. In fact, Madam President, my comment that it is a rehash of an old topic does not carry any derogative tribute to any of the Honourable colleagues or the sponsor of the amendment. I only wish to lay bare a fact and that is, we, Members of the Legislative Council, will persevere and fear no hardships, and we will keep on telling the Government that we will persevere and raise the same topic for discussion year after year as long as the result has yet to meet our demand. On this topic under our discussion today, our arguments may be more or less the same as those in the past, albeit there may be small differences in some of the figures.

Why are there small differences in the figures? A simple example is deflation because on top of these few years of deflation, we, without noticing it, now have an additional year of deflation. As there is an additional year of deflation, the total deflation over the past six years has therefore increased to a double-digit figure. Since it is already a double-digit figure, as far as we can see, there is certainly an opportunity and room for public utilities to reduce their charges. But much to our regret, they have not done so, and this is again disappointing to us.

Anyhow, we have already said so many things over the years, and in fact, the home truth, as Miss CHAN Yuen-han has said, is that we have entered into an indissoluble agreement with these public utilities and this very agreement is an unfair agreement, meaning the SCA or unfair treaties signed with some companies. For example, an unfair treaty was signed on the supply of Dongjiang water and because of this, we have encountered difficulties when trying to resolve the related issues. Whenever we bring up these problems, we will be invariably criticized of seeking to alter the terms of the contract, and we will be asked whether or not we intend to violate the contractual spirit. It is true

that this involves wide-ranging issues, but I think that sometimes, if we genuinely work in the interest of the people, these problems do warrant our in-depth thoughts and consideration. We simply cannot act in a rigid, mechanical way and refuse to take these into consideration.

Reviewing the debate over this issue last year, however, I remember that Mr Fred LI suggested that this issue be handled from a new perspective. He said that we should try to handle this issue from another perspective in the hope that the Government or public utilities could be made to work using a "soft" approach rather than a "hard approach", suggesting that a "soft approach be adopted as far as possible! That is why the motion moved last year was relatively moderate. What are the contents of that motion then? It urged the Government to negotiate more with public utilities and encourage them to offer concessions to consumers and reduce their tariffs. It appears that some success has been achieved, for the CLP Power has offered some rebates, whereas the other companies have not increased their charges. That they have not increased their charges is very good already, and a small part of our demands may have been answered too, because they can actually effect an increase anytime.

However, Madam President, as I said just now, given a negative growth and deflation over the years, we consider that there should be room for a reduction in their charges, but they have refused to do so in any case. This makes me feel that these consortia are no different from vampires and they will keep on sucking blood from us whenever there is a chance to. If we simply encourage them to reduce their charges, the result, if any, will certainly be minimal. I feel that despite our past efforts, we are still playing the lute to a cow. However hard we try to make it move, it utterly moves on extremely slowly or it is very difficult for it to make even a small movement.

As many colleagues said earlier on, the HEC, for example, reaped a profit of \$2.193 billion in the first half of the year. That of the CLP Power is even more astounding as it stands at \$3.663 billion. Members please take a look at this: At a time when almost a great majority of the people are complaining of impoverishment, these companies can nevertheless make gains contrary to the market situation, registering an increase of 11.1% in their profits. This figure of 11.1% is amazing because, Madam President, the reduction in Comprehensive Social Security Assistance (CSSA) this year happens to be 11.1%. Members please think about this: To CSSA recipients or the grassroots,

they are made to bear a reduction of 11.1% on the one hand, but the profits of these companies have conversely risen by 11.1% on the other.

What does this phenomenon show? The final outcome is the poor getting poorer and the rich growing richer. This is precisely the actual situation of Hong Kong people. If things go on like this, I must ask: Can these public utilities handle this issue with conscience? This conscience is social conscience. Since everyone is complaining that they are poor and as these companies have made enormous profits, why can they not be generous to us and ease a bit of the pressure on us?

I can remember that, in last year's discussion on this issue, Secretary Stephen IP stressed time and again that encouragement would be useful, citing an example that if he encouraged his son to spend less money, his son might sometimes listen to him. However, Madam President, I wish to point out that these public utilities are apparently a prodigal son on whom the Government has failed to keep a tight rein. Why? It is because, despite countless well-intended encouragement and exhortations from the Government over the years, obviously little or even no result has been achieved. Indeed, we cannot handle this issue in this way any more. I hope that more consideration can be given as to how this prodigal son can be reined in to become a good child with social conscience, a child who cares about the livelihood of the general public.

I hope that we do not have to discuss the same old issue year after year, for this will not only be a waste of our time, but also a greater disappointment to the people. On this issue, we must review the relationship between the structure of public utilities and the existing mechanism. If we do not review the existing mechanism afresh or set up a new mechanism, we will only be continuously rehashing old arguments over and over again in the future.

So, I hope that the Government can, while allowing these companies to reap fat profits, endeavour to find ways to alleviate the pressure of living on the people, in order to facilitate a more balanced distribution of social wealth and a fair distribution of social resources to all.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, a deflation has persisted for 58 months in Hong Kong and the Composite Consumer Price Index

(CPI) has dropped 16% and yet, electricity, gas and water charges have not been adjusted downwards. On the contrary, the latest CPI statistics in September even reflected an increase of one percentage point in these charges. This is most ironic to the people who can only feel helpless about it, and the cost of living will naturally put a heavier burden on the people.

At present, the average tariff for each unit of electricity in Hong Kong ranks only second to Japan among Asian countries and territories. Operators of large shopping malls have pointed out that the hefty expenses on electricity account for a quarter, and in some cases one third, of their total monthly expenses. To the ordinary public or small business operators, their plights are imaginable.

I wish to point out that under the SCAs, the two power companies have all along considered the maximum rate of return of 15% as the minimum level of guaranteed profit. Moreover, turning a blind eye to the many motions passed by the Legislative Council urging for a reduction of their charges, they have only been willing to offer some nominal rebate packages, or to freeze their charges at most, resulting in an ever increasing profit from the supply of electricity. The profit of the CLP Power had increased from \$5.42 billion in the year before last to \$5.81 billion last year, whereas that of the HEC had even increased from \$5.62 billion to \$6.04 billion last year.

Nevertheless, I wish to point out that the rebate schemes of the CLP Power are merely funded by fleece off the sheep's back. As mentioned by Mr Tommy CHEUNG earlier, the CLP Power offered the rebates out of its development fund which is made up of the accumulated surplus in profit. The fund still has an accumulated balance of \$2.8 billion after giving out the rebates.

Therefore, the Liberal Party considers that the two power companies should not refuse a reduction in their charges using various pretexts. It is better to adjust their tariffs downward direct in order to ride out the difficulties with the people together, and this will be most practical. Since the Government already completed the interim review in respect of the two power companies at the end of last year, it should seize the opportunity to reach an agreement with the two power companies on a reduction of electricity tariffs. The original motion mentions a direct lowering of the maximum rate of return, whereas the amendment calls for revisions of the method for calculating profit having regard for such factors as deflation and cost-effectiveness, which is obviously a more

reasonable approach. But in any case, a downward adjustment of tariffs by the two power companies is in order.

With regard to gas, although gas charges have been frozen since 1999, gas charges in Hong Kong are still the highest among the three worldwide gas suppliers, and our gas charges are on an average over 10% higher than that in Singapore which ranks the second. No wonder many housewives are shocked by the high charges whenever they receive the gas bill. Although the Towngas is not a franchise company, it actually does not differ much from the monopolies by the two power companies judging from its market share. The Towngas made a profit to the tune of \$3.09 billion last year. Bearing in mind the fact that less expensive fuel resources will be used shortly, we consider that the Towngas has no excuse at all to refuse a reduction in its tariffs.

Regarding water charges, nearly 80% of potable water in Hong Kong comes from Dongjiang water. Compared with Xijiang water, the cost of potable water in Hong Kong is on the high side. Furthermore, the water supply agreement signed in 1989 which is currently in force provides no room for a substantial downward adjustment in water supply in response to a drastic decrease in water consumption following the northward relocation of industries in 1990s. As a result, a huge amount of precious water that cost hundreds of millions of dollars has been discharged into the sea, which is wasteful indeed.

Although the use of the closed aqueduct since the end of June has been helpful to reducing the amount of water required for diluting pollutants, Hong Kong still has to pay \$3.802 per cu m of water under the agreement, which means that Hong Kong has to pay almost \$130 million out of public coffers in extra. As long as the agreement is not revised, there will be no room for any downward adjustment in water charges. We hope that the Government can negotiate with Guangdong Province on a new package of water supply arrangements at reasonable costs which will also allow for flexibility in supply. Once the Guangdong side agrees to a reduction in the price, the Government must return the savings so made to users in full. It must not try to "grab rice out of a beggar's bowl".

Moreover, we agree that in the long run, Hong Kong must explore new sources of water. To this end, we can consider purchasing the less expensive Xijiang water, in order not to rely too heavily on Dongjiang water which is a

cause of the high water charges now. But on the proposal of desalination, our view is that the cost to be incurred is colossal and it will not help alleviate the burden of the people.

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

MR YEUNG YIU-CHUNG (in Cantonese): Madam President, according to a survey conducted by the DAB in August on household expenditure on domestic fuel, the fuel expenses of gas users are generally higher than those of liquefied petroleum gas users. Seventy percent of users said that they would have to pay more than \$200 in gas charges monthly, and the gas expenses of over 20% of users even exceeded 5% of the household income. A majority of the people said that given an economic downturn and a reduction in their income, the expenditure on water, electricity and gas charges had imposed very heavy pressure on their families.

Water, electricity and gas are energy resources indispensable to the people's daily living and to the industrial and business sectors, constituting a major part of the living and operational expenses. For years, there have only been increases in these charges to the neglect of the plights of the people.

As the Hong Kong economy has remained in the doldrums, the profit margin has been shrinking in all sectors of the community, but the electricity market and the Towngas still manage to reap sizable profits year after year. This is, in fact, attributed to a business environment which is advantageous to them. For other public utilities services, such as public transport, members of the public can still have options, for they can choose to ride on the Mass Transit Railway instead of buses, and there are even the Star Ferry or trams which cost less. However, water, electricity and gas are different. Take gas as an example. The Towngas has a market share of 70%, and in many newly-completed residential apartments, the developers have selected the Towngas as the agent of liquefied gas right from the start and so, from the kitchen to the bathroom, all the facilities are installed to match with gas supply by the Towngas. Such being the case, users basically have no other choices. In these sort of monopolized markets, the profit of these companies is protected in disguise, and their risk exposure is far lower than that of other enterprises. Given that these public utilities are given special privileges in the business environment, it is

indeed imperative for them to shoulder part of the social responsibility by adjusting their charges downward, in order to ride out the storm with the people together at a time when economic difficulties prevail.

Madam President, although the Government upholds the "big market, small government" policy under a free economy, it must exercise adequate supervision on markets which are almost monopolized. Otherwise, the resultant monopolization in terms of pricing will be unfair to the people and other business operators.

The three public companies concerned do have room for reductions in their charges. Take the Towngas as an example. Although gas charges have not been increased for six years, a mere freeze of the charges is actually tantamount to an increase given that a deflation has persisted in Hong Kong for years on the roll. Furthermore, over the last three years, the Towngas has recorded a huge profit exceeding \$3 billion, which represents a return rate of as high as 36% of its fixed capital. With the backing of such a huge profit and as deflation has accumulated to over 10%, it is indeed unreasonable of the Towngas to refuse to reduce its high charges to the neglect of the appeals of the underprivileged in society.

Therefore, in the short run, the Government should actively fight for the interest of the people. It should, through negotiations, encourage these three public utilities to lower their charges or to duly provide users with concessions or rebates. In the long run, changes should be made to the mode of supervision, or channels should be opened up to introduce competition, or the existing profit control schemes should be reviewed, with a view to stamping out monopolies or unreasonable charges.

On water charges, if the Government can successfully reach a new agreement with the Guangdong Provincial Government on the supply of Dongjiang water, the rates of water supply can be reduced, and if a demand-based mechanism is introduced, there will be room for a downward adjustment in water charges in Hong Kong. I think the savings thus derived from the new agreement should be returned to the users, so as to alleviate the burden of the people as well as the industrial and business sectors.

At present, the most pressing task of the Government should be to alleviate the people's plights, while top priority should be accorded to revitalizing the

economy. Although the revenue of the Government may be reduced by billions of dollars in the books, this can create a knock-on effect. While this can demonstrate the Government's resolve to ride out the difficulties with the people, public discontent will be eased and confidence restored; and this will also stimulate consumer spending, promote investment and create jobs, which will in turn speed up economic recovery, enhance social cohesion and ensure stability in the development of society. Furthermore, if the Government can take the lead to cut water charges despite a serious fiscal deficit, it can serve as a positive example for other companies, encouraging them to take up their social responsibility to contribute to society.

Madam President, in his address at the cocktail reception in celebration of the National Day, the Chief Executive, Mr TUNG Chee-hwa, said to the effect that the SAR Government would do all it could to promote economic development, stabilize the economy, alleviate people's hardships and grasp the opportunities bestowed on us by the closer economic partnership with the Mainland. This shows that the Government understands the importance of the "economy card" and the "livelihood card" to social stability. The remarks of the Chief Executive, while highlighting the key initiatives of the Government's administration over the years, also spelt out the aspirations of all Hong Kong people. So, with these remarks, I hope the Government and the relevant companies will expeditiously give effect to this motion on reducing charges. Thank you, Madam President.

MR KENNETH TING (in Cantonese): Madam President, although one of the power companies, namely the CLP Power Hong Kong Limited (CLP Power) has in recent years nominally responded to the plights of the people and the difficult business environment by introducing rebate schemes or offering tariff concessions, basically it has only returned to its users the excess profit made from its over-estimation of power generation. Last year, the profit of the two power companies could still reach a high level of close to \$14 billion in total. If we look around the world, I believe no other business can possibly reap such handsome returns where a deflation and economic recession prevail!

To the industrial sector, particularly the manufacturers, electricity tariffs always account for a considerable part of their total operational expenses. This is mainly because the machinery requires massive consumption of electricity and it is generally very difficult for the manufacturers to reduce electricity

consumption in the production processes. Factories that have chosen to remain in Hong Kong pay at least hundreds of thousands of dollars or even millions of dollars monthly for electricity tariffs.

Although some production costs, such as the land premium, wages and interest, have come down following the prevalence of a deflation, the costs of products cannot be adjusted downward accordingly. The income of manufacturers has dropped considerably, but the electricity tariffs, which constitute a major part of the production costs, have remained on the high side, making it impossible for the operating costs to be further reduced, thus greatly undermining our competitiveness. On the contrary, in the neighbouring regions, such as Guangdong Province, their electricity tariffs are at least one third lower than ours in Hong Kong on average.

As a result, manufactures can only turn their investment away from Hong Kong and relocate their plants to the Mainland. Foreign investors have also been scared away by the expensive electricity tariffs and refrained from investing in Hong Kong. This is no uncommon scene and does not strike anyone as strange.

Madam President, electricity tariffs aside, the industrial and business sectors also have a large demand for water. To industries which require huge water consumption, such as electroplating and dyeing, although not many of them can now be found in Hong Kong, it is possible that all these industries will ultimately relocate their operation elsewhere if water charges are not reduced, and this is not going to benefit the economy of Hong Kong anyway.

If water charges in Hong Kong remain at such a high level, manufacturers who wish to relocate their plants back to Hong Kong will still be deterred even though concessions are provided under CEPA. It is because the savings to be derived from zero tariff will fall far short of the extra water and electricity tariffs incurred for their relocation to Hong Kong. This will deter manufacturers from returning to Hong Kong and is not conducive to attracting foreign investors to set up plants in Hong Kong. Industries in Hong Kong will continue to be hollowed out, not being able to absorb a large pool of workers. This will not be of any help to resolving the high unemployment rate in Hong Kong.

All in all, the industrial sector hopes that the Hong Kong Government can, in this year's interim review, reach a consensus with the two power companies

on a reduction of the electricity tariffs. With regard to water charges, the Hong Kong Government must expedite negotiation with the mainland water supply authorities on terms or clauses which allow for greater flexibility in the supply of water, in order not to waste even more public money buying potable water not needed by the people, and it must at the same time strive for a lower price of water. Only in this way can the operating costs be reduced, a better business environment created and the future of the economy improved.

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

MR NG LEUNG-SING (in Cantonese): Madam President, the charges of the two power companies and the gas company have been a subject of concern to this Council over the past several years. In particular, Hong Kong's economic environment has remained gloomy and there has been a sustained deflation in recent years. Both the livelihood of the public and the operation of the commercial and industrial sectors are facing enormous pressure. It is the community's aspiration that the Hong Kong and China Gas Company Limited (the Towngas) and the power companies can ride out the present hard times with the public by returning wealth to the community through such means as tariff reductions or concessions. Under certain special circumstances, including the time when we are prompted by sympathy, such motions are understandable. For this reason, as I did last year, I will support the Government to engage in negotiations with the gas company and power companies only under certain circumstances to encourage them to make active responses. But what circumstances am I referring to? We must not forget the desirable bottomlines or principles in a commercial society. To put it directly, what I mean is the Government's action should protect the rights of investors to operate and fix prices in accordance with the law. It is definitely not appropriate for the Government to directly interfere with commercial operation by administrative means. This is the fundamental position taken by me in the past in debates on all relevant questions. At the same time, this reflects part of my efforts in safeguarding Hong Kong's long-term appeal to investors.

We should be able to see that the Towngas is one of the many commercial establishments. The determination of its tariffs has always been considered

entirely as a commercial act. The company has not been subject to any mechanism of public supervision since it started to make investments. Notwithstanding this, the relevant tariffs have been frozen since 1999. The power companies, on the other hand, are regulated by the Scheme of Control Agreements (SCAs). In times of high inflation, the permitted returns may not appear to be very attractive from the commercial angle. This is resulted partly from the fact that the SCAs have served to balance the so-called gains and losses of the various parties. During the 1997-98 interim review, certain revisions beneficial to users were made to the SCAs too. They include lowering the rate of return on customers' deposits, and excluding excess generating capacity from attracting permitted returns. In the fresh round of interim review, I hope active negotiations can be held between the Government and the two power companies on the basis of equality to, under the prerequisite of ensuring a stable and safe supply of electricity, allow arrangements to be made with respect to permitted returns that can better suit the interest of various parties in the community. A point worth stressing is that any revision of the SCAs must be acceptable to both parties. This is not only the principle of the interim review, but also the fundamental spirit of contract upheld in a community that observes the rule of law.

As regards the handling of Dongjiang water, I definitely support the Government of the Special Administrative Region (SAR) and Guangdong Province to conduct friendly talks in the light of the actual situation, in order to strive for entering a new water supply agreement in the light of the changes in circumstances over the past period of time. At the same time, on the basis of an attitude built on mutual respect, accommodation and understanding and with emphasis on long-term mutual co-operation, Hong Kong should be allowed to enjoy flexible water supply that can better cope with its actual need. Efforts should be made to put in place a pricing mechanism that can better look after the interests of both parties. The supply of Dongjiang water carries significant social and commercial benefits. As such, I hope both the Guangdong and Hong Kong Governments can, considering their long-term mutual benefits, put emphasis on protecting the environment and sustaining the economic development within the region, with a view to creating a win-win situation with respect to future water supply arrangements that will benefit both the country and the people.

Madam President, I so submit.

DR TANG SIU-TONG (in Cantonese): Madam President, in recent years, the Hong Kong economy has continued to be at the low ebbs. Deflation has persisted for 58 months in a row, job openings have decreased and the unemployment rate has hit record highs. Madam President, the conditions have begun to stabilize only in recent months. Salaries of wage earners have generally been adjusted downward. According to the latest statistics of the Census and Statistics Department, the median income of wage earners could no longer stand at \$10,000, a record for eight years continuously, as it has dropped to \$9,800. Even university graduates are making an income of some \$6,000 to \$7,000 only, and the income of workers with a low level of education and skills is even lower. Under such economic hardships, the plights of the ordinary public are simply imaginable. The grassroots have been scrimping and saving, and cutting back on their living expenses as much as possible to make ends meet. However, the costs of some basic necessities of living, such as gas, electricity, water and public transport, have remained high, and this has added to the burden of the poor. In the last Question and Answer Session of the Legislative Council, the Chief Executive, Mr TUNG Chee-hwa, said that the Government must attach importance to the people and serve in the interest of the people. To be a government which attaches importance to the people and serves in the interest of the people, it is duty-bound to alleviate the burden of the people in living, so that they can live and work in peace and contentment.

Given a persistent deflation, the costs of many daily necessities including food and clothing have already come down substantially, except the charges of some public utilities, as they have refused to reduce their charges in accordance with deflation but have only provided short-term discounts or concessions to customers as a token gesture. This is very unfair to the general public. But the services provided by these public utilities mostly happen to be daily necessities or monopolized goods that face no competition in the market. As such, the bargaining power of the people is greatly undermined and hence, the people are forced to pay exorbitant charges for these services. Take public transport operators as an example. The bus companies effected fare reductions in October, offering a 10% discount on journeys which charge over \$15 and a 5% discount on those which charge between \$10 to \$14.5 for a period of one year. But there are actually not many passengers who take bus journeys that cost more than \$10 and so, these concessions cannot benefit the mass public. Furthermore, these concessions are all subject to a time limit. They are not genuine fare reductions, so they cannot meet the general public's aspiration to an adjustment of transport fares in accordance with deflation.

Apart from transport fares, there is indeed room for a downward adjustment in gas and electricity tariffs too. While the Towngas has frozen its charges for six years, it still manages to maintain a colossal profit to the tune of \$3 billion yearly. The main reason is the continued rise in the number of gas users from 1.33 million in 2000 to 1.47 million last year, representing an increase of over 10%. If we calculate on the basis of its fixed assets, the rate of return for the Towngas is as high as 36%, which is even higher than the 13.5% and 15% of the CLP Power Hong Kong Limited (CLP Power) and the Hongkong Electric Company Limited (HEC) respectively. It is indeed astonishing to learn that it can reap a profit of over 30%. Many surveys have indicated that charges for gas are generally higher than those for central liquefied petroleum gas. Users have no choice at all; they do not have the right to choose the domestic fuel supplier. Under such circumstances, the public are forced to pay expensive gas charges and they simply cannot resist. As the Towngas has reaped a huge profit and given a persistent deflation plus an ever increasing number of gas users, the Towngas is no doubt in a position to reduce its charges.

Electricity tariffs in Hong Kong have all along stood at the highest level in the world over the years, so high that they are only second to Japan in Asia. This is due to loopholes in the existing SCAs of the two power companies. For example, the arrangement that profit is pegged with investment has long been a cause of criticism. High electricity tariffs will affect not only the ordinary users. Small and medium enterprises are also forced to operate at high costs, which will, in turn, weaken Hong Kong's competitiveness. Therefore, reductions in tariffs will benefit not only the people's livelihood, but also the industrial and business sectors. While the CLP Power made a profit as much as \$3.7 billion in the first half of the year, it only introduced a rebate scheme in March. The HEC does not even have plans to offer any rebate or tariffs reduction. I think it is unlikely for the power companies to suffer any loss under the existing SCAs and so, there is every reason for them to lower their tariffs at this difficult time, in order to ride out the storm with the people together and shoulder some measure of social responsibility. In the long run, the Government should seize the opportunity of the expiry of the SCAs of the two power companies in 2008 and revise their contents, so that electricity tariffs can more accurately reflect the prevalent economic conditions.

On water charges, the Government has started negotiations with Guangdong Province on a new agreement on the supply of Dongjiang water,

hoping to build in a clause that allows for flexibility in supply, in order to cut the expenditure in this regard. Under the auspices of Vice Premier ZENG Qinghong, it is believed that Guangdong and Hong Kong will soon announce the specific details. The savings in expenditure derived from purchasing less Dongjiang water should be returned to users as soon as possible, in order to alleviate the burden of the people.

In general, the profits of public utilities are protected by statute and the Government cannot mandate a reduction of charges by them. This we can appreciate. However, given that they can make excessive profits every year, and as the economy has not yet recovered and the grassroots are living in dire straits, these public utilities should answer their conscience and use whatever it has taken from society to benefit society by temporarily reducing their charges to ride out the hard times with the people together. The Government should assume the role of an intermediary and actively negotiate with these public utilities on a reduction of their charges, in order to strive for the interest of the people and to truly live up to the principle of serving in the interest of the people and attaching importance to the people.

Madam President, I so submit.

DR RAYMOND HO: Madam President, citizens of Hong Kong are still facing a very tough time as our economy still remains at a very low point, if not the lowest ebb. People in the lowest income group have difficulties in making their ends meet even if they are lucky enough to cling to their jobs. Many of them have already cut their expenses to the bone. They keep a low usage of electricity, gas and water so as to reduce their expenses. Nevertheless, these utility charges are still too much a burden for them. The same can be said of many small and medium-sized enterprises which are struggling to stay afloat.

As responsible corporate citizens, utility companies are nowadays placing more emphasis on fulfilling their social responsibility. Stressing on intangible benefits such as corporate image derived from sharing the hardship with the public, the Government could persuade utility companies to reduce their charges or offer concessions to consumers.

However, it must refrain from exerting too much political pressure to get the acquiescence of these companies. By doing so, the incentive of these

companies in providing reliable, safe and efficient gas and power supplies will adversely be affected. In other words, the Government must strike a balance between fighting for concessions to the public and ensuring the long-term development and performance of these companies. The large-scale black-outs in the eastern part of America, London and Italy during this summer are a stern warning to us.

The Government must apply the same logic when reviewing the Scheme of Cost Control of the two power companies. While high permitted rates of return for power companies will be unfair to consumers, reliable rates of return will provide the necessary incentives for power companies to invest in their power supply capabilities to meet the future needs of Hong Kong.

With regard to water supply, it is imperative for the Government to negotiate with Guangdong Province a more flexible water supply agreement. The terms of the current agreement are too rigid and fail to accommodate the fluctuating demand for water which is further aggravated by abnormal weather conditions, for instance, the effects of El Nino and La Nina. To overcome these problems, the Government ought to negotiate with Guangdong Province stepped rates for future water supply, starting from a low rate for a mutually agreed minimum amount of water supply. The rates for water supply will then increase in steps according to the volume of water demanded.

As a responsible government, the Government must answer the call of the public to solve the issues relating to their livelihood. However, it must not sacrifice the long-term interests of the public to gain short-term political acclaim.

With these remarks, Madam President, I so submit. Thank you.

DR YEUNG SUM (in Cantonese): Madam President, the Democratic Party has long fought for a reduction of charges by public utilities companies. Today, I would like to call for a reduction in electricity tariffs again on behalf of citizens living on Hong Kong Island. Citizens living on Hong Kong Island now pay 15.6% more than those living in Kowloon or the New Territories for their electricity tariffs. Why is there a discrepancy of 15% in electricity tariffs in this small place of Hong Kong? Is it necessary for the Government to address this problem squarely?

At present, the level of electricity tariffs in Hong Kong is indeed among the highest in the world. Studies conducted last year by the Lehman Brothers, a foreign-funded securities company, pointed out that in terms of electricity tariffs, Hong Kong is the third most expensive place in the world, just after Japan and Italy, and ranks second to Japan in Asia.

Expensive electricity tariffs are attributed mainly to the existing SCAs which have virtually become profit guarantee schemes. The SCA was first introduced in 1964 with the purpose of allowing shareholders of the power companies a reasonable rate of return while at the same time affording the greatest protection for the interest of the people. According to the annual report of the China Light and Power Company Limited back then, the permitted rate of return under the scheme of control is not a profit guarantee, but merely a profit ceiling. The Hongkong Electric Company Limited (HEC) later signed a SCA with the Government in 1978. Subsequently, the two power companies have accepted that their business operation in the provision of electricity shall be supervised by the Government in the form of a contract.

But now, the SCAs have already become obsolete. It appears that the power companies have only used the SCAs to expand their fixed assets in order to increase profit. In 2002, the fixed assets value of the CLP Power was \$63 billion, an increase of 66.4% compared with a decade ago in 1993, whereas the total electricity sales in the corresponding period increased by 16.8% only. The fixed assets value of the HEC has also increased by 117.7% over the last decade, but its electricity sales during the same period increased by a mere 37.3%. Obviously, the two power companies have increased their net assets values in a bid to raise their profit margins, and it appears that their profits are protected by the Government.

Although the Government reached an agreement with the two power companies in 1998 to amend the SCAs to the effect that the two power companies are restricted from unreasonably expanding their fixed assets, which shows that the Government has indeed done something, the net fixed assets of the HEC have still increased by 20% whereas its total electricity sales have increased by 9.8% only over the last five years from 1998 to 2003.

The Government has stressed that a vetting mechanism is already in place to provide against an unreasonable increase in the net fixed assets of the two power companies. For example, in examining the financial plans of the two

power companies, the Government will carefully examine their projections and investment proposals to ascertain whether the new facilities are essential and reasonable before the investment proposals will be approved. However, most of the information is provided by the power companies themselves, can the Government effectively grasp the situation and proceed to making an accurate judgement in examining the proposals?

Besides, irrespective of the merits or otherwise of a decision to invest in the development of electricity business, the power companies are still allowed to make a 13.5% return on their investment from the users under the SCAs. In other words, consumers, but not shareholders, are made to bear the consequences of the investment decisions made by the power companies. This arrangement is unreasonable.

So, if the existing formula which calculates profit on the basis of the company's fixed assets will be maintained with only a small downward adjustment in the rate of return, can the interest of users be truly protected? Will it not only result in the two power companies continuing to expand their assets in a bid to reap profits? The two power companies simply know too well how this game is played, and they are also able to make good use of this game.

Therefore, the Democratic Party proposes that the existing SCAs should be amended, so that profit will be calculated not only on the basis of the fixed assets. Rather, the SCAs should be amended to the effect that apart from their investments, the inflation and deflation rates, environmental protection and the quality of service should also be factored into the calculation.

In the long term, the Democratic Party hopes that the electricity market can be liberalized — I trust the Secretary should know our position very clearly — to introduce competition and hence give choices, real choices, to members of the public, so that they will not have to succumb to the reality and pay exorbitant electricity tariffs as they are doing now. The Government has already studied an interconnection between the two power companies for several years. The Democratic Party hopes that the Government will cease to act indecisively, for this is basically a feasible option, technically. The Government should expeditiously make a decision to enhance interconnection between the two power companies in order to reduce the need for developing power plants, and it should also allow operators interested in the electricity business to enter the market and hence facilitate market liberalization, thereby

providing genuine choices to the people and injecting momentum for competition in the electricity market.

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

MR LAU CHIN-SHEK (in Cantonese): Madam President, as colleagues have said earlier in the debate, this Council has, over the past few years, debated for many times topics about urging public utilities to reduce their charges and provide concessions. I believe Members know only too well the arguments of all sides. However, I think it is still very important to repeatedly appeal for a reduction in charges and provision of concessions by public utilities, because members of the public are still living under a heavy burden. Their living expenses have put a lot of pressure on them, and as a deflation has persisted for almost five years, I really, really cannot see why these public utilities which are making big money still refuse to reduce their charges.

On the surface of it, the economy appears to have turned the corner in the last couple of months, with the unemployment rate having slightly fallen from the peak of 8.7% in the middle of this year to 8.3%. Yet, I must point out that with a 8.3% unemployment rate and close to 300 000 wage earners being jobless, Hong Kong is still facing the most severe employment crisis in recent decades, and the employment situation has remained critical.

Madam President, according to a recent survey on employees' salaries in Hong Kong companies, although none of the companies interviewed said that they would cut staff salaries in the coming year, many still have plans to continue freezing their salaries next year. In the meantime, the survey also found that many employees have had their wages cut this year, and most of the companies interviewed have resorted to retrenchment during the year. This shows that the income of the working class is still decreasing rather than increasing; their "wallets" are still shrinking, and there will not be signs of improvement to this situation in the foreseeable future.

Madam President, public transport fares and public utilities expenses, such as water, electricity and gas charges, are indispensable to our daily living. This is known to everyone and I do not have to say much about this. When a deflation persists and the working class is either out of job or forced to accept a

cut in wages and benefits, if public utilities still refuse to reduce their charges, they are not only unreasonable, but also heartless and shameless!

Last year, the CLP Power Hong Kong Limited (CLP Power) and its associated companies made a net profit exceeding \$7.7 billion from the electricity business, representing an 17% increase over its \$6.6 billion profit five years ago in 1997. The case of the Hongkong Electric Company Limited (HEC) is even more shocking. Last year, the HEC made a net profit of \$6 billion from its electricity business, representing an 50% increase compared with its \$4 billion profit five years ago in 1997. Madam President, I am not saying that the power companies should not make one cent of profit. I also believe that Hong Kong people are not jealous of the ever increasing profit of the public utilities. But given a persistent deflation, the company's operating costs have already been reduced; and given the fact that the net profits of the two power companies have not been reduced but increased instead despite an economic downturn, and as the two power companies have plenty of room for a reduction in tariffs, why do they still refuse to respond to public aspiration and effect a full-scale tariff reduction? People are more dissatisfied to see that the HEC has, in the past few years, not only refused to reduce its tariffs or even provide concessions. Worse still, it has increased its tariffs more than once.

In recent years, under an economic downturn, many people have stressed that we must ride out the hardships together. After several years of adjustment, the salaries of wage earners have been forced to drop a substantial margin. The working class has earnestly shouldered the responsibility of riding out the storm together. But those large public utilities with staggering profits have not reduced their charges accordingly to ride out the storm with the people together, and this is utterly unfair. Electricity tariffs in Hong Kong are basically the highest in the region. A high level of electricity tariffs will affect the people's livelihood, and also cause the operating costs of all trades and industries to go up, thus undermining our competitiveness and impeding economic development. Therefore, a reduction in tariffs by the two power companies is necessary in the interest of the people's living and will also be conducive to economic development.

Madam President, that the two power companies can act contrary to the economy, to public sentiments and to the people's livelihood by insisting on no reduction in their tariffs is very much linked with the SCAs. I think the

Government must seriously draw on the experience in past years and lower the permitted rate of return on the occasion of the interim review of the SCAs of the two power companies. On the approach of control or regulation after 2008, the Government must expeditiously put forward proposals for consultation with this Council and users among the public, to ensure that with regard to tariff adjustments, there will be a mechanism which allows for increase and decrease in electricity tariffs, in order to protect the interest of users effectively.

Electricity tariffs aside, gas charges are another kind of high public utilities charges. Given that regulation of the Hong Kong and China Gas Company Limited is even less than that of the two power companies, I, while calling for a reduction in gas charges, wish to reiterate that the Government should expeditiously examine bringing gas charges under regulation in order to protect consumers' rights and interest.

Madam President, as regards water charges, let me reiterate my long-held views. That is, the use of water, particularly the intake of water, is essential to human existence. So, it is a basic and unshirkable duty of the Government to supply water to all Hong Kong people at reasonable charges. Over the years, the price of Dongjiang water has remained at a high level; there has been an excess supply of water to Hong Kong and flexibility is also lacking. All these have aroused much criticism by the people. Under such circumstances, I think any argument by the Government to insist on the lack of room for a reduction in water charges on grounds of reds in the water books simply cannot hold water.

Like transport fares and electricity and gas tariffs, water charges should also be reduced as soon as possible in the light of the people's livelihood, economic conditions and deflation. If the Government can take the lead to reduce water charges, I think that would be the most persuasive step taken to convince the two power companies, the gas company and public transport operators to reduce their charges on a comprehensive scale.

Madam President, I so submit. Thank you.

MR ABRAHAM SHEK: Madam President, in the business world, pricing strategy is an integral part of a company's financial plans and strategy. It is unimaginable that an outside party could and would participate in such highly sensitive commercial decisions. But this is precisely what today's motion

seeks to do. I urge the Government to think very clearly, for any contemplated interference by the Government in these companies clearly breaches the fundamental principles and values on which the cornerstone of Hong Kong's success lies. This would not only be grossly wrong, but also potentially dangerous. Investors' confidence would be utterly undermined, and so would Hong Kong's reputation as a free-market economy. Who would want to acquire shares of a company which cannot protect its own shareholders' interests? And who would invest in a city where the spirit of contract is not upheld, where the local government, under political pressure, does not always follow what it preaches and believes? Eventually, the economy would suffer, along with individual utility companies. The price of any government interference is potentially devastating. What is more, the entire community would suffer the consequences.

The motion's second request — to lower the permitted rate of utility companies' returns — involves modifications to the Scheme of Control Agreements. It is true that modifications to any part of the control schemes may be requested during the current interim performance review of the two power companies. The Government has every right to introduce at the negotiation table the request to lower the profit ceiling. But before any discussion can occur, there are two areas of concern which the Government needs to pay attention to: first, modifications must be mutually agreed upon by both parties, and second, great care must be taken in the pace and extent of such change.

Indeed, it may not be desirable at this stage to initiate changes too radically or too rapidly. The agreements were already reviewed once in 1998 and will expire in five years' time. If we aggressively push forward major modifications to the agreement, it may weaken the power companies' financial position and even undermine the reliability of power supply. Let us not forget that this same scheme has given us the benefits of reliable electricity supply, near universal access in all service areas and environmental stewardship. In my view, discussions with the power companies on changes to the control schemes — including tariff levels and their calculation methods — beyond 2008 will be of more fundamental importance.

An additional factor which needs to be taken into account is the nature of the electricity industry. It is highly capital intensive and returns are generated over the long term. This partly explains why the pace of growth of the power companies' fixed assets is faster than that of their sales. Those critics who

blame the power companies for making excessive returns and over investment clearly have not sufficiently considered this point in their arguments. If they had, they might agree that the present control schemes do in fact strike a fair balance between the interests of the shareholders and the customers.

The last request of the motion concerns modifications to Hong Kong's water supply agreement with Guangdong. The present pact will expire in 2004, beyond which the annual supply quantity will be subject to review. Thus, I agree it is timely and appropriate for the Government to initiate negotiations for revising the contract terms with the Guangdong Government.

Madam President, with the Government's popularity at this stage floundering, the temptation of scoring political points by offering the public token appeasement — such as pressing the utility companies for a tariff reduction — is irresistible. But a reasonable, responsible government like ours should always be aware of the danger of such an interference, as well as its own limited capability in influencing the market. With these words, I oppose both the original and the amended motions. Thank you.

MR CHAN KAM-LAM (in Cantonese): Madam President, electricity tariff will become the community's focus of discussion come November every year. While the two power companies will review tariff levels with the Government, Honourable colleagues in this Council will fight for a reduction in electricity tariffs through motion debates. This has been going on and on over the past several years for just one reason: The two power companies have throughout the years failed to lower tariffs in response to public aspiration. What has been done at the most is freezing charges or merely providing certain concessions.

The reasons cited for demanding a tariff reduction are invariably "sustained deflation" or "the two power companies should tide over the difficulties with the public after reaping huge profits year after year". Despite the repetitiveness of these arguments and their lack of novelty, they have become increasingly convincing because of the sustained deflation in the territory over the past several years. In 1999, deflation stood at 4%. Today, four years later, there has been no adjustment in electricity tariffs, though deflation has cumulated to 12.4%. In other words, electricity tariffs have been increasing year after year in tandem with deflation, and the burden on the public has grown heavier

compared to the case four years ago. Looking back at the past four years, we can see that despite the gloomy economic environment, the CLP Power Hong Kong Limited (CLP Power) and the Hongkong Electric Company Limited (HEC) have seen their profits rise on an annual basis. Under such circumstances, there is room for the two power companies to reduce their tariffs. The practice adhered to by the power companies over the years has fuelled the public's strong demands for a tariff reduction.

It has recently come to our notice that the management of the HEC has indicated that the construction of the Lamma Island Power Station, which has been postponed for a year, will be re-launched because of a projected increase in demand for electricity. We will certainly render our support should there be a real need for construction of a power station. However, we feel that this project may turn out to be a repeat of the construction of the Black Point Power Plant by the CLP Power in 1992. Last year, in a debate calling on public utilities to reduce charges, we expressed disappointment to the Government's decision to allow the two power companies to make a \$57 billion investment over the next five years, because we were concerned that the two power companies would invest blindly just to achieve the goal of raising tariffs. The Democratic Alliance for Betterment of Hong Kong (DAB) calls on the Government to require the HEC to present detailed reports to prove the urgency of building the new power station. At the same time, an accurate evaluation should be made within the Government of the future demand for electricity territory-wide. It must under no circumstances allow a repeat of the previous mistake of making users to bear the consequences caused by excessive investment by the power companies.

I would like to reiterate that the DAB supports in principle the proposal of interconnection of the two power companies. However, the benefit brought to consumers by a mere interconnection of the two companies is going to be very limited. In the long run, the Government should consider introducing other cheaper sources of electricity. At this stage, we propose implementing cross-net power supply for the purpose of introducing competition. The merit of this proposal is that the building of the network required will merely entail limited investment and it will not be used as an excuse for raising tariff. At the same time, users will be given an additional choice. Through competition in the market, electricity tariffs will come down and the quality of service will be enhanced too.

The SCAs for the two power companies were signed a long time ago. Although minor amendments were introduced when the interim review was conducted in 1993, many of the terms and conditions of the SCAs have become outdated and warrant revision to tie in with the changes in circumstances. If it is possible for a complete revamp to be made or for the Government to unilaterally make changes, the matter can be resolved more easily. However, this seems to be absolutely out of the question. In our opinion, the most direct way of dealing with the matter is to revise the maximum rate of profit, the methods of calculating profits, items for calculating profits, the term of the SCAs, and so on. Nevertheless, we understand that even holding discussions on modifications to the SCAs is not going to be an easy task. If we consider this the reality, we might as well propose revising the maximum rate of profit to force the two power companies to come up with new SCAs that can better meet our demands in 2008. We hope the Government can continue with its efforts and reach new SCAs with the two power companies in the near future.

Madam President, I so submit.

MISS CHOY SO-YUK (in Cantonese): Madam President, I will focus on an elaboration of the position of the DAB with respect to our demand on the Government to slash water charges.

Insofar as this issue is concerned, there is a consensus in the community that the requirements regarding the supply of Dongjiang water are too rigid, and the amount of water supplied has far exceeded the actual needs of the territory. As a result, \$3.5 billion worth of potable water has been drained into the sea over the past decade. This has not only resulted in a huge wastage in resources, but also burdened the public heavily with water charges for a long period of time. In order to reduce water charges, therefore, it is most crucial for the contents of the agreement on the supply of Dongjiang water to be rationalized.

In fact, the DAB was the first political party which made the demand to the Chief Executive to revise the agreement. The DAB is of the view that the British Hong Kong Government wrongly evaluated, before the reunification, the impact brought by the Mainland's reform and opening on Hong Kong's industries and therefore made an erroneous judgement on the contents of the agreement. By today's standards, the agreement appears to be extremely rigid.

That the DAB has called for a revision of the agreement is absolutely not because there is any attempt to disregard the spirit of contract. Nor has the DAB any intention to hastily revise the agreement unilaterally. Rather, it is because the DAB sees that the implementation of this obsolete agreement has harmed both parties. As such, it is hoped that the contents of the agreement can be revised expeditiously by both parties with an attitude of mutual benefit and mutual understanding.

It is needless to hide the fact that Hong Kong has suffered the most as a result of the implementation of the agreement. It is revealed that Hong Kong has an annual water consumption of approximately 950 mcm, and 280 mcm of this can be provided through rain water collected at various reservoirs. In other words, approximately 680 mcm of Dongjiang water will still be required annually to make up for the shortfall. This amount is actually 130 mcm less than the 810 mcm as stipulated in the agreement. It is most unacceptable that before the 130 mcm potable water was dumped into the sea, taxpayers have to spend a colossal sum of public money on treating and cleansing the water through certain complicated procedures of disinfection and decontamination.

If we do some calculations, we will find that the charges for handling this 130 mcm of potable water alone amount to nearly \$600 million. Coupled with water costs, Hong Kong is actually dumping \$1 billion into the sea every year.

Let me cite an extreme example. Even if Guangdong Province refuses to make any concessions on the agreement and insists on charging the same amount of money, the Government can still save nearly \$600 million that would originally be required for treating the potable water as long as the Mainland agrees not to transport water to Hong Kong, though we will still be paying the charge as usual. We can thus see the absurdity of the agreement.

On the other hand, the implementation of the agreement is not entirely beneficial to Guangdong Province. It should be borne in mind that water resources are scarce and acutely insufficient in Guangdong Province, and even the whole of southern China. The dumping of a large volume of precious potable water is a reckless act of wastage. Moreover, I believe it is not necessarily conducive to the development of Guangdong Province. What is more, it is not in line with the aspiration of the people of Guangdong.

In order to rationalize the contents of the agreement, the DAB proposes that the agreement be revised in accordance with two major principles: "supplying water according to demand" and "charging reasonably". "Supplying water according to demand", so to speak, means that the agreement should be based on an annual supply of 680 mcm, and taking account of the future economic development and other unknown factors, allow Hong Kong to reasonably increase the supply of water when necessary. "Charging reasonably" means that the price of Dongjiang water shall be determined according to three criteria, namely the inflationary situation, operational costs and the exchange rate of Renminbi. Considering the fact that the current Dongjiang water price was determined in 1996, a revision should have been made in 1999 under normal circumstances. However, both parties have not yet been able to reach a consensus. After considering in detail the three factors influencing the price of Dongjiang water, the DAB has come to the view that, consolidating the abovementioned factors, the overall expenditure on the purchase of Dongjiang water can actually be adjusted downward by 20%.

Besides taking the lead to reflect this proposal to the Chief Executive, we in the DAB also raised a similar proposal to Governor of Guangdong HUANG Huahua, during his visit to Hong Kong earlier. It is hoped that the Government of the Hong Kong Special Administrative Region (SAR) can follow up this matter with the Guangdong Provincial Government expeditiously with a view to establishing a more flexible water supply mechanism.

Of course, the question of whether the new agreement, even if implemented successfully, can relieve the burden on the public and benefit trades and industries will still depend on whether the SAR Government can complement the efforts fully and whether it is willing to return all the money thus saved to the people by reducing water charges across the board to allow 2.2 million users across the territory to, at a time when the economy is so weak, receive concessions on water charges of various degrees.

A lowering of water charges can benefit the public in general. Insofar as the catering industry, which has always been relying heavily on potable water and which expenditure on water charges often accounts for 2% to 3% of its operational costs, is concerned, a reduction in water charges will definitely help reduce operational costs and thereby speed up the recovery of Hong Kong

economy and promote employment. Furthermore, a downward adjustment of government fees and charges such as water charges can achieve a leading effect and will definitely produce a positive impact on the industry and even the entire community.

With these remarks, Madam President, I support the original motion moved by Mr TAM Yiu-chung.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may now speak on Mr Fred LI's amendment. You have up to five minutes to speak.

MR TAM YIU-CHUNG (in Cantonese): Yes. Thank you, Madam President. It seems to me that something has gone wrong.

In proposing his amendment, Mr Fred LI commented, with reference to the preamble of my motion, that is, the part concerning that public transport operators have reduced their fares or offered concessions, that the DAB seemed to be suggesting the discounts and concessions were already adequate and it was not necessary to fight for more. I wish to solemnly point out that this is definitely not the original intent of the DAB. Even after re-examining the wording of the motion and carefully weighing the words used one by one from the beginning to end, I can hardly come to such a conclusion. What I was trying to do is, by referring to the concessions and discounts offered by public transport operators in this month, to put pressure on the two power companies and gas company to follow suit in making a similar decision to reduce tariffs. I believe Mr Fred LI, being such a wise man, should understand this. If he is still not able to grasp the point, something might have gone wrong.

Apart from this, there are two points to which I would like to respond. The first one is related to the Scheme of Control Agreements (SCAs) of the two

power companies. The Government is currently conducting an interim review with respect to the SCAs and negotiating with the two power companies. As such, the DAB considers this a good opportunity to strive for lowering the return ceilings of the two power companies and reducing electricity tariffs in a simple, direct, swift and specific manner, in order to relieve the burden on the people and the business sector. We should not miss this golden opportunity to promote the recovery of the economy by entangling ourselves in a roundabout manner with the methods of calculating returns.

Members should well understand the SCAs signed between the Government and the CLP Power Hong Kong Limited (CLP Power) and the Hongkong Electric Company Limited (HEC). I do not wish to elaborate on them further because I have only five minutes left. From our past experience, it will take at least one to two years to revise the method for calculating their returns as proposed in the amendment. We should be able to recall vividly that the repeated bargainings for fare reduction between the Government and public transport operators earlier have made the public to wait anxiously. The progress of fare reductions will definitely be slowed down if the method for calculating returns is reviewed anew. It appears to us that the attitude taken by the Democratic Party on this matter concerning the livelihood of the public is quite ambiguous. Its sincerity in relieving the burden on the public and helping them to tide over their difficulties is also doubtful.

The third point I wish to make concerns the request made by Mr LI with respect to exploring other water sources, including desalination. We feel that there is no urgency at present to do this. The crucial question confronting us at the moment is to resolve the flexible supply of Dongjiang water and a reduction of the price of water, in the interest of helping the public in a direct and swift manner. On the contrary, if we are to examine the development of new water sources, we will, first, have to face the risk of being unable to keep up with technological development and, second, waste the \$4.9 billion already spent, including \$2.5 billion paid by Hong Kong, on the Dongjiang-Shenzhen water supply improvement works. These are all public resources. It will be such an enormous waste of public resources. For these reasons, the DAB will not support the amendment.

Thank you, Madam President.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, first of all, I would like to thank Mr TAM Yiu-chung for moving the motion on "Reducing gas, electricity and water charges" and the amendment proposed by Mr Fred LI which expressed the views of the public and the business sector. I am also very grateful to those Honourable Members who have spoken for their many valuable suggestions.

In view of the prevailing economic and employment situation, we appreciate that the public and the business sectors would expect the public utilities companies to reduce gas, electricity and water charges, thereby alleviating their burden.

In April this year, I urged the two power companies and the gas company to actively explore means to help trades hard hit by SARS in tiding over their difficulties. The Hong Kong and China Gas Company Limited (the Towngas) and the two power companies made swift and positive responses then. For instance, the Towngas extended tariff payment by their clients in the catering and hotel industries by two months, thereby easing the cash flow pressure on these industries. The Hongkong Electric Company Limited (HEC) introduced a guaranteed loan scheme for their customers, so that they could obtain loans from financial institutions with a guarantee provided by HEC, to meet their tariff payments for up to three months. Also, the CLP Power Hong Kong Limited (CLP Power) provided a special rebate of \$460 million to all its customers, enabling 95% of the customers to enjoy free electricity for half a month. These arrangements have certainly been helpful to affected industries and customers.

In the past few years, in the light of the economic situation in Hong Kong and the requests made by the public, the Towngas and the two power companies did take measures to relieve the burden on the public and the business sector. For instance, the Towngas has frozen its tariffs on standard charge and monthly maintenance charge since 1999. The CLP Power offered a one-off rebate of \$200 and \$220 to customers in 2001 and 2002 respectively, and in 2003, a rebate of 1.5 cent per unit based on 2002 consumption, representing a minimum rebate of \$250 per residential customer and \$700 per non-residential customer.

The HEC has frozen since 1998 its domestic tariff for the first 150 units of electricity consumed monthly for six years, therefore the average tariff payable by about 70% of the customers last year remained unchanged. In spite of the Scheme of Control Agreements (SCAs), the HEC has introduced since 2001 a

concessionary tariff scheme for Comprehensive Social Security Assistance recipients in need from its shareholders' fund, and an one-off rebate of 1.5 cent per unit from its shareholders' subsidy for all customers in 2001. Are these initiatives sufficient? From the remarks made by Honourable Members, obviously they are not. They all hope that the two power companies and the Towngas to show social conscience in this regard, not to seek to reap the maximum profit and to reduce their tariffs.

What I want to stress is, the Government certainly hopes to reach with the two power companies an agreement which is beneficial to the public, and we are indeed working hard towards this goal. However, under the existing contract, we have to obtain the consent of the companies concerned. As mentioned by Mr Fred LI, our hands are indeed tied by the previous contract signed. The two companies did adopt measures to ease the public's hardship and this proved that they had heard the public's voice at times. We certainly hope that they can go on taking measures and give consideration to their image in eyes of the public. In the short term, they may earn the public's goodwill by reaping less profits. It may be a smarter move than it appears in the long run.

As Honourable Members have pointed out, the issue we have to deal with ultimately is the mode of supervision upon the expiry of the SCAs in 2008, and the liberalization of the electricity market. We have started to examine these issues. The management of the post-2008 market structure is indeed crucial to the tariffs in future.

Basically, the tariffs of the Towngas are not subject to any regulation by the Government. Early this year, when discussion on extending the Information and Consultation Agreement (ICA) between the Government and the Towngas was carried out, the Towngas did, upon our request, undertake to make improvements to the ICA. Firstly, to enhance public safety and transparency in tariff determination, the Towngas will provide the Government annually with their planned capital investments and expenditure on network repairs and maintenance in the coming financial year, and the actual expenditure on each of the foregoing items in the preceding year. Secondly, by way of providing information to the public to enhance transparency, the Towngas will disclose more information in the booklet (Towngas Corporate Information) published annually to expound on the Company's commitment to operational efficiency and environmental awareness, their actions taken and the results thereof; and include, and separately account for measures taken and the results thereof, to enhance safety of the gas supply system and that of the public.

Though the Towngas has announced earlier that it will continue to freeze the tariff next year, I hope, like Members, the Towngas can take a further step in listening to the public's views and responding to the community needs, thereby alleviating their burden.

As far as electricity tariff is concerned, the annual tariff review is conducted in accordance with the mechanism stipulated in the SCAs signed between the power companies and the Government. According to the established mechanism, the two power companies will submit their annual report on tariff review. When concluding on next year's electricity tariffs with the companies, we will consider a number of factors, such as the demand and sale of electricity, operating costs, investment projects, shareholders' return, measures for cost control and productivity enhancement, the latest position of the accrued moneys in the Development Fund and the affordability of users, and so on. While the Government will not intervene in commercial operations, we will encourage the two power companies to be good corporate citizens, to take account of the prevailing economic conditions of deflation and the community's needs when seeking to adjust their tariffs next year, and to take measures to reduce the burden of the public with regard to electricity tariffs.

Both the motion of Mr TAM Yiu-chung and the amendment moved by Mr Fred LI suggested the Government to review the permitted rates of return of the two power companies in the interim review of their SCAs. We fully appreciate the public's view on permitted return under the prevailing economic conditions. I believe Members all know that the SCAs have the dual objective of ensuring that consumers enjoy a reliable and efficient supply of electricity at a reasonable price and that the electricity supply companies receive a reasonable return on their investment to encourage continued investment required to ensure an adequate supply of electricity to meet demand.

In August to September this year, extensive blackouts occurred in places where the electricity supply market was opened up to competition, including the United States, Canada, the United Kingdom and Europe. This also alert us to the importance of a reliable and efficient supply of electricity. Adequate investments in our power systems are the lifeline of the stable and reliable supply of electricity. In fact, one of the key objectives of the SCAs is to ensure that the electricity supply companies will make due investments. It also explains our careful studies on the issues concerning an interconnection between the two

companies and the liberalization of the electricity market, the purpose of which is, in fact, to ensure a reliable supply of electricity.

During the Interim Review conducted this year, we have actively discussed with the two power companies the concerns of the Legislative Council and the community, such as lowering the rate of permitted profit and other issues related to finance, technology, administration and environmental protection. It is hoped that the two power companies, while maintaining a reliable supply of electricity, will bring more economic benefits to consumers. As the Interim Review is still in progress, I am not in the position to disclose any details of the Review at this stage. Once the work is completed, we will report the findings to the Economic Services Panel. However, I would like to reiterate that the SCAs are contracts with legal effect, so any revisions to the SCAs must be agreed by both parties. The Government must adhere to the contractual spirit and cannot make any unilateral changes. Nevertheless, we will strive to persuade the two power companies to consider the views expressed by Members and the public, with a view to making appropriate revisions to the contents of the SCAs.

The SCAs currently in force will expire in 2008. The Government will conduct a public consultation on the review of the power supply market, so as to work out the major direction of development for power supply upon expiry of the SCAs.

As for part (c) of the motion, the Secretary for the Environment, Transport and Works has been consulting with the Government of Guangdong Province on entering into a new agreement on the supply of Dongjiang water. The Secretary, Dr Sarah LIAO, entrusted me with the task of responding to Members' recommendations. In the course of consultation on the issue of Dongjiang water, the Government will, on the principle of treasuring our valuable water resources, strive to lower the supply quantities and include flexible supply arrangements in the agreement. As discussion on the agreement is still in progress, no decision has yet been made. To avoid possible impact on the discussion process, the relevant details and arrangements cannot be disclosed at present, however, the public and Members will be informed in due course.

As the details of the new agreement have not yet been concluded, whether the Hong Kong Government can achieve savings from the purchase of Dongjiang water is still not known. As to the request of returning to consumers all the

savings derived from the purchase of Dongjiang water as proposed in the motion, the Government will take into account all factors, and bear in mind the interests of the whole community in Hong Kong in making the decision.

In Mr Fred LI's amendment, it is suggested the Government should explore other water sources so as to increase the supply of potable water. As a matter of fact, the Government has been actively considering the options of desalination and sewage recycling with a view to developing new sources of water, thereby reducing its reliance on the supply of Dongjiang water and supporting the sustainable development of Hong Kong.

On desalination, in the middle of this year, the Water Supplies Department (WSD) commissioned consultants to conduct small-scale desalination tests at two different spots in Hong Kong, the reports of which are expected to be completed at the end of 2004.

The WSD has also launched a feasibility study on sewage recycling, with a view to establishing, on the basis of technology and cost-effectiveness, sewage recycling as one of our water resources in future. A pilot test has been launched at Ngong Ping, Lantau Island. The plan will be implemented in parallel with the Ngong Ping Cable Car Project in 2005.

Thank you, Madam President.

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

(Members raised their hands)

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

(Members raised their hands)

Mr IP Kwok-him rose to claim a division.

PRESIDENT (in Cantonese): Mr IP Kwok-him has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Miss Margaret NG, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr Howard YOUNG, Ms Miriam LAU, Dr LAW Chi-kwong, Ms LI Fung-ying and Mr Michael MAK voted for the amendment.

Dr Raymond HO, Dr Philip WONG and Mr Abraham SHEK voted against the amendment.

Mr CHAN Kwok-keung, Mr LEUNG Fu-wah and Mr IP Kwok-him 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, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Dr David CHU and Mr MA Fung-kwok voted for the amendment.

Mr NG Leung-sing voted against the amendment.

Mr CHAN Kam-lam, Mr Jasper TSANG, Miss CHOY So-yuk, Mr TAM Yiu-chung and Mr YEUNG Yiu-chung abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 18 were present, 12 were in favour of the amendment, three against it and three abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 17 were in favour of the amendment, one against it and five abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may reply now. You still have three minutes 50 seconds.

MR TAM YIU-CHUNG (in Cantonese): Madam President, first of all, I would like to thank those Members who have spoken in the debate. Most Members, including those from the Liberal Party which represents the business sector, are in fact very supportive of today's motion. Their requests for a reduction in water, electricity and gas charges are very strong, and the wordings they use in their speeches and their criticisms are even stronger than those used by me. However, I also note that two Members who have spoken worry very much whether our motion would violate the contractual spirit. Would it constitute an intervention of commercial activities? Would it affect the confidence of investors? They do have such worries.

After listening to the speech of Secretary Stephen IP, I feel that we can be relieved of such worries. First, as mentioned earlier on, the move to encourage and motivate the two power companies to reduce the charges, amend the SCAs and lower the permitted profit ceilings, does not violate the contractual spirit because the two power companies are discussing the SCAs with the Government, and the SCAs do allow discussion of the relevant provisions by both parties. Of

course, we all understand that all agreements entail consent by both parties. If there is consent from one party only, no agreement can be reached. But if we do not propose any amendment, I feel that we will miss this golden opportunity. We moved this motion just in the hope of assisting Secretary IP by giving him some forceful support in his discussion with the two power companies, so as to enable him to fight for some better terms for us.

The interim review *per se* is also an improvement mechanism. As we have such a mechanism in place, we should keep these SCAs abreast of the times, and have them amended in light of changes that have taken place in the economic and social aspects. Therefore, I would like to quote the words of Mr Tommy CHEUNG: We should have reasonable expectations on this issue.

During the past two years, the Route No. 3 Company has also repeatedly made requests to the Government on the franchise issue. Yet there is no criticism in society to the effect of condemning it for having violated the contractual spirit. They are just presenting the issues for discussion. Similarly, as one of the signatories to the SCAs with the two power companies, the Government, I think, does possess legitimate authority and duty to ask them to lower their permitted profit ceilings. The Government is absolutely not imposing a decision on them.

Besides, there is another significant reason, that is, the permitted profit ceilings were determined as early as in 1993, when Hong Kong was enjoying a period of economic prosperity. However, the times have changed. It is high time for us to conduct a review.

Finally, I hope Members can support this motion.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr TAM Yiu-chung, as amended by Mr Fred LI, 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 passed.

PRESIDENT (in Cantonese): Second motion: Expectations for the implementation of policies.

EXPECTATIONS FOR THE IMPLEMENTATION OF POLICIES

DR YEUNG SUM (in Cantonese): Madam President, this is the second time the Democratic Party published a so-called alternative policy address. In order to uphold the active role of the Democratic Party as an opposition party, we will continue to deliver alternative policy addresses of this kind every year — with both criticisms and recommendations. We will work hard in this direction.

Here I have to thank a number of professionals and academics for giving us frequent opportunities of communication to facilitate our writing of this policy address.

Madam President, 500 000 people took to the streets on 1 July to express their discontent with the Chief Executive, Mr TUNG Chee-hwa, and the administration of the entire Government of the Special Administrative Region (SAR), and their aspirations for democracy and accountability of the Government. In the past six years after the reunification, the Government has been notorious for its poor performance, with accountable officials making mistakes again and again. The proposed enactment of legislation to implement Article 23 of the Basic Law came across as a serious infringement of our human rights and freedoms. The public have reached a stage where they can no longer tolerate the administration by the Government. Could it be said that Mr TUNG and the SAR Government would still not realize the seriousness of the matter if

not for the mass rally that saw 500 000 people taking to the streets? Will the promise made after the 1 July march by Mr TUNG to open up channels for political discussion be able to resolve the political crisis confronting us at the moment?

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

Over the past six years since the reunification, incessant voices of discontent have been voiced against the Government. However, the Government has completely disregarded the alarm sounded. It was only after witnessing 500 000 people take to the streets on 1 July that the Chief Executive and the Government suddenly realized that public discontent had reached the boiling point. It can thus be seen that the mechanism that enables the Government to gauge and respond to public opinions has entirely failed.

After the 1 July march, Chief Executive TUNG Chee-hwa finally undertook to listen more to public opinions and open up channels for discussion of politics. However, a sole reliance on establishing communication channels to respond to public aspirations is not enough. The Government must, in the process of policy formulation, attach weight to public interest and heed public opinions to make the public to accept the relevant policies.

Over the past six years, members of the public have come to realize deeply the Government's shortcomings, such as maladministration, allowing government officials to shirk responsibility for the mistakes made by them, and so on. In the final analysis, this is entirely attributed to the absence of a democratic system and the fact that the public have no say in the administration of the Government. The public have also come to realize that the Chief Executive, returned by a small-circle election, can disregard public opinions and isolate himself from the mass. At the same time, policies formulated by the Government can infringe on human rights and freedoms. For these reasons, the public clearly expressed their aspirations for "the return of political power to the people" in the 1 July mass rally.

It is virtually impossible for an undemocratic and unaccountable government to command acceptance of the public and it is therefore doomed to fail. It has been substantiated by facts that such a government will definitely be

deserted by its people. In order to resolve this governance crisis, a truly accountable, democratic, transparent and responsive government must be established. Only through prescribing the right medication, that is, immediately carrying out a constitutional review, thoroughly reforming the political system, and implementing election of the Chief Executive and all Members of this Council by universal suffrage, can the illness be cured. The Democratic Party is going to convene a constitutional convention in which experts and academics will be invited to jointly explore the future development of our political system, and members of the public will also be allowed to take part in discussions on the future constitutional framework.

Unfortunately, the Chief Executive has failed to respond to public aspirations. He has even deliberately evaded the subject of constitutional review by refusing to make an undertaking to carry out a review of policies immediately, and to implement the election of the Chief Executive and all seats of this Council by universal suffrage in 2007. The Government can hardly bring Hong Kong long-term stability if it is merely willing to adopt the public relations tactic of "listening more to public opinions" and, at the same time, trying to evade the crucial issue of conducting a constitutional reform.

It was only until recently that the Secretary for Constitutional Affairs, Mr Stephen LAM, indicated that a timetable for constitutional review would be unveiled late this year — he only mentioned the timetable and the commencement of public consultation early next year. However, he has refused to reveal the details of the consultation such as whether the public will be consulted on specific proposals, whether consultation documents will be published, and so on. At the same time, he has refused to include the election of the Chief Executive by universal suffrage in 2007 in the scope of the review.

It is precisely due to the extensive scope of the constitutional review and the extremely complex political nature of the review that more time is required for full discussions to be held before a consensus can be reached in the community. Furthermore, it takes time for this Council to vote on a revision of the methods to elect the Chief Executive and to scrutinize legislation related to elections. With only three years or so to go before the election of the Chief Executive in 2007, it is indeed of great urgency for a constitutional review to commence. The Government should publish a consultative green paper on constitutional reform by the end of this year to truly and genuinely consult the public and, at the same time, implement the election of the Chief Executive and

Members of this Council by universal suffrage in 2007 and 2008 respectively for the purpose of returning political power to the people.

I would like to say a few words on the human rights issue. According to the requirements of international covenants, Hong Kong is duty-bound to enact legislation expeditiously to protect people of different races, different ages and different sex inclinations against discrimination.

The Government made an undertaking in the 2001 policy address to complete consultation on the enactment of legislation to ban racial discrimination and decide on its way forward in or before early 2002. However, it was not until June 2003 that the Government agreed at an Executive Council meeting that it was necessary for Hong Kong to enact legislation to ban racial discrimination and to publish consultative papers on the proposed legislation. It is the hope of the Democratic Party that the Government can refrain from its past practice of "discussion without decision, decision without implementation". Instead, it should publish the relevant consultative papers expeditiously to give the public ample opportunities to discuss the matter and express their views on the details of the legislation.

Madam Deputy, the Democratic Party is also greatly concerned about the unilateral termination by the Equal Opportunities Commission (EOC) of an agreement signed with its new director (operations), Mr Patrick YU Chung-yin, shortly after EOC Chairman, Mr Michael WONG Kin-chow, assumed his office. Brought up in Hong Kong, Mr YU is well experienced in work related to the enactment of legislation against racial discrimination. Having gone through the EOC's normal recruitment procedures, he was originally scheduled to assume his office next month. (Here I would like to declare an interest for Mr Patrick YU and I have known each other for a long time.)

Furthermore, before his acceptance of the appointment, Mr Michael WONG took the initiative and asked the Chief Executive to exercise discretion to waive the suspension of his pension payment. That he is allowed to receive double benefits has also caused deep concern in the community. The Democratic Party demands that the new Chairman and the Government, including TUNG Chee-hwa, give this Council and the public a clear account of the incident in order that the integrity of the accountability system and the spirit of accountability can be manifested. In fact, the entire incident has dealt a very

severe blow to the credibility of the EOC and its image. I believe Mr WONG should be held largely responsible for this.

Madam Deputy, I would like to turn to economic issues at his juncture. A week ago, the Financial Secretary unveiled his interim review in this Council. Some of the initiatives proposed by him, such as delaying the deadline for eliminating the deficit and issuing bonds, are indeed economic proposals frequently raised by the Democratic Party in the past. The Democratic Party welcomes that the Government has finally heeded some of our advice. This has also served to affirm the Democratic Party's past performance in respect of the economic agenda. Indeed, in our policy papers we have repeatedly called on the Government to respond to new developments and resolve the economic issues confronting us with an open mind and flexible policies. The major proposal raised by the Democratic Party in respect of this year's policy address is to rebuild Hong Kong industries. Not only should we reshape Hong Kong's industrial policies, industrial issues should be considered as a key part on the agenda as well. We have also appealed to the Government to formulate a long-term policy on employment because we believe unemployment will stay with us for a very long time in Hong Kong — despite the economic growth.

Without a doubt, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) has provided new opportunities for the economic predicament experienced by Hong Kong at the moment. In future, Hong Kong will be able to develop its traditional industries and those led by high technology. Information has shown that the manufacturing and service industries in Hong Kong currently employ 170 000 people, or a mere 8% of the territory's total workforce of 2.1 million. The Democratic Party has proposed to develop boundary industrial zones to attract manufacturers who have set their eyes on mainland markets for the purpose of easing the unemployment problem confronting low-skilled workers at the moment. The Government may provide inexpensive land in the boundary industrial zones and establish a quota system for mainland workers and local workers, so as to lure industrialists to invest in Hong Kong. We are aware that labour unions have a lot of opinions on this issue. In this connection, we hope detailed discussions can be held from various angles. Apart from this, the Government should take the initiative to help products "made in Hong Kong" to gain access to mainland markets. According to last year's statistics, the volume of trade between Hong Kong and the Mainland reached HK\$1,300 billion, or 43% of the total volume of trade of the territory, with the processing trade accounting for 88%, whereas export of

local goods a mere 12%. Doubtless, the bulk of goods exported from Hong Kong to the Mainland are processed goods. They are in essence not compliant with the rules-of-origin standards laid down in CEPA for the purpose of applying zero tariffs.

Only products complying with the "made in Hong Kong" requirement can truly benefit from CEPA. At present, these products are still facing tremendous difficulties such as obscure laws and regulations, complicated taxation, and so on, in gaining access to mainland markets. As a result, a number of Hong Kong brands have not yet succeeded in entering mainland markets. The Hong Kong Government should therefore engage in full co-operation with the mainland Government in exchanging economic and market information, providing Hong Kong manufacturers with updated information on laws and regulations and the markets, with a view to further facilitating Hong Kong businessmen in promoting their commodities on the Mainland. Moreover, the Government should expeditiously open negotiations with the Mainland on the setting up of an arbitration system for settlement of business disputes in order to protect the rights and interests of Hong Kong manufacturers in mainland markets with respect to their products. On the development of high value-added and hi-tech industries, the Democratic Party proposes that the Government should seek development in the direction of information technology, biotechnology, and the like. These industries will have a keen demand for high-skilled and quality employees. As long as the quality of the products is assured, manufacturers will not mind paying a higher cost. In addition, Hong Kong has an excellent judicial system and a copyright protection system. This, coupled with zero-tariff concessions, will dictate Hong Kong's major direction of future industrial development. The Government should adopt a proactive attitude by offering tax concessions with a view to attracting foreign capital to set up factories in Hong Kong. In order to attract more industrialists to invest in Hong Kong, corresponding taxation concessions should be offered in the light of the number of staff employed for the industries set up in Hong Kong by foreign capital and the number of production lines operated.

Before and after the 1 July march, a number of people expressed the view that Hong Kong should concentrate its energy on addressing economic issues. Without a doubt, Hong Kong is now in economic doldrums. Joint efforts are called for before Hong Kong can be lifted out of the economic predicament. I have therefore dwelt at great lengths on my view of rebuilding the economy. Emphasis has been put not only on resolving the very urgent unemployment

problem, but also on the direction conducive to the development of the territory. In fact, the economy and the livelihood of the people are inseparable from politics. It is precisely for this reason that the economic problems have greatly disturbed the people of Hong Kong. The aspiration expressed by the public in the 1 July march remains to be "returning political power to the people". The public understand that a government representing only a handful of rich people can act in contrary to the aspirations of the people and implement policies that protect the interest of only a minority. Only through truly responding to the aspirations of the people and being truly accountable to the public can a government command acceptance. Only through establishing a democratic system can the political crisis confronting us at the moment be resolved.

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

Dr YEUNG Sum moved the following motion: (Translation)

"That this Council urges the Government to prudently consider the expectations of the Members of this Council for the 2004 policy address."

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

DR RAYMOND HO (in Cantonese): Madam Deputy, it has been six years since the reunification of Hong Kong with the Motherland. Over these six years, the Government has floated different ideas with respect to the administration of Hong Kong, including the construction of a Cyberport and a Traditional Chinese Medicine Port, the development of Hong Kong into a Manhattan-plus, and so on. Without a doubt, should all these policies proposed over the years be implemented fully and suitably, Hong Kong's international status will definitely be upgraded. Nevertheless, ideals are bound to differ from the reality. Hong Kong economy plunged into a nosedive since the financial turmoil in 1997. This has led to a tightening of resources by the Government. A number of policies were thus forced to be shelved or revised. Eventually, people were given the impression that the Government had failed to thoroughly implement its policies. I hope the Government can, before formulating the policy address for the coming year, review its policy objectives over the past six years for the purpose of coming up with more effective policies.

Hong Kong is an international city. In the 2003 policy address, the Government mentioned initiatives to maintain Hong Kong's position as Asia's world city. They include fostering the development of sports undertakings, promoting biliteracy and trilingualism, creating a clean and beautiful environment, and so on. While I deeply share the Government's initiatives, I also hope policies can be formulated in this three aspects in the policy address to be delivered early next year.

Albeit being a commercial city, Hong Kong must possess pluralistic attributes if it is to develop into a world city. In my opinion, in addition to fostering sports undertakings, promoting arts and culture will also be helpful to upgrading Hong Kong's international status. By capitalizing on the international acclaim won by Hong Kong movies, Hong Kong can actually be developed into a cultural and arts centre. The hosting of international events in Hong Kong can also help upgrade its international status. I believe such events can better promote Hong Kong than the Harbour Fest.

Though the Government has committed a lot of resources to promoting biliteracy and trilingualism, it is regrettable to note that the Chinese and English standards of Hong Kong students continue to drop because of the wavering policy on medium of instruction. In the long run, the competitive edge of Hong Kong is bound to suffer. I hope the Government can conduct a review in this respect and come up with a clear and effective policy on the medium of instruction by drawing reference on the experience of overseas governments. Not only should more people be offered the opportunity to acquire biliteracy and trilingualism, they must meet the desirable standards as well.

As a world city, Hong Kong should keep its environment clean in addition to possessing pluralistic attributes. Since the SARS outbreak, a lot of people have come to realize that a clean environment can not only minimize the chance of an epidemic outbreak, but also upgrade their quality of living. I hope the Government can continue with its efforts in promoting the clean Hong Kong campaign for the purpose of reinforcing the territory's international image. Furthermore, I hope the Government can include the courtesy campaign in next year's policies. This is because, even if we manage to keep our environment clean, tourists will still be scared away if they are not treated politely. Should that happen, Hong Kong's international image will definitely suffer immensely.

I also hope the Government can, apart from upgrading Hong Kong's international status, make improvement in other aspects, such as improving the Accountability System for Principal Officials (the Accountability System) and the relationship between the executive and the legislature.

The Accountability System has all along been questioned by people outside the Government since its implementation last year. It is precisely for this reason that the people's confidence in the Government has continued to drop. In order to enhance efficiency and boost public faith in the Government, I hope the Government can expeditiously review the efficacy of the Accountability System and make improvement by, for instance, examining ways to boost the team spirit of principal officials and manifest the true effectiveness of accountability.

The relationship between the executive and the legislature has been a much debated subject between Members of the Breakfast Group and the Chief Executive over the years. In my opinion, if the Government wishes to implement its policies smoothly and effectively, the existing relationship between the executive and the legislature must be improved. Over the years, the executive has impressed us as being not at all respectful to the legislature. For instance, the policy address used to be published in October every year as a convention. Last year, however, there was a sudden change and the delivery of the policy address was postponed until January without consulting this Council beforehand. Another example is that the Government had requested this Council to speed up its process of examining and approving the funding application for the construction of a new government complex, and the project had been endorsed by the Public Works Subcommittee too. However, the Government suddenly announced a postponement of the plan without notifying this Council. In my opinion, the Chief Executive, accountability officials and the Executive Council should make an effort to improve the relationship between the executive and the legislature, now being trapped in a difficult position, by enhancing communication with Members of this Council.

Lastly, I would like to talk about issues related to the engineering sector. In view of the economic downturn in recent years, the Government has continued to slash its expenditure on infrastructure development. This has consequently dealt a serious blow to both the engineering and construction sectors. The need for the Government to tighten expenditure because of its fiscal deficit is understandable. However, as I pointed out in the Question and Answer Session attended by the Chief Executive on 16 October, the Government does not

necessarily have to use its own resources to implement infrastructure projects. Other options, such as bond issuance and Private Finance Initiatives, can be considered as financing for infrastructure projects. If this can be done, the Government can provide the public with infrastructural facilities and, at the same time, divert resources originally earmarked for infrastructure development to other areas and bring new hopes to the industry, as well as upgrading the people's quality of living. Given this all-win situation, what is the sense of not doing it?

It has been six years since the reunification of Hong Kong with the Motherland. Throughout these years, we have weathered many storms, including the financial turmoil, property market slumps, SARS and the 1 July march. I hope the Government can review the past and listen more to views expressed by all parties before formulating its policies for the next year in the interest of improving its administration in the future.

Madam Deputy, I so submit.

MR ANDREW CHENG (in Cantonese): Madam Deputy, I will speak on employment and transport issues on behalf of the Democratic Party.

Madam Deputy, Hong Kong is at present confronted with a structural unemployment problem, and its industries are shrinking gradually. As finance, logistics, tourism, commerce and professional services are relied upon as the pillar industries, low-skilled workers will soon face a miserable situation in which they will have no way out. Over the past five years, the number of unemployed persons has increased by more than 200 000.

Facing this situation, the Government has invariably used such excuses as economic transformation, external economy, and even the epidemic to shirk its responsibility. At the same time, it has failed to formulate long-term manpower policies, and its solutions to the unemployment problem have always been confined to such gimmicks as vocational training, creating temporary posts, and so on.

Madam Deputy, in the opinion of the Democratic Party, the authorities should fully review various policies, formulate long-term employment initiatives, draw up reasonable and concrete indicators, specifically deal with unemployment problems facing different age groups by promoting education, training and

business start-up, and finally, upgrade the competitive edge of the local labour force in a strategic manner.

Against the background of the economic downturn and the persistent rise in unemployment, more than 300 000 people have now joined the unemployed ranks. Under such circumstances, the unemployment problem will definitely worsen if the authorities merely care about reducing the fiscal deficit by raising tax and streamlining manpower excessively. Faced with the current economic condition, the Government should handle the deadline for achieving fiscal balance with flexibility. At the same time, helping the people to secure jobs should be made its priority objective.

At present, the unemployment problem is particularly serious among two groups of people in Hong Kong, and they are also a main segment of the structural unemployment problem. One of them comprises middle-aged low achievers, and the other unemployed youths. To tackle their problems, the authorities must examine solutions seriously. Later on in the debate, Mr WONG Sing-chi will discuss in detail the unemployment problem facing the young people. Here I would merely highlight the ways to help young people engage in self-employment. While the Youth Forum of the United Nations has discussed ways to provide young people with business start-up or self-employment support, Hong Kong should examine ways to provide personal support like establishing business start-up support centres, and providing information and case follow-up services. It may also examine the feasibility of launching pilot schemes, providing support in terms of premises, venues and equipment to help young people seek development in such areas as creative industries, cultural creative industries, and so on, thus enabling aspiring young people of capability to develop in these industries.

Madam Deputy, I would like to turn to the unemployment problem facing the middle-aged, who are mostly poorly-educated and low-skilled. In addition to providing training, developing labour-intensive industries and creating job vacancies will be helpful to alleviating their unemployment problem. Later in the debate, Dr LAW Chi-kwong will talk about green industries, which may create a large number of green posts required for various work procedures ranging from collecting, sorting to processing. It is estimated that the recovery and recycling industries can create approximately 20 000 part-time and full-time job opportunities. The Democratic Party hopes the Government can vigorously promote the green industries.

While the problem of disrepair and inadequate maintenance experienced by buildings in Hong Kong keeps worsening, the number of people employed by the repairs and maintenance trade has continued to drop. The authorities should allocate resources to employ these workers to inspect public housing estates and old buildings, strengthen the maintenance of buildings and sewage systems, and improve such public facilities as cultural and entertainment facilities, in order to alleviate the unemployment problem facing the construction and engineering sectors.

Though the unemployment rate in Hong Kong is standing high at the moment, some employers have opted to employ illegal workers at extreme low wages. These workers might be domestic helpers who are employed to engage in non-domestic work, holders of travel documents, and so on. Following the relaxation of travel restrictions on mainlanders visiting Hong Kong, the problem of illegal employment is likely to worsen, and further affect the job opportunities of local low-skilled workers. Law enforcement should be stepped up to safeguard the job opportunities of local workers. Moreover, the Government should appeal to the Mainland to give local registered construction companies and workers a fair chance to compete for participation in cross-boundary infrastructural projects, in order to alleviate the hardship faced by the local construction industry as its unemployment rate has risen above 25%.

Madam Deputy, apart from the abovementioned labour affairs, transport problems have also always been a matter of concern to the Democratic Party.

In the past two years, the Democratic Party has persistently appealed to major public transport operators in Hong Kong to reduce their fares by 10%. Although a variety of fare concessions have been offered by the two railway corporations and bus companies due to public pressure, the concessions are a far cry from the demands of the Democratic Party. We hope the Government will not stop negotiating with the two railway corporations and bus companies on the possibility of a further fare reduction just because they have satisfied the aspirations of a small number of people.

In our opinion, the key factor leading to the reluctance of the public transport operators to adjust fares if not for the repeated appeals is the lack of genuine competition among various means of transport because of the

Government's transport policies. The Government has mainly relied on railways and, as a result, buses are treated merely as an auxiliary means of transport. Buses cannot directly compete with railways in terms of routing. This has led to the dominant position enjoyed by the Mass Transit Railway and the Kowloon-Canton Railway. Neither is there any competition among bus companies. We can only find bus operators confining their activities to a designated area and enjoying an exclusive bus franchise in certain districts. However poor they have performed, they can still enjoy a 10-year franchise. For these reasons, we propose that the Government should consider establishing an open tender system for buses to allow consortia interested in investing in bus operation to, through fair competition, bid for individual sets of bus routes. Upon successful bidding, they may be granted a 10-year franchise. An interim review will be carried out in the fifth year to review their systems, services, efficiency and quality. The Government may, during the interim review, terminate the franchise granted to poor performers in operating all or some of their routes. To enable members of the public to benefit in terms of fares and services in the long run, an important policy must be enforced and, that is, to allow real competition among bus companies.

Madam Deputy, I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, unemployment was cited as a structural problem by Mr Andrew CHENG in his speech earlier. In my opinion, there is also a structural problem with governance when it comes to expectations for the implementation of policies. I am always at a loss as to how to go on once this subject is mentioned. This is because, without resolving the fundamental problem of governance, that is, if Hong Kong is not properly governed, there can be no expectations for proper implementation of policies.

This is after all a crucial matter. It is fundamentally difficult for discussions to go on if the matter is not addressed. So, what can be done to enable Hong Kong to be properly administered? However, the entire problem arising from the chaotic governance of Hong Kong is extremely difficult to resolve, and this too often hinges on the Government itself and Mr TUNG's leadership. Mr TUNG once remarked that he is good at policies. In my opinion, he is good at making things worse instead.

There are numerous examples that can illustrate how he can make things worse. Today, I am going to cite one which is rarely mentioned. I was approached today by some stall-holders operating in the Grand Bazaar in Sheung Wan. I was told that the idea of the Grand Bazaar was originally good, and so was the idea about local community economy. There were once a lot of visitors too. Much to our regret, the number of stalls has dwindled from 280 to approximately 20 at the moment. In addition, the remaining stalls seem to be quietly disappearing too. What is it if this is not an act of making things worse? The Grand Bazaar, originally a brilliant idea, has now been reduced to the present state. This is precisely what "making things worse" means.

Another example of "making things worse" is the Harbour Fest, a much-talked-about topic. This event is intended to relaunch Hong Kong. Now it has given rise to numerous problems relating to contracts, transfer of interest, and so on. Moreover, the inquiry has found that a company named Red Canvas Limited is owned by the chairman of the American Chamber of Commerce and his wife. This, coupled with such issues as the five-year exclusive rights and so on, has turned the event from supposedly good to bad.

Then there is another problem concerning making bad things even worse. There are numerous such examples, and they are all related to governance. A prominent example is the proposed enactment of legislation on Article 23 of the Basic Law. This proposal, originally a bad one, has become even worse. The arbitrary enactment of law has thrown the general masses into a state of extreme indignation, for the consultation was seen as a downright high-handed endeavour. Triggering intense public discontent and grievances, this incident has made a bad thing even worse. SARS, already a bad thing, was made even worse because the investigation being conducted at the moment is completely devoid of credibility due to the Government's refusal to conduct an independent inquiry.

The last point I have to raise coincides with the one raised by Dr YEUN Sum earlier. It is related to the typical style of governance of the Government, which sought right at the very beginning to appoint Michael WONG as Chairman of the Equal Opportunities Commission (EOC). In response to a question posed by me in unequivocal terms the other day, Patrick HO failed completely to tell me why Michael WONG had been appointed right at the very beginning. The Secretary just kept on stressing that Michael WONG possessed legal expertise. However, I have to ask this question: What expertise does Michael WONG, a

former Judge, possess in terms of equal opportunities and anti-discrimination? To date, no one has been able to tell me what expertise, knowledge, experience and commitment he has demonstrated in this respect.

As such, Mr TUNG's appointment of Michael WONG at the very beginning is in itself a bad thing. But then, Michael WONG has not disappointed Mr TUNG by making the matter even worse — for he has caused the dismissal of Patrick YU. The entire incident reflects Michael WONG's complete disrespect for the entire appointment procedure as well as the EOC. Nevertheless, I am not sure whether it is necessary for the EOC to clarify the matter later. At present, there are numerous disputes — with some EOC members saying that Michael WONG has absolutely no mandate to effect the dismissal. It is surprising that he has managed to bypass all EOC members to dismiss Patrick YU for the absurd reason of saving expenditure. How can he possibly say something like that? To save expenditure? The entire EOC establishment was set up a long time ago. Now it was said that expenditure had to be saved. Why not cut the pension if expenditure has to be saved! If he were so determined to save money, it is really ridiculous that he drew his pension and then told us that the dismissal was warranted in the interest of saving expenditure. His argument is entirely untenable.

The whole incident has given us an impression that the EOC has shown no respect at all for human rights, though the organ is supposed to be an advocator of equal opportunities and human rights. In addition, it has demonstrated total disregard for equal opportunities and total discrimination against the people recruited by the Commission under the leadership of Ms Anna WU. With Michael WONG taking the lead in discrimination, how can the EOC be expected to command credibility? How can justice be done when one day people with disabilities or people subject to sex discrimination take their cases to the EOC? This is truly a typical example of making bad things even worse.

I have no idea whether the Government still stands any chances of making something extremely bad a bit better. I believe the only solution is to terminate Michael WONG's service. He has no alternative but to step down. The Government should find someone who is truly committed and experienced in this area. Otherwise, the credibility of the EOC will be obliterated completely. As such, Madam Deputy, although our discussion today is on our expectations

for the implementation of policies, I already confronted the Democratic Party last year with this question: "How can we possibly have expectations?"

Putting aside the insurmountable problem mentioned by me earlier, I would like to try my best to persuade the Government to address two problems. For a start, I very much hope that the Government can pay attention to the disparity between the rich and the poor. This phenomenon has worsened to such an extent that, insofar as families in the highest and lowest percentiles are concerned, the income gap has risen sharply from 28 times to 46 times in just a decade. The current economic transformation has actually widened the disparity between the rich and the poor in Hong Kong. With the downward movement of middle-income earners, the problem of polarization will definitely worsen. Judging from this trend, it will be impossible for the community to maintain stability. In the past, people believed they might be able to climb up the social ladder, so long as they were willing to work with a combatant spirit. Now there is simply no chance for this dream which was so characteristic of Hong Kong to realize. I am terribly worried that a growing number of events we do not wish to see will emerge in the community should the Government fail to address this problem. In the end, the entire community will continue to be trapped in a state of instability. Both the grassroots and Hong Kong will suffer ultimately.

Thank you, Madam Deputy.

MR KENNETH TING (in Cantonese): Madam Deputy, propelled by the DIY tours, the general market situation of Hong Kong has shown some improvement. However, the economic conditions are still quite fragile, and it is anticipated that the economy will not shown any marked improvement next year. Therefore, for the policy address to be released early next year, I think it is most important that it could provide some measures to revitalize the economy of Hong Kong. This has not only a major bearing on the well-being of the people and the business sector of Hong Kong, but it is also very significant to the Government in the early elimination of its serious fiscal deficit.

So, I would like to state once again my expectations of the Government in improving the overall business environment. In the policy address delivered at the beginning of last year, the Chief Executive undertook to further improve the

business environment and reduce business costs by cutting red tape and embarking on deregulation. The Liberal Party is very supportive of this.

Soon the new policy address will be released. However, the high-level task force that the Government had undertaken to establish for exploring ways of effectively improving the business environment still has not come into existence. We hope that the task force can be set up as soon as possible, and that it should comprise representatives from the business sector. We hope that the task force can remove the unfavourable factors and restrictions to improve the business environment as soon as possible, so as to implement the principle of "big market, small government".

As the representative of the industrial sector, I am particularly concerned about the work done by the Government in supporting the development of local industries, and I hope that the Government can respond to the aspirations of the industrial sector in a proactive manner. For example, the industrial sector had proposed the idea of establishing a border industrial zone a long time ago. But the Government has so far turned a deaf ear to the suggestion. Recently, some people in the industrial and commercial sectors presented this proposal to the Central Authorities direct, thereby making it a topical issue again. It is only at this juncture that the Government started to say that it would study the issue with a new mindset. I do hope that the Chief Executive can give us an explicit reply on this issue in his policy address to be delivered next year.

The Government of the Hong Kong Special Administrative Region (SAR) successfully signed the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) with the Central Authorities as scheduled in the middle of this year. The Liberal Party very much welcomes this achievement. However, in the meantime, we think that the Government, with the signing and implementation of CEPA, should work in good time to provide the necessary support to and effect co-ordination with the industrial and commercial sectors, so as to enable the latter to grasp fully the opportunities brought about by CEPA.

For example, the Government should assume a more active role of co-ordination in the provision of comprehensive consultation services to the industrial and commercial sectors on the latest developments related to CEPA. Besides, the Government should step up publicity drives in overseas countries to promote the unique advantages enjoyed by Hong Kong under CEPA, so as to attract more overseas companies to make investments in Hong Kong.

However, as far as I know, the operators of certain innovative industries who intend to relocate their operations back to the industrial estates of Hong Kong have encountered some difficulties in their negotiations with the authorities on land premiums. In fact, many industrial estates still have not reached full occupancy, and there is still ample vacant space to accommodate more factories. In this connection, the authorities should make more flexible arrangements on the premiums charged, so as to attract more factory operators to relocate their operations back to Hong Kong, instead of trying to exploit the opportunity to squeeze more money from them and exercising bureaucratism.

Besides, in respect of the service industries, we hope that the Government can work harder in the coming year to persuade the Central Authorities to open up to Hong Kong businesses a greater scope of service industries in the Mainland, and study how it can provide greater assistance to Hong Kong businesses that are interested in tapping the mainland market. As for the 18 types of industries which had been agreed by the Central Authorities for opening up to Hong Kong, some of their respective thresholds are still too high. It is necessary for the Government to persuade the Central Authorities to further lower the relevant thresholds, thereby enabling more small and medium enterprises (SMEs) to become eligible for entry to the mainland market. There is still plenty of room for relaxation in industries like retail and wholesale, accounting, insurance and legal services.

I wish to reiterate that, if the Government can implement and create a more favourable business environment in the policy address of next year so as to enable Hong Kong industries to regain their past glory and to further intensify the advantages brought about by CEPA, then not only the employers, but also the employees will be benefited. In this way, we shall be able to bring about a win-win situation.

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

MR IP KWOK-HIM (in Cantonese): Madam Deputy, we in the Democratic Alliance for Betterment of Hong Kong (DAB) will put forward our expectations for the 2004 policy address, including more than 100 recommendations, during our meeting with the Chief Executive tomorrow. Today, I will join two other colleagues of the DAB to speak on individual key areas.

Madam Deputy, Hong Kong has gone through a stringent test both politically and economically this year. We can see that Hong Kong economy is still in the doldrums. The rampant onslaught of SARS early this year has further increased the fiscal deficit. Although the Financial Secretary has earlier introduced to the public his fiscal philosophy, he has failed to outline specific plans to eliminate the deficit to allay the public's worries.

When it comes to social politics, hundreds of thousands of people took to the streets subsequent to the Government's administrative blunders and disputes arising out of the enactment of legislation on Article 23 of the Basic Law, impacting on social stability.

Nevertheless, there is an old saying that "in calamity lies good fortune and in good fortune lurks calamity". After experiencing all these challenges, Hong Kong has seen a prominent turnaround politically and economically.

First, the economic turnaround. In order to lend support to Hong Kong economy and enhance economic co-operation between the two places, the Central Government signed the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) with Hong Kong. This, coupled with the implementation of the policy of allowing mainlanders to travel to Hong Kong individually, has boosted Hong Kong economy by providing momentum to the revival of a number of trades and industries, as well as enabling confidence in the market to be restored swiftly after the SARS epidemic.

Second, the political turnaround. After drawing experience from past lessons, the Government has strengthened its communication with the public and brought enhanced social stability to the community.

The turnarounds can also be seen as opportunities. The DAB is of the view that the Government should make the further capitalization and development of these two opportunities its key note of administration this year. Later, Mr CHAN Kam-lam will present our proposals with respect to the implementation of CEPA, whereas Mr YEUNG Yiu-chung will speak on the subject of combating "illegal employment". I will put forward the views of the DAB with respect to the development of the property market and strengthening of governance.

Madam Deputy, the property market has shown apparent signs of recovery in recent years, as we can see increases in transactions and prices of new

offerings. Amid a joyous atmosphere, the Government unveiled in mid-October a series of initiatives aimed at further stabilizing property prices and made a number of mild proposals.

The Government's measures have demonstrated its determination to stop playing the role of a developer and lessen its intervention in the property market. This is undoubtedly helpful to restoring public confidence. However, has the property market been on a true rebound? Will the Government's initiatives succeed in stabilizing the market? In this respect, the DAB can only maintain an attitude of cautious optimism.

Actually, judging from the figures for the whole year, the rise in property transactions and property prices in recent months has apparently only managed to "make up for" the slippage resulted from the outbreak of SARS. Only time can tell whether the market has truly turned the corner. There are also different estimates on the future supply of properties. The DAB does not wish to make any rash judgement. However, it is certain that the market outlook remains to be full of uncertainties, and blind optimism is unwarranted.

For these reasons, the Government should continue to keep a close watch on movements of the property market and ensure its stable development. When necessary, vigorous measures have to be taken to pre-empt a sharp fall of the market. The DAB remains convinced that it is necessary for the moratorium on the applicant list system to continue so as to give the market time to absorb unsold flats. The Government must, even if the system is to be resumed, honour its promise of not to sell land at an exceedingly low price by setting a reasonable upset price for each piece of land. At the same time, the Government should continue to keep an interest in the burdens of property mortgagees and extend the period for mortgage interest deduction in order to ease their pressure.

In addition to the property market, we are also concerned about the future operation of the Housing Authority (HA) because the revenue of the HA is expected to fall sharply should the sale of Home Ownership Scheme flats continue to be suspended. The DAB requests the Government to fully review the financial arrangement between the HA and the Government and make it clear that funds will be injected, if and when necessary, to ensure that the HA is capable of continuing building public housing.

Next I would like to switch to a new topic and say a few words on strengthening governance. The key to strengthening governance lies in improving administration, and the key to improving administration lies in the ability to listen extensively to public opinions and formulate correct policies, and the skill of explaining policies to the public so as to solicit support from the majority public.

The DAB is of the view that the Government must expeditiously review and perfect its communication network. The Chief Executive, accountable Bureau Directors and principal officials must delineate their responsibilities clearly and meet with groups and organizations from various sectors on a regular basis. What is more, accountable Bureau Directors must make regular visits to the districts in order to gauge in person the public sentiments. At the same time, the civil service team should, in keeping with the times, establish a mechanism to listen to public opinions, including visiting the districts to directly solicit public opinions, explain government policies, and so on.

The Government should also double its attention to the role played by District Councils, strengthen their functions by, *inter alia*, devolving to the District Councils the care of such districts affairs as culture, entertainment, environmental hygiene, heritage preservation, and the like. Before the launch of various policies or major infrastructure projects, the District Councils should be consulted.

Madam Deputy, following the increase in exchange between the two places, the people will stand a greater chance of encountering difficulties on the Mainland. The Government should step up measures to protect the people's interest on the Mainland. Apart from strengthening political communication with the Mainland, the Government should also take the initiative to enhance its co-operation with Hong Kong Deputies to the National People's Congress (NPC) to seek their help to reflect to the NPC and its Deputies at various levels, and even the Central Government, to help resolve the problems encountered by Hong Kong people on the Mainland.

Lastly, I would like to express the views of the DAB on constitutional development. The DAB is convinced that establishing a democratic political system is the key to realizing the successful implementation of "Hong Kong people ruling Hong Kong" and "a high degree of autonomy". A timetable for consultation on Hong Kong's constitutional review is going to be unveiled late

this year. In the opinion of the DAB, the Government must ensure that the public are given ample time to express their views and, after giving full audience to the aspirations of people from various sectors, formulate a constitutional reform package acceptable to the people of Hong Kong.

Madam Deputy, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam Deputy, the Chief Executive has recently started meeting with Members of the Legislative Council to consult them on the policy address next year. The topic today can be said to have given us another opportunity to present our expectations for the policy address. I would like to talk about some of the expectations of the tourism sector represented by me.

I recall in similar motions in the past, some of the views expressed have been adopted by the Government, but some have not seen any progress. For example, we have presented our views on the future developments of the Ocean Park and the construction of a cruise terminal, I hope that the Government can make a concrete response and even draw up a timetable for implementation of these proposals. Why are we so concerned about the Ocean Park? It is because works for the Disney theme park have started and will complete two years from now. It is not our wish that we will lose an old flagship when we will get a new one. For many years, the Ocean Park has been a famous tourist spot in Hong Kong. Many travel agencies, especially those in Southeast Asia, would highlight a tour to the Ocean Park when they promote a visit to Hong Kong, in much the same way as Hong Kong agencies would highlight a tour to the Tokyo Disneyland. It can be seen that the Ocean Park is really an icon tourist attraction in Hong Kong.

Just what should be done to make the Ocean Park not lose its attraction when the Disney theme park is complete? In my opinion, the Ocean Park should be given much greater room for development. The relevant laws should be amended to permit the Ocean Park to enter into co-operation with other overseas theme parks and introduce more innovative ideas. I have proposed in this Council that the adjacent land currently occupied by the Citybus as a depot and by the driving school should be granted to the Ocean Park for expansion. If this can be done, that will benefit the tourist industry in Hong Kong as a whole. I hope that the Government can give serious thoughts to this. And this is also an issue which will involve different departments.

Besides, the Government seems to have become less enthusiastic about the idea of building a cruise terminal. The idea has been mooted for a long time but there has only been thunder without rain with regard to the commencement of works. Nothing has been finalized to date. That will surely affect our potential competitiveness and our position in the race to become a cruise centre in Asia. I would like to stress that the development of a cruise terminal in Hong Kong would attract more tourists to come on shore for spending or fly all the way to Hong Kong to join a cruise. These tourists are classified as those belonging to the high-spending groups and it is certain that they can stimulate the growth of the related trades and increase job opportunities. Since a cruise terminal would be enormously helpful to our economic development, there is no reason for the Government to procrastinate on that matter any more. I hope that the plan can be implemented expeditiously.

Apart from that, the relaxation of "individual visits" to Hong Kong by the Mainland since July has seen a drastic growth in visitors to Hong Kong and the number of visitors in the first week of October hit a record high of 400 000. It is glad to see that after the SARS devastation, the tourist industry has shown first signs of recovery within such a short time. The only worry we have is that tourist facilities here will not be able to cope with the increase. So the Government should commence the building of tourist infrastructure projects which have been established and develop more tourist spots. This would include the development of more local eco-tour and heritage tour itineraries and even the promotion of thematic tours. The Government can also encourage the building of national-class entertainment facilities in Hong Kong, for as the Disneyland has been attracted to build a theme park here, others like the Universal Studios may do so as well. According to projections on the current number of visitors, when the Disneyland comes on stream in 2005, the number of visitors to the theme park should be more than the estimated 5 million people. I think the Government should make flexible considerations as to whether the studies and projects of the second phase development of the Disneyland should commence earlier in order to cope with the increase in visitors.

With the gradual relaxation on travel restrictions for mainlanders, there are plans to extend the individual visit scheme to residents in places all over Guangdong Province by May 2004, and it is estimated that mainland visitors alone may increase to 10 million per year. By that time, the throughput of travellers will exert great pressure on the boundary crossings. With this upsurge in people flow, the Government should improve the matching boundary

facilities, especially the transport facilities, implement 24-hour boundary clearance and increase the frequencies of through trains and cross-boundary buses. With respect to simplifying the boundary clearance formalities for travellers, I think that the "co-location" of clearance is a good idea. However, though it was originally scheduled that the Huanggang crossing be made the testing point for co-location of clearance this year, the idea seems to have been abandoned. In fact, before the inception of the individual visit scheme, vehicles using the Huanggang crossing were mostly north-bound, with very few heading south. However, with the launch of the scheme, south-bound lines of vehicles began to appear at Huanggang. Therefore, the Government should reconsider the feasibility of co-location of clearance at Huanggang.

Lastly, I would like to mention in passing that in the face of an acute fiscal deficit, the Government will have to open up sources of revenue and cut expenditure. Both the Liberal Party and I subscribe to the idea of "big market, small government". We only hope that the Government, while streamlining its framework and cutting the expenses, will take account of the lowered costs and deflation and reduce the licence fees for the pillar industries and those businesses which have been hard hit, like hotels, airlines and restaurants. Members may recall that during the SARS epidemic, licence fees were waived for one year. Though the amount involved was not substantial, it brought at least some relief to the small businesses and small and medium enterprises. So in the long run, the Government should review its existing licence fees regime with a view to improving the business environment.

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

MR CHEUNG MAN-KWONG (in Cantonese): Madam Deputy, with the stepping down of Antony LEUNG, the general public have great expectations for the new Financial Secretary, Mr Henry TANG. In the days of Antony LEUNG, the Government made great slashes in its expenditure on the grassroots, to such an extent that it was more than the people could possibly bear. Thus great grievances arose. With half a million people taking to the streets, the message is loud and clear. That is, the administration by the Government must not go against the wishes of the people, and the Government should never be self-righteous either. This lesson should be fresh in the memory of the officials. The parents and teachers all hope that Henry TANG can refrain from making more slashes and give the education system in Hong Kong a break.

But that was a terrible mistake. What Henry TANG takes out from his "operating expenditure envelope" is also a big knife. He wants to slash the expenditure on education by 10%. The two Financial Secretaries with their two big knives have cut as much as \$5 billion to \$6 billion of our education funding. There will be a sector-wide contraction in education in the five years ahead. The education reform will fall flat. Madam President, I do not dare to teach Henry TANG how to invest in education, but he should know that education is really affecting the nerves of thousands of parents in Hong Kong. At a time of an economic downturn, when parents may be plagued with the problem of negative equity assets and that their jobs are constantly at risk, the only hope they have is that their children can receive a quality education that will enable them to be self-reliant and climb the social ladder someday. The Financial Secretary once remarked that the Government had lit too many fires and some had to be put out. But this slash in education funding is extinguishing the hopes of parents and igniting fires of discontent among them. This fire is going to rage for five long years and it could be devastating as it will ruin stability in education and sniff out hope among the people.

Madam Deputy, when Antony LEUNG stepped into office, he slashed nearly \$1 billion in education funding in a bid to eliminate the deficits, and our education system is still bleeding from the gaping wounds. Just take a look at our students, who are still cramming in classes of 40 to 45 students. If a further \$5 billion is slashed, all the hopes for small-class teaching would be dashed. When there are so much talk about improving education, our schools are turned into sweatshops. When classes are cut, schools closed and teachers made redundant, how can teachers concentrate on their teaching when they are at the end of their tether? Is this not setting fire to burn down our education system?

The universities are not at peace either. The Government wants to take forward plans to change the university academic system from three-year to four-year and achieve 60% of university participation rate of our young people, but funding is not increased but slashed. As no one can cook meals without food, the universities are forced to cut the number of credits required for graduation from 108 to 90. That will ruin the quality of education. When funding for universities is cut by 20%, the universities are required to shoulder the financial burden. So students may have to meet more expensive tuition fees. With the meagre income graduates fetch these days, it is likely that they will become heavily indebted? Is this not setting a fire in society? The lifting of funding for associate degree programmes will take its toll three years from now

and no mercy is shown. The College of Higher Vocational Studies at the City University of Hong Kong will lose three quarters of its funding by then. And all its staff and students are thrown into a panic. Is this not setting a fire? When universities are so hard up, the heads of universities have to go out and raise money to deal with this burning issue, and the teaching staff are so worried as they face pay cuts and lay-offs. There is no peace of mind for them. No longer are universities a place of academic pursuit, for they have become battlefields charged with bitterness and resentment. Is this not setting a fire? Madam Deputy, when \$5 billion to \$6 billion is slashed, it is tantamount to undermining the foundation of our education system. Is Henry TANG going to put out the fire, or will he pour more oil to it? Is the Hong Kong Special Administrative Region only permitting Henry TANG to set a fire to everything but forbidding education to light up a tiny ray of hope?

A few days ago, the Financial Secretary mentioned for the first time that stability in the Civil Service and the subvented organizations should be maintained so that the 1 million people from 340 000 families can breathe a sigh of relief. Of these 1 million people, many of them are members of the middle class. They may be civil servants, university lecturers, teachers, social workers, doctors and nurses. The result of this \$6 billion cut will force a lot of these people into unemployment. Teachers are different from civil servants in that the number of civil servants can be reduced through natural wastage, but the number of teachers in a school is tied with the number of classes in it. When a teacher retires, his vacancy should be filled before the teacher-pupil ratio in the school can be maintained and hence the quality of education. If the funding for primary and secondary schools is cut, the Education and Manpower Bureau can only maintain a situation of 40 pupils to each class in our schools. That runs counter to the philosophy of small-class teaching. With this cut in education spending, quality education will be lost and gone. It is utter folly that we pay a far heavier price for whatever benefit we may get.

Madam Deputy, no one has said that public expenditure should not be brought under control. But what we had heard so often from the Financial Secretary after he had assumed office was that education was an investment in the future, not an item of expenditure. But when funding is necessary for education, all investments would become expenses and there will only be cuts, nothing but cuts. This is a typical double-dealing talk from an official. Would the Financial Secretary not forget that students are a vital asset for our future and they should never be deprived of the opportunity to a quality education. Once

\$5 billion or \$6 billion is slashed, no amount of money could ever make up for the losses that may be incurred in the future. The fire set by Henry TANG as he slashes education funding will burn like a prairie fire, eating up the last vestiges of confidence and hope that the people may have in this Government.

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

MRS SOPHIE LEUNG (in Cantonese): Madam Deputy, this is a very significant year for Hong Kong, as we have made a great step forward in regional economic integration. Some time ago we reached an understanding with Shanghai on economic co-operation and we have signed the annex to CEPA. All these show that there is a need for us to establish a win-win relationship with the Mainland or other places, which is both competitive and co-operative. In view of this, the public will have great expectations for the implementation of policies by the Government in the coming year, hoping that while preserving the competitive edges of Hong Kong, the Government can provide the leadership in the successful restructuring of our economy and enhancement of value.

I agree with those recommendations made by Members in their speeches which can truly boost economic growth. I would now like to discuss the subject of governance culture, for this has a direct bearing on economic development.

In recent years there have been numerous studies on governance by the international academic circle. The conclusion reached by the World Bank Group from the findings of major studies is that "good governance is crucial for successful development, as measured by high per capita incomes". The World Bank Group also says that "good governance is important for alleviation of poverty." From this it can be seen that governance is a mode which can produce quantifiable economic results and is vital to economic development.

However, the current discussions on governance are often confined to institutional framework, mechanisms and reporting to external institutions, and so on. It is beyond doubt that these are essential elements of governance, but we should also bear in mind that with the addition of every level of the so-called "governance framework", the operational costs for the government will also increase. Therefore, I think that in considering the development of the

governance framework, the principle of "big market, small government" should be adopted to gauge the benefits. This will also pre-empt any unjustified inflation of the framework which will only reduce the cost-effectiveness of the entire system.

Today, I would like to explore into the issue of how governance can be improved from the perspective of value system, instead of looking at the matter from the perspective of frameworks and mechanisms.

First of all, importance must be attached to work performance instead of compliance with procedures in the public sector. In other words, performance should be given more weight than procedures. I agree with the view that the decision-making process of a government is very important and that it should be impartial and highly transparent. However, I also believe the public will think that decisions made by a government should be highly effective. That is also their expectation.

I often hear people cite an example which is true but is nevertheless a bit exaggerated. They say that a task which can be finished in an hour would take 10 days to complete in the Government. This happens not in Hong Kong alone, but it is also a fact admitted by other governments. Even as 10 days are used in a government, the result may not measure up with the amount of efforts put. Put it simply, it is because in a government the task has to be approved by officers at different levels and every one of them will input some lay views to show that they have done their duty. So in the end, the matter is all messed up and that is a typical example of one-sided attention to procedures to the neglect of performance.

Second, I hope that while stability is stressed in governance, the factor of prosperity could be added to achieve a balance. Frankly, many of the laws, regulations and policies these days are so complicated and cumbersome that they hinder the flexible, innovative and proactive nature of a small economy. A hurdle is also imposed on the healthy growth of enterprises of various scales. Owners of small and medium enterprises (SMEs) particularly felt the lack of a favourable business environment during the past few years when the economy was in a downturn. Many of them relocated their factories or closed down their businesses. This has served to push up the jobless rate in Hong Kong.

With CEPA, I believe many foreign companies will hope to join hands with Hong Kong SMEs to venture into the mainland market. Thus the SMEs will play an important role of attracting capital. I hope the Hong Kong Government will simplify the unnecessary administrative procedures and balance the factor of promoting prosperity against other considerations in governance and to give full credit to the contribution made by SMEs to the Hong Kong economy. In so doing the general public will be enabled to share the fruits of economic growth.

Lastly, I would like to say that new values cannot be formed overnight. They cannot be achieved simply by administrative orders from top down or popular pressure from below. I think the best way is by a lateral and gradual transformation. That is to say, everyone in the system should try to perfect themselves and internalize those values which attach importance to work performance and prosperity in the community. Then these values should influence their colleagues at work and to the community at large. The advantage of such a lateral evolution is that it can maintain the stability of the system in the face of change while introduce new values. Moreover, peer recognition will help achieve consensus when necessary and provide a stimulus for growth in society.

Madam Deputy, take the border industrial zone which has been in the limelight these days as an example, I hope the Government can take into account the abovementioned values while considering the following three issues before it comes to any decision:

First, recovery of the Hong Kong economy is slow and the unemployment rate still stands at over 8%, many people from the business sector have openly expressed support for the idea to set up a border industrial zone to attract capital and boost employment. What should the Government do to spur growth and prosperity?

Second, economic restructuring has created a high unemployment rate and a host of other grave social problems. The result is that resources for social services are tight and people in the sector are having a hard time trying to get more resources. The setting up of a border industrial zone will attract high value-added industries and this will direct our human resources to the development of a knowledge-based economy. How should government policies tie in with this trend?

Third, the Chief Executive has made it clear in public that "new thinking" will be used to consider the idea of a border industrial zone. How should officials internalize this new thinking, influence their colleagues and strive to improve the governance?

I hope that the decision to be made on the border industrial zone will reflect a determination on the part of the Government to improve governance.

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

MR YEUNG YIU-CHUNG (in Cantonese): Madam Deputy, the year past can be described as a terrible year for Hong Kong, and the territory has been subject to severe tests on both the political and economic fronts. With a lot of hard work, our economy has finally climbed out of the doldrums and is now picking up, but problems in governance still exist for the SAR Government. Therefore, much prudence should be exercised in governance in the future. Policies should be formulated and implemented with the people in mind and the people should be given the first priority.

Now I would like to talk about the views of the DAB on the policy areas of security and education. Recently, I have received a lot of complaints from parents in particular about the acute state of prostitutes touting on the streets in the districts they live. This is not only damaging to the outlook of the districts concerned and to the morals, but will also bring in triad influences and cause great nuisances and uneasiness among the residents. Our greatest worry is that this undesirable social influence will create a far-reaching impact on young people whose mentality is not yet mature, in turn rendering the education of our next generation a daunting task.

Madam Deputy, the recent years have seen not only a deterioration in the problem of prostitution but also illegal employment. These activities are becoming organized. As the unemployment situation goes from bad to worse, the issue of security is an increasingly felt concern for the public. In order that their interests can be protected, I strongly urge the Government to deploy more resources and manpower to combat illegal employment and prostitution, review the relevant criminal laws and impose heavier penalties to enhance the deterrent effect. These will hopefully give the people a healthy and peaceful living environment.

Madam Deputy, the DAB is also concerned about the progress in education on patriotism in Hong Kong. During the six years since the reunification, this kind of education has not made much headway in Hong Kong. A survey conducted by the Hok Yau Club in September shows that most young people are still quite estranged from their country and they identify themselves more as Hong Kong people rather than Chinese. The DAB carried out a survey on the National Day and found that, of the 127 public sector schools, only 30% hoisted the national flag on that day. It can be said that the findings of the Hok Yau Club survey show that patriotic education is not given much attention in the schools and that is inevitable given the lukewarm efforts made by the Government to promote this education.

The unique historical course that Hong Kong has undertaken and the complexities and conflicts it has faced cause disruptions in the identity and cultural awareness in people of this generation and the next. This has made patriotic education all the more a pressing task after the reunification. In the face of challenges posed by "one country, two systems", only a full understanding of "one country" can enable a full realization of "two systems". Therefore, we hope that patriotic education will be enhanced in governance in the future, that regular assessment and reviews be made to foster a strong awareness among the young people of their country, race and identity.

The pressure felt by teachers at work is another issue of concern for the education sector. A survey which pinpoints the working life and pattern of teachers in Hong Kong, Macao, Beijing, Shanghai and Taiwan show that the workload of teachers in Hong Kong is the heaviest among the five places. They have to teach 24 to 30 lessons and work 67 hours a week. This is close to the breaking point for them. Soon after the academic year started this year, there were two tragic cases of teachers committing suicide under the tremendous pressure they faced.

Spurred by the needs of a knowledge-based economy, the Education Commission has mapped out a blueprint for education reform in Hong Kong for the 21st century. Students will be nurtured into individuals who enjoy learning, effective in communication and have a sense of commitment and creativity. However, teachers will have to be creative themselves before students can be taught to be creative. So there should be a rethinking in the curricula and teaching strategies and new elements should be added. Unfortunately, given the workload of teachers in Hong Kong, this kind of demand on them is far too harsh. With heavy school work and pressure, teachers will not have any spare time and

energy for curriculum development and improving their teaching skills, let alone making themselves available to new thinking in education. So the pressure on teachers must first be relieved to provide more room for creative thinking and teaching excellence in the teachers, before the potentials of the students can be positively tapped. The Government should at the same time make a full-scale planning of teacher education, prevent the redundancy of teachers and pave the way for future education reform by training up qualified teachers as a foundation.

Madam Deputy, the significant mission of education is to enhance the quality of a nation and a place, as well as making the people more competitive. In a bid to foster quality education and cope with the transformation into a knowledge-based economy, the education sector in Hong Kong is confronted with major changes such as the change from a three-year to a four-year academic system in the universities, review of the academic structure in secondary schools and a review of small-class teaching in primary schools. Then come the related changes in curriculum reform, retraining programmes for teachers, and so on. All these mean injection of enormous resources and money is universally required. Education is not a kind of recurrent expenditure, but a long-term investment with a high yield. As Hong Kong does not have many natural resources, so talents are the most valuable assets in which Hong Kong can take pride. With globalization and a knowledge-based economy, Hong Kong cannot afford to cut its education expenditure, nor impose any restraints on investments in education and its growth potentials. For this reason, I hope the Government can reposition education and make efforts to economize rather than imposing an arbitrary cut on the resources in its policy consideration. Thank you, Madam Deputy.

MS LI FUNG-YING (in Cantonese): Madam Deputy, the overall economic conditions in Hong Kong have improved recently with the powerful support given by the Central Government. Last week, the Financial Secretary made a speech on Hong Kong's economy and management of public finances. Some of the practices under the former Financial Secretary were revised. I welcome three points made in the speech. These are the decision not to proceed further with the Boundary Facilities Improvement Tax, not to set a deadline for achieving fiscal balance by the year 2006-07 and not to cut resources for government departments across the board. However, the Financial Secretary has still decided to cut operating expenditure by 11% in five years starting from

next year. Though the goals of achieving fiscal balance and reducing government operating expenditure to \$200 billion have been delayed for two years, there is no real relief to the pressure on the departments to slash their expenditure to meet the specified targets.

The Financial Secretary said that there was a desire within the Administration to do more with less. This will lead to two problems. First, the Civil Service will be put under greater pressure. So the policy address must handle the relationship between the Civil Service and the Government very carefully, especially on sensitive issues like salary and benefits. Second, the integration with the Mainland has been elevated to a new platform and for some departments, their expenditure cannot be reduced but that it will have to increase. Resources for medical and health services will need to increase after the SARS epidemic. But what specific departments will suffer a cut in resources if the operating expenditure for other departments will not be cut across the board? The answer is in the air. For the Financial Secretary said that "a reduction in operating expenditure..... might also impact on a range of services provided to the public, as well as subsidies provided to subvented organizations." So the situation is extremely worrying. I do not wish to see a situation where the direction of social policy as proposed in the policy address will not only refrain from helping the less fortunate in society but also cut the assistance for them, thus making the unfortunate more unfortunate.

I would also like to discuss the problem of unemployment. The Financial Secretary, in answering my question on unemployment at a special meeting of the Financial Services Panel of this Council, denied that nothing had been done to help the unemployed in their plight. He cited the example of the temporary jobs provided by the Government during the SARS epidemic to state that the Government had been flexible in dealing with the problem of unemployment. I would like to mention that during April to June when SARS raged in the territory, the jobless population in Hong Kong was as many as 300 000. That figure embraced an increase of the jobless population for January to March by 40 000. The relief measures launched by the Government in May created 11 500 temporary jobs. Even if these jobs were all immediately made available to the jobless, there were still some 28 000 people out of work and their living was at stake. Even if the 10 000 places under various training schemes were counted, there were still some 18 000 newly unemployed who did not receive any assistance. Thus the absence of a sound policy on unemployment and mere talks of training will not help things at all. A true solution to the problem

cannot be found in talks about creating job opportunities without putting concrete measures and goals into practice and offering unemployment assistance. This is especially the case when the Financial Secretary also admitted in announcing the jobless figures last week that the problem of unemployment would stay for a long time. I therefore demand that a policy on unemployment should be included in the coming policy address with a package of measures on financial assistance, training, counselling, job referral, and so on.

In 2003 when the Chief Executive delivered his policy address, he said, "One of our urgent tasks is to further improve our business environment." With the economic downturn, the grassroots will have to face the heavy pressure of pay cuts and layoffs. And now they are threatened by fierce competitions from illegal workers who seem to be getting out of control. The most urgent task for the Government now is to improve the employment environment of the grassroots. I urge the Government to deploy more resources to combat illegal employment and to tackle the problem at root. The Government must take actions to punish severely those employers who hire illegal workers by revoking their licences and disqualifying them from submitting tenders, and so on.

Madam Deputy, after the march on 1 July when half a million people took to the streets, Hong Kong society is no longer what it used to be. The policy address which the Chief Executive will deliver at the beginning of next year will hence take on new meanings and cause different impacts. On 17 July, when commenting on the 1 July march, the Chief Executive said that time was needed to study seriously each issue and to address each issue seriously. The policy address is the best opportunity to answer the public aspirations, redesign the blueprint of governance, reconcile social conflicts, foster consensus and enable society to embark on a new course of development. These are also what the public expects of the policy address.

Madam Deputy, I so submit.

MISS MARGARET NG: Madam Deputy, I rise to support the motion.

I want to speak of one and only one expectation for the 2004 policy address, and that is: democratization. I want Mr TUNG to promise to implement the election of the Chief Executive by universal suffrage in the third term in 2007, if this is the wish of the Hong Kong people.

It is not that there is nothing else which is urgent and important on Hong Kong's agenda. On the contrary, there are many items which are both urgent and important. But Mr TUNG's refusal to address the question of democratization is a stumbling block to them all. It is a stumbling block to the proper discussion of the agenda, and a stumbling block to effective administration. Until that stumbling block is removed, everything he does or promises to do will be a waste of time. His administration will continue to be plagued with fiascos and scandals. They will undermine the Government's authority and credibility, and we will soon have a completely ineffectual government, and that will be bad for Hong Kong because it will directly endanger stability.

Mr TUNG may be busy getting rescue packages: CEPA, our man in space, and so on — to boost Hong Kong's confidence and the "feel good" factor among its people. But these will not make anyone feel any better about Mr TUNG or his government. On the contrary, they will be even more eager for him to go so that the good life will become better. Everybody can see that China's leadership is supporting Hong Kong because of its concern for Hong Kong and not for the love of Mr TUNG.

So, I urge Mr TUNG to address the issue of democratization, which is the one issue that Beijing has no wish to tackle for Hong Kong because it is Hong Kong's business under the principle of "one country, two systems". This is the one issue which Mr TUNG can tackle and the one thing he and only he can do for the people of Hong Kong. There are those who think that the one contribution Mr TUNG can make is to step down. I do not think so. I think by far the greater contribution he can make — and it will go down in our history to be remembered with pride and gratitude — is to introduce universal suffrage election for the Chief Executive in the third term.

I urge Mr TUNG to make the promise, clearly and unequivocally, that he will implement universal suffrage election of the Chief Executive in the third term in 2007 under Article 45 of the Basic Law, if this is the wish of the Hong Kong people. I have no doubt that as soon as he makes this promise and sets to work towards its performance, he will find the reins of leadership in his hands once again.

The Secretary for Constitutional Affairs has told Members that the Government will decide on the timetable for consultation in December, and start

the consultation early 2004. This is quite unacceptable and useless, since we have already gone way beyond this timetable. We have already started the debate on how best to democratize. The Government will be leading from behind. Moreover, even up to now, the Government has refused to say clearly and unequivocally that universal suffrage election of the Chief Executive in the third term will be included in the consultation. Insofar as the question of whether the public wants to have the Chief Executive elected by universal suffrage in 2007 to be the goal is concerned, the answer is already obvious. All it needs is proof in some quantifiable form. Insofar as the means is concerned, it is for the Government to come up with the options while inviting the community to respond and come up with other proposals and ideas.

(THE PRESIDENT resumed the Chair)

It will be acceptable if, following his promise in his policy address in January 2004, he ascertains that the goal is indeed the wish of the community by immediately commissioning a poll with a sufficiently large sample. I will guarantee that people will readily come forward to be counted, once they appreciate that Mr TUNG's promise will hinge upon their stated preference. Or, better still, he can hold a referendum. This will not be difficult to do and will cause little delay. Either move, initiated by the Government, will change the mood in the community from negative to hope overnight.

Madam President, the matter is in Mr TUNG's hands. However, if he refuses to take the initiative and drags on, the time will soon come when that decision will be taken out of his hands. The people will make the decision themselves, in an act of self-help and to prevent the Hong Kong Special Administrative Region from slipping further. Then, any promise of economic revival, or policies about stabilizing the property market and integration with the Pearl River Delta and the like, will sound hollow and completely irrelevant.

The President of the nation has expressly pointed to democracy as an option for the future of China as a whole. The nation and the world are waiting to see how Hong Kong is going to do its part. We must rise to their expectation. I urge Mr TUNG to rise to ours.

Thank you, Madam President.

MRS SELINA CHOW (in Cantonese): Madam President, no matter what reasons made half a million people take to the streets on 1 July, whether it be they were unhappy about the legislative work to implement Article 23 of the Basic Law or for other reasons, the Liberal Party thinks that there are many causes leading to the event. The march shows that there is a great gap between the administration by the Government and the popular expectations for the Government. So it can be said that in the year to come, the most important thing is that we can see Mr TUNG trying his best to narrow this gap in his policy address and that he can understand public expectations and demands of him and his government in many areas.

The Liberal Party has recently heard from many people from the middle class and the business sector comprising companies of various sizes their demands in respect of some major areas. Last week when the Liberal Party met with the Chief Executive, we tried our best to convey these views to him. We talked first on an issue of philosophy and, that is, whether or not the Hong Kong Government would still operate under the principle of "big market, small government". If it is so, then the Government would have to do a lot of things to come back to the right track in order to put this principle into practice. For we find that there have been signs that the Government is deviating from this principle of "big market, small government".

An obvious example is that different kinds of laws and regulations would be coming on stream and even before they become law, very often the Government would make all sorts of gestures, giving people an impression that more laws would be enacted. I have held discussions with the retail sector which I represent, as well as the manufacturing and import and export sectors. People from these sectors are worried, for they think that there are many consultation exercises going on and they all seem to be moving in the direction of introducing more laws and regulations.

Let me quote an example. That is on the regulation of health food and it has been a subject of heated discussions. Madam President, I do not intend to go too much into that subject, for we will be debating it in detail next week when Members present their respective views. In this example, the Government has released a consultation paper and it seems that some comprehensive regulation

will be introduced. I believe Members will be able to hear some grave concerns about that very soon.

I have also received some complaints recently and Members may think they are ridiculous. These complaints are about some volatile substances called VOC, found in gasoline, perfumes and cosmetics. These are substances that will become volatile when sprayed. Now the Government wants to conduct a consultation on these substances to ascertain if these VOC substances should be subject to regulation. Though the Government is only conducting a consultation on these substances and nothing may be done eventually, people have already been scared by the consultation exercise. It is because nothing like this has been done in the rest of the world except the State of California in the United States.

I have cited this example to show that many of the things which the Government is doing are sort of leading at the forefront of the times and of the world. It is making up something, and though it seems that it is trying to protect consumers and the public, it is just thinking up or making up something which is not practical at all and will just pose an enormous threat to market operations. Even if nothing will be implemented in the end, the move is scary enough to frighten the people.

Besides, the Government often asks this Council to enact some laws which are indeed unnecessary. It may be that its enforcement actions are not rigorous enough, or that some laws already exist, only that the enforcement actions are not effective. Or some wrong methods may have been used. But the Government is asking us to enact some harsher laws. All these may actually pose impediment to the market and even lead to an inflation in the size of the Government as more manpower will be needed for enforcement when these laws come into operation.

As we all know, 23% of the total budget goes to public expenditure. The Liberal Party is actually very worried, for even though the Financial Secretary has now decided to postpone the target date for eliminating the deficits to the year 2008-09, there might still be a need to introduce some new taxes such as the sales tax which is not welcome, as a result of the Government failing to reduce its expenditure any further. The Liberal Party is of the view that the Government should do what it should do as a small government in terms of cutting expenditure, it should also try to strengthen our edge. For example, insofar as CEPA is concerned, it should try to devise measures that will benefit

all the parties in the shortest possible time, including the commercial and industrial sectors so that the economy can recover soon. Only by so doing can Hong Kong people concentrate their efforts on working for the overall interest of the territory. Thank you, Madam President.

MR SZETO WAH (in Cantonese): Madam President, I shall put forward my views on education only. I hope the Chief Executive, Mr TUNG Chee-hwa, can adopt some strategic thinking in his consideration for education in the context of the policy address of next year, so that education can be placed at a strategic position now and in the future.

Firstly, education is the key to the transformation of Hong Kong society. Education is equivalent to productivity, technology and knowledge. In order to transform Hong Kong into a knowledge-based society and enable us to break away from our present predicaments, we must make substantial investments in the development of education.

Secondly, education is a hundred-year undertaking. The investments in education and its development must be made on a long-term and sustainable basis, and it is most undesirable to introduce abrupt changes every now and then. The Government should not provide funding at this moment and then cut the funding at the next. The withdrawal of funding support will make education move backwards, and even wither. In future, if we want to relaunch education, we may need to put in 10 times as much the resources without any guarantee that the damages could be remedied. Therefore, when we have to do something to eliminate the fiscal deficits and to cut expenditures, we must spare education.

Lastly, the middle-class people always attach great importance to the education of their children. They pay tax, and the most important service they get from the Government in return is education. Hong Kong is a society shaped like the fruit of the canary tree, with both ends smaller and the central part larger, and in this society — the middle class comprises the largest number of people who are the pillars. They have a significant bearing on social stability. In addition, the teachers, who have some sort of contact with each family and there must be tens of thousands of them, are also members of the middle class. The 1 July march already reflected the grievances of the middle class. Education is a strategic front where every move must be made with caution.

Recently, the Secretary for Education and Manpower, Prof Arthur LI, has published an article in the press to refute the criticism that there are too many drastic reforms in the education sector. Let me give him this piece of advice: Go to the teachers and listen to their feelings and their views on education reform. As they are the ones responsible for implementing the education reform initiatives, they must have the most specific and profound understanding.

Secretary Prof Arthur LI also drew an analogy of a soft drink vending machine. He said a lot of money had already been inserted into the machine, yet the Coke still has not come out from it. If we stop inserting more coins into it now, all the previous efforts will be wasted. He is asking for more resources for the further development of education, his dedication is admirable. However, I still have to raise several questions and hope that he can think about them.

First, buying a soft drink is meant to quench a momentary thirst, whereas education is like planting trees. It requires not only a Coke or two. The best thing to do is not to install a vending machine, but an automatic sprinkler system that can provide sufficient water regularly in the long term. As a primitive alternative, a tap with an extension rubber piping still has to be provided for watering the trees.

Second, if many coins have already been inserted, but for a long time the Coke still fails to appear, and instead some clinking sound can be heard inside the machine, then we should call for a technician to check whether the machine is out of order. It is not advisable to keep inserting coins into it.

Third, more importantly, he needs to check whether the machine purchased by his predecessor is a soft drink vending machine, or an one-arm bandit from the Lisboa casinos in Macao. Keep inserting coins into an one-arm bandit does not necessarily produce any concrete results — you need luck as well. It would be best if you can install an automatic timer-controlled sprinkler with sufficient water supply, then you need neither the soft drink vending machine nor the one-arm bandit.

I hope the Chief Executive can implement the following three points in respect of education in next year's policy address:

First, no reduction in funding for education, and continued vigorous investment in education;

Second, implement small-class teaching to improve the quality of education; and

Third, conduct a review on education reform with the focus on identifying ways of making students learn happily and teachers teach happily.

Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, I am going to deliver this speech entitled "Grasping the opportunities, promoting the revival of the economy" to address the economic issues to be covered by the policy address of 2004.

We all know that the economy of Hong Kong is faced with tough challenges, sustained deflation and structural deficits. The SARS outbreak in the beginning of the year further dampened the economy.

In order to support Hong Kong in its breakaway from the economic predicaments and to promote economic co-operation between Hong Kong and the Mainland, the Central Government signed the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) and implemented the policy of allowing mainland residents to visit Hong Kong on an individual basis. This has added an impetus to the economy of Hong Kong, triggering the revival of various sectors such as the tourist, retail and general merchandise, restaurant, hotel and even estate and property. It has stimulated investments and led the stock market to surge past the 12 000-point mark, thus promptly reviving market sentiments soon after the SARS outbreak.

The Democratic Alliance for Betterment of Hong Kong (DAB) thinks that further capitalizing on this opportunity and developing it is the major task of the Government in administration and in promotion of the local economic development.

The Mainland has launched its reform and opening for more than two decades. The rapid economic growth over the years has made the Mainland a popular investment target in the international community. The stepping up our co-operation with the Mainland will bring Hong Kong's role as an economic and trade bridge between the Mainland and the international community into full play,

in addition to being an important measure for promoting the economic recovery of Hong Kong. CEPA provides a legal basis for implementation of the above fundamental strategy. Therefore, we should by no means deduce that the implications of CEPA are just confined to saving several hundred million dollars of tariff per annum for our goods shipped to the Mainland or that only a small number of professionals would be benefited.

The DAB is of the view that the Government of the Hong Kong Special Administrative Region (SAR) should, in the next stage of work, pursue with the Central Government on allowing qualified domestic institutional investors (QDII) and banks in Hong Kong to operate Renminbi (RMB) business, thus making Hong Kong an off-shore RMB trading centre. The DAB is of the view that, apart from promoting the development of the service industries of Hong Kong and enhancing the status of Hong Kong as an international financial centre, these measures will help speeding up the convergence of the mainland financial industry with the international financial world, thereby upgrading the quality of the mainland financial market; providing a testing ground and accumulating experience for China's gradual relaxation of foreign exchange control and the gradual development of RMB into an internationally convertible currency. In our recent visit to Beijing, members of the DAB had also conveyed this request to Vice Premier CENG Qinghong in a meeting, and the Central Government said that it would actively consider the issue. When President HU Jintao was attending the summit of the Asia-Pacific Economic Co-operation (APEC) in Thailand some days ago, he also indicated that he would actively consider the issue. We hope that the Government can continue striving to achieve this for a certain period of time in the future.

Besides, the DAB has earlier on suggested to the Central Government and the SAR Government to permit mainland residents to acquire properties in Hong Kong, allow them free access and departure and grant them the status of permanent resident of Hong Kong after having lived here for a specified period of time. The DAB considers that an adoption of this suggestion would produce some immediate effect on the steady development of the local property market. We hope that the Government can continue striving to pursue this.

Madam President, Hong Kong and Shenzhen are only separated by a river. The two places are so close to each other that they are actually interdependent. So they should be the best and priority partners. Given the vast development potential in the border area, the Hong Kong Government should, as a long-term strategy, take the initiative to work together with the Shenzhen Government to

study the possibility of comprehensive co-operation between the two places. The study should aim at expediting the establishment of an internationally competitive cross-boundary economic zone which would blend together the advantages of both "one country" and "two systems", so as to facilitate the development of Hong Kong's hi-tech, high value-added manufacturing industries and the border zone. In the meantime, the Government should also adopt appropriate measures to quicken the progress of Guangdong-Hong Kong cross-boundary infrastructure projects, establish more border control points, speed up the construction of the Hong Kong-Zhuhai-Macao Bridge and study in a proactive manner the co-operation between the airports in the Pearl River Delta (PRD) Region, and so on.

For the period of time that has just passed, the term we have heard most frequently is "big market, small government". This is a fundamental principle for a highly liberal economy, but we do not hope that the Government would choose to do nothing by using this as an excuse because we all understand very clearly that positive non-interventionism is no longer suitable for the highly competitive international environment nowadays. Meanwhile, we must realize clearly that there are no prospects for self-exclusion and self-isolation. Only by way of further enhancing closer regional co-operation can we bring about good prospects. In the domain of regional co-operation, the role that can be played by the Government is very significant. From the examples of Guangdong/Hong Kong co-operation and Shanghai/Hong Kong co-operation, it is evident that without efforts at the government level, such co-operation would not have been possible. The DAB strongly hopes that the SAR Government can adopt a visionary approach in designing the future positioning of Hong Kong. Be it New York of China, or be it Manhattan-plus, Hong Kong must strive to extend its co-operation with neighbouring provinces and municipalities. The DAB thinks that Hong Kong should serve not just the PRD Region, but also the extensive area in Southern China. Therefore, we suggest the SAR Government to take expeditious actions to initiate talks with neighbouring provinces and municipalities in order to explore the feasibility of co-operation.

As a common saying goes, "Don't miss the chance for it won't come twice". We hope the Chief Executive can grasp this opportunity to further promote the recovery of the economy, stabilize the property market, create more job opportunities and speed up the economic restructuring, thereby enabling the economy of Hong Kong to achieve spectacular results once again.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam President, CEPA has really brought new opportunities to Hong Kong under the present difficult business environment. However, how the Government can formulate a series of matching measures to give full play to the merits of the preferential policy is the most significant subject on the economic agenda before us. It all depends on how the Government and the businessmen could achieve synergy before we could find out how effective CEPA would be in pulling Hong Kong out of its present economic predicaments. In the long run, the Government should seek a consensus with the Central Authorities to pursue for the establishment of a Greater China Free Trade Zone comprising the Mainland, Hong Kong, Macao and Taiwan. With this Free Trade Zone, Hong Kong can promote its role as a trading intermediary, and then its tourist and entertainment industries could also be promoted in the process. Besides, the Government should also actively seek participation in many of the free trade agreements under negotiation by such countries in Asia as China, Japan, South Korea and South East Asian countries, so as to extend the economic and trading development of Hong Kong.

However, CEPA in fact does not make all the industries satisfied in every aspect. I can quote the example of the telecommunications industry which I represent. The telecommunications industry is the 18th industry added to the list after the 17 service industries. In fact, it could only enjoy three months of preferential treatment because telecommunications operators are allowed to enter the mainland market and hold a 50% stake in a company with effect from 1 October. However, such a preference will only last for three months because all the telecommunications operators in the world can enjoy the same treatment as from 1 January next year. In fact, the industry once made an proposal, hoping that the Government could continue pursuing on behalf of the industry for the establishment of a "telecommunications special region" in which some cities in the Pearl River Delta Region are allowed to enjoy a broader and more relaxed policy and Hong Kong operators allowed to provide all kinds of services in the Mainland. This is a limited liberalization, with the advantage of allowing Hong Kong telecommunications operators to extend their geographical business area. However, the so-called preference is actually no more than allowing Hong Kong telecommunications operators to compete with others on an equal footing. The preference does not mean anything. At the moment, under the present circumstances, there is no way for them to do so even if they want to; or maybe a Hong Kong operator is now only allowed to hold a 50% stake in a company in

partnership with mainland partners. Therefore, Hong Kong telecommunications operators hope to operate telecommunications businesses in some parts of the Mainland where they could own a majority stake.

The Democratic Party welcomes the series of measures under CEPA, including the relaxation of restrictions to allow mainland residents to come to Hong Kong on an individual basis. This is conducive to the economic development of Hong Kong and could speed up the economic integration of the Mainland and Hong Kong. The Government should adopt a pragmatic attitude to review the matching measures on a regular basis. I hope that the Government can continue to strive for the gradual opening up of more mainland cities, not just the present limited number of cities. After CEPA has been successfully implemented and the construction of the Hong Kong-Zhuhai-Macao Bridge completed, it is anticipated that the passenger flow and cargo flow between Hong Kong and the Mainland will double. Therefore, the effectiveness of the future cross-boundary infrastructure and transport network will have a direct bearing on the development of the Greater PRD Economic Zone. We suggest that the project of Hong Kong-Zhuhai-Macao Bridge should comprise a passenger railway and a cargo railway. We hope the Government can consider this.

In designing future cross-boundary infrastructure projects, the Government should set a target of reducing the transportation time between Hong Kong and other PRD cities to within three hours. The Government should also start negotiating with the relevant mainland authorities as soon as possible in order to formulate a series of plans helpful to the development of comprehensive transport networks in both places, such as constructing large-scale railway transport systems and improving road networks, so as to reduce the time required for travelling between the two places. Regarding CEPA, the Government should also strengthen its co-operation with mainland departments in jointly launching external publicity and promotion drives, such as holding a PRD trade fair in Hong Kong on a trial basis, so as to intensify the advantages presently enjoyed by the PRD Region.

The Democratic Party hopes that the Government can consider developing northern Lantau Island. The Democratic Party suggests that, to tie in with the scheduled opening of the Disney theme park in 2005 and the completion of the

Hong Kong-Zhuhai-Macao bridge several years afterwards, the Government should proceed with a comprehensive tourist development blueprint on Lantau Island. The future Hong Kong-Zhuhai-Macao Bridge will connect Hong Kong, Zhuhai and Macao together. As a result, Lantau Island will inevitably become the transportation hub of the PRD Region, which will then serve as a transfer point for travelling to all the other destinations in the region. It will prolong the stay of tourists in the PRD Region, and thus give impetus to the development of the tourist industry. Hong Kong, Zhuhai and Macao will become an extremely attractive chain of sightseeing cities. We suggest that the Government should immediately launch a study on the possibility of building groups of thematic hotels, and recreational, cultural and leisure facilities on Lantau, which will complement the Disney theme park as well as the scenic environment of Lantau. With all these facilities, it is hoped that Lantau Island would become the leisure centre of the Asia-Pacific Region.

Besides, we also hope that the Government can consider bringing new development opportunities to the industries of Hong Kong. CEPA has renewed the prospects of revitalizing the development of local industries. The Democratic Party suggests that the Government should establish a committee on relaunching Hong Kong industries, and this committee should comprise representatives from the Government, manufacturers, trade unions, scholars and the political arena, so that different sectors could propose strategies for Hong Kong industries, thereby seeking consensus amidst differences of opinions. The Democratic Party understands that the importation of labour will trigger off a lot of controversies, but if we confine our discussion to traditional industries and the border industrial zone only, the repercussion would be smaller. Therefore, the Democratic Party would like to urge the Government once again to reconsider the proposal on the border industrial zone, with a limited degree of co-ordination, in the hope that our industries could re-establish themselves again in Hong Kong. The Democratic Party proposes to develop the border industrial zone with the aim of attracting target industries in the mainland free market to set up plants there. The Government may provide inexpensive land and formulate a quota system for both mainland and Hong Kong workers in order to cope with the industrial development. We hope this policy may enable Hong Kong industries to re-establish themselves in Hong Kong.

With these remarks, I support the motion.

MS MIRIAM LAU (in Cantonese): Madam President, during the past two months, with the effect of individual visits by mainlanders, the general market sentiments have become vivid and come to life again. The individual visit scheme, apart from bringing a large number of passengers to Hong Kong, have also enlightened us with a great lesson. The lesson is, if Hong Kong pursues further co-operation with the Mainland, and if Hong Kong proceeds with further integration with the PRD Region, it will bring about substantial benefit to the economic development of both places.

In order to strengthen the co-operation between Hong Kong and the Mainland, we should by no means stop or slow down the construction of cross-boundary transportation infrastructure, even at a time when we are trying to reduce our fiscal deficit. Conversely, it is necessary for us to speed up the progress of the construction projects. Two weeks ago, when I moved the motion on "Immigration and customs clearance of mainlanders visiting Hong Kong individually", the emphasis was on the passenger flow. However, on the other hand, though the passenger congestion at the border control points is serious, yet the congestion of cargoes at the control points awaiting clearance is equally serious. The situation presents some hidden worries for the logistics industry of Hong Kong.

In recent years, the throughputs in the PRD have increased drastically. However, there is only a single-digit increase, or even no increase in the container throughput in Hong Kong. According to the latest statistics, the container throughput of Shenzhen in a single month is very close to that of Hong Kong. For example, the throughput of the port of Shenzhen in August this year was 1.086 million TEUs, whereas the corresponding figure of Hong Kong was 1.095 million TEUs. The Hong Kong container port fails to grab a larger market share mainly because of the high costs, which are partly attributable to the land freight transport efficiency. As a result of the cross-boundary traffic congestion and the delay at the customs checkpoints, not only the consignors have suffered certain financial losses, but the drivers also suffer as well for they could make only one trip per day. As a result, the land transport costs have gone up.

However, even if we could speed up the progress of cross-boundary transport infrastructure construction, the problem still could not be solved overnight. As such projects will take time to complete, they will not solve our immediate problems. For example, the Shenzhen-Hong Kong Western

Corridor will not be completed until the end of 2005 at the earliest. Besides, although the Government has made progress in many different aspects in improving the congestion problem at the Lok Ma Chau border control point, due to certain geographical restrictions, the bottleneck at Lok Ma Chau remains a bottleneck, no matter how much effort the Government has made to ease the congestion there. To tackle the congestion problem at Lok Ma Chau effectively, the Government must do something on the software aspect. I hope the mainland and Hong Kong authorities could expedite the implementation of a "logistics expressline". Under the concept of "seamless border", the trucks could go through the customs clearance in the Mainland first, and then they could drive through the border direct without the need of waiting in the long queue for clearance at Lok Ma Chau. In this way, truck drivers will be able to make one extra trip or so daily, then the costs of hauling goods to Hong Kong for export could be lowered.

In fact, apart from the bottleneck in land transportation, there are problems with marine transportation as well. But it is a "technology bottleneck". Presently, there is basically no problem with the submission of E-MAN, an electronic form of cargo manifests, by most local river trade freight operators. However, many mainland ports still accept only paper cargo manifests. If not all the PRD ports could implement the submission of electronic cargo manifests, then it is meaningless for Hong Kong to implement it alone. In fact, the mainland authorities are also very positive about the issue of electronic submission of cargo manifests. I strongly hope that the Government of the Hong Kong Special Administrative Region (SAR) could make use of all available channels to negotiate with the mainland authorities, with a view to standardizing the relevant procedures in the two places as soon as possible.

As long as the Government is ready to make redoubled efforts, the logistics industry of Hong Kong still enjoys certain advantages. In fact, Hong Kong is still a highly efficient port that handles a colossal throughput and hosts the most frequent liner schedule. With further economic integration of the PRD Region, Hong Kong possesses the right conditions to further develop the shipping and related industries, apart from the logistics industry, thereby making Hong Kong a shipping centre true to the claim.

In the beginning of this year, not a word was mentioned about the shipping industry when the Chief Executive delivered the policy address. I strongly

hope that the Chief Executive can attach some significance to the shipping industry, an industry that has a close relationship with the economy of Hong Kong. In fact, though Hong Kong is an international shipping centre, yet in the eyes of those in the shipping industry, Hong Kong has actually failed to live up to this reputation. In comparison with such international shipping centres as London and New York, Hong Kong still lags a long way behind. This is because the development of the shipping industry and related industries (maritime insurance, legal arbitration, chartered ship service and ship management) is very slow in Hong Kong, thus gradually diminishing the status of Hong Kong as an international shipping centre.

In order to make Hong Kong an international shipping centre true to the name, the most pressing issue is the training of required talents. In the past, I had mentioned many times before that the shortage of senior seamen had already reached an alarming level. If this problem is not addressed properly, the shipping industry of Hong Kong will soon face a succession problem in management. Eventually, we may have to import foreign talents into Hong Kong. I believe the Government will not wish to see this happen. I strongly hope that the Government can propose relevant measures to avert the situation.

Madam President, I so submit.

MR WONG SING-CHI (in Cantonese): Madam President, first of all, I would like to speak on the issue of welfare. However, if I am to talk about welfare, I must talk about the issue of cohesion. The SAR Government has established a Social Cohesion Unit, aiming at building up cohesion in the community of Hong Kong. However, unfortunately, the Government itself is causing damages of all kind. Let us look at some examples. Recently, the Chief Executive had appointed an unreasonable person who liked to remove people holding different viewpoints to become the Chairman of the Equal Opportunities Commission. The Financial Secretary said in response to the chaotic arrangements of the Hong Kong Harbour Fest, to this effect, "I had not taken up the post of Financial Secretary when the fund was allocated. It has nothing to do with me. Let the relevant persons take up the responsibility!" Obviously, he was passing the buck. When the people opposed the enactment of laws to implement Article 23 of the Basic Law, they were regarded as unpatriotic. When 500 000 people took to the streets on a march, they were labelled as having been misled. All these are damaging the cohesion of the community. No wonder quite a number

of Government decisions on welfare policies are ruining the cohesion of the community, destroying mutual trust and co-operation in society, and undermining our social capital.

In the beginning of this year, the Government ignored the opposition of over 90 non-governmental organizations before the former Financial Secretary delivered his Budget speech, and continued to slash the Comprehensive Social Security Assistance (CSSA) by 11.1%. In order to secure popular support for this decision, the Government had taken preparatory actions a long time ago. By making unfounded comments that the CSSA level was too high and that receiving CSSA was better than earning a wage from work, the Government intended to create an impression among the public that the CSSA system would nurture lazy bones. In fact, the basic amount that CSSA recipients receive is just over \$1,000 per person per month. Is this amount really enough to cover the spending on food, transport and other expenses? This is a problem. What worries us most is that Financial Secretary Henry TANG announced last week a further 11% cut in the Government's operating expenditure within five years starting from the year 2004-05. This makes us believe that the Government will continue to cut welfare spending, making it more difficult for the poor to rely on government welfare for a relatively dignified life.

The Government has never taken any proactive measures to identify solutions to solve the poverty problem. The Government has consistently refused to draw a poverty line. Nor has it formulated any long-term strategy on eradication of poverty, thinking wishfully that the problem will be solved by cutting welfare. In fact, this will only make the Government's expenditure figures look better, and it is not a solution at all.

Even if the economy has recovered, if there is not any effective plan or comprehensive strategy for eradication of poverty, it will never help the lower class people, no matter how good the economic conditions have become, because they do not possess suitable skills, information and social connections. As revealed in certain researches and studies, a lot of workers employed in outsourced government projects are receiving very low wages, which are insufficient to support their own living. Is their situation an inevitable result of the reality, or of an exploitation of the lower class workers? Without a clear-cut strategy for eradication of poverty, how can the Government bring any hope to the lower class people, any opportunity improving their lot?

The Democratic Party hereby urges the Government to face the issue of poverty squarely. We sincerely hope that the Government can be more far-sighted and stop formulating policies that will ruin the social cohesion and social capital. Let the Hong Kong people work hand in hand to guide Hong Kong out of its present predicament.

On the other hand, I wish to discuss the youth unemployment problem. Although the latest unemployment rate has fallen slightly, the unemployment problem among the young people is still serious. For a long time, the unemployment rate for young people belonging to the age group of 15 to 19 years has stood at around 30%. The unemployment rate for the second quarter of this year is 32.8%, while the latest statistics show that the unemployment rate for young people belonging to the age group of 15 to 19 years has risen to 36.1%, representing an unemployed youth population of over 26 000. Most of the unemployed school dropouts are labourers with low academic qualifications.

The Democratic Party thinks that, in order to improve the youth unemployment situation, the young people should be provided with diversified opportunities for further studies, training, business venture and development. The Democratic Party and the Frontier jointly submitted a proposal to the Government in September this year requesting it to promote further studies for the young people and help them develop businesses in the creative and cultural creative industries, so that they may become self-reliant on self-employment, and that their creativity and acumen can be brought into full play. The Government should, on the one hand, provide them with support in starting their own businesses to complement their insufficient knowledge and experience in business operation, and on the other, offer them further study programmes for self-enhancement so as to enable them to tackle difficulties in business development and avoid business closures due to poor management. Only in this way would these measures work together to produce adequate effect in improving the lot of these young people.

We propose to set up a youth division under the Support Centre for Business Starters, the service targets of which will be young people belonging to the 15 to 24 age group. The division will provide case follow-up services, including risk evaluation, information for starting business, and so on. We also propose to provide business start-up training programmes similar to the Self-employment Business Start-up Assistance Scheme, and set up individual experimental programmes such as multimedia creative centre programmes,

youth cultural self-employment programmes, and plans to set up cultural squares to let young people start up creative businesses and develop their cultural creative businesses.

In the area of continuing education, diversified education opportunities are provided through the Project Springboard and associate degree programmes. However, the fees required for these programmes are very expensive. The annual fees for the Project Springboard range from \$20,000 to \$30,000, while those for associate degree programmes are around \$40,000. The Democratic Party is exploring the possibility of helping young people to continue their education by way of issuing training vouchers, and this should be a better way of assisting them to tackle the difficulties confronting them.

In the area of planning, I hope the Chief Executive can suspend the reclamation project in the Central District. As indicated by a survey conducted by the Democratic Party, over half of the interviewed drivers do not want the Government to reclaim land from the sea despite the Government's indication of the traffic jam situation. We hope the public would be able to continue enjoying the beautiful view of the Victoria Harbour. Many Hong Kong postcards have actually chosen the Victoria Harbour as their background. If we reclaim land from the sea, we worry that more and more shoots of corn may appear at the shore of the Victoria Harbour, one of them now is the International Finance Centre. I hope the Government will heed public opinions.

PRESIDENT (in Cantonese): Mr WONG, your time is up.

MR WONG SING-CHI (in Cantonese): With these remarks, I support the motion.

MR NG LEUNG-SING (in Cantonese): Madam President, in the wake of the SARS attack, the Hong Kong economy has recently shown signs of a recovery. That the situation has turned better owes to a certain extent to the powerful support given by the Central Government. A package of new initiatives were quickly put into practice. Among these is the "individual visit scheme" which is giving a boost to the local consumer market. In the long run, this will bring a new and steady source of visitors to the local tourist and consumer markets and

its contribution to the local economy is long-term and sustained. The conclusion of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) serves to bring new markets and business opportunities to many trades in Hong Kong and make Hong Kong a more attractive place for inward investments. When this is added to the launch of the policy on investment migrants and the consolidation of the housing policy, all these have helped liven up the local property and stock markets.

From some recent economic figures, it can be seen that the deflation rate for September is 3.2% and this represents an improvement over the 3.8% for August. Meanwhile, the seasonal adjusted unemployment rate has dropped from 8.6% for the period from June to August 2003 to 8.3% for the period from July to September. The underemployment rate for the same period has also dropped from 4% to 3.6% and that is encouraging. As a result, the government forecast on economic growth this year has been revised from 2% to 3%. However, we know that recovery cannot be expected to complete overnight and with the special structure of our economy, future developments may still be affected by all sorts of external factors. The SAR Government should therefore accord priority to spurring economic recovery and industrial transformation. As our national leaders say, all the talk about developing the economy and improving the livelihood of the people will become empty and foreign investors will hesitate in the absence of a stable and harmonious social environment. In view of that, people from all walks of life should stand united, minimize political disputes, put forward constructive suggestions, take up the monitoring and promotion roles and assist the Government in implementing bold and effective administrative measures.

Looking ahead at the work of the SAR Government, I think that discussions should be made with different places on the Mainland with a view to expanding the "individual visit scheme" to residents of other cities on the Mainland in a gradual and orderly manner. Various arrangements under CEPA should be enforced and consolidated. Negotiations should be opened with the mainland authorities to forge some terms which are mutually beneficial and will help some professional services explore new business opportunities in the Mainland. Reviews should also be made of areas under the existing arrangements where improvement can be made. As a member of the financial services sector, I also hope that the relevant departments will liaise with their counterparts on the Mainland, take into account the developments in the mainland financial market and policies and strive to bring in new business

opportunities for our banks and other financial services based on the principle of mutual benefit.

Despite the encouraging signs in the Hong Kong economy, deflation is still serious and the unemployment high. I think the Government should take active steps to launch large-scale infrastructure projects so that domestic demand can be given a boost. At a time of financial stringency, the Government should make full use of private sector capital to finance the projects. That is certainly something worth consideration. The Government should also provide concrete assistance to the unemployed. I have always held the view that the Youth Pre-employment Scheme should be extended to the jobless adults, especially the chronically unemployed. Certain trades with better employment prospects, such as domestic helpers, should be selected and opened to those unemployed who are interested in joining the trades, so that they can be given on-the-job training in these trades while drawing an allowance or salary rebate for a certain period of time, say, two years. This will hopefully encourage employers to accord priority to hiring local domestic helpers. In this way, the target of improving the jobless rate can be met fast and effectively and hence the large number of displaced low-skilled workers under the macro conditions of economic restructuring can hope to find a job. If the employment situation in general improves, the retail sector and even the property market will be given a boost. With respect to the management of public finances, I agree with the Government that the target date to achieve a balance in the operating accounts should be sensibly revised taking account of the actual socio-economic changes. Steps should be taken on major relevant policy issues such as the rationalization of civil service pay, and the focused deployment of public housing resources, public medical and health resources and social welfare on social groups in genuine need. In view of this, the SAR Government should have the commitment and courage to face the problems and rise to the challenges. It should take the initiative in promotion and consultation so that the public can understand the philosophy related to the policies and that a consensus can be reached among the widest spectrum in society. It is believed that good governance will command acceptance and support from all quarters.

Madam President, I so submit.

PRESIDENT (in Cantonese): Members, it is now four minutes to ten o'clock at night. I think we can complete all items on the Agenda before midnight. Therefore, I have decided that the meeting shall continue.

MR ALBERT HO (in Cantonese): Madam President, I would like to speak on behalf of the Democratic Party first on housing policies.

The Government seeks to stabilize the property market by way of regulation of land supply. The Democratic Party support this in principle. However, I consider that two principles should be adhered to. First, no distortion should be made to the market. We cannot accept the idea that the Application List System should be suspended in the long term. Therefore, the recent move by the Government to resume the system and determine reasonable upset prices is appropriate. We stress that the housing and land policy of Hong Kong should be fair and equitable. We are concerned that the Government has suspended the production and sale of Home Ownership Scheme (HOS) flats and imposed a moratorium on land sales, while the two railway corporations have postponed the development of their land, hence all sources of land supply are almost closed. However, we also see that the Government is swinging the side doors wide open for developers hoarding huge land reserves are permitted to change the land use, thus creating another source of land supply. This is the first thing which is unfair. Second, as many people have expressed their concern recently, the future development of West Kowloon could well be the façade of a property development instead of a project on cultural facilities. That could well be a repeat of the Cyberport saga. We are most concerned about this and we would never want to see it happening as the equity principle would be violated.

The gravest blunder with regard to housing policy is the handling of completed HOS flats. The complete halt to the sale of HOS flats has led to some 20 000 flats remaining unoccupied for almost two years. Thus while there are flats that are not occupied, people are homeless or living in crowded conditions. This kind of waste at a time of acute fiscal deficits is most appalling to us. We fail to see why these vacant HOS flats cannot be effectively disposed of at the soonest. The Democratic Party strongly demands that the 10 000 or so unsold or returned HOS flats should be sold to eligible green form applicants. As such flats account for only about 10 000 in number, it should not cause much impact on the market. In addition, we demand that the remaining some 10 000 vacant flats in the HOS estates be converted into public rental units. This would save some money which could otherwise be used to construct public housing and improve the living conditions of those who live in crowded conditions.

Now I would like to turn to the issue of legal system. In any society which attaches importance to the rule of law, there is a need to protect everyone before the law and that justice is meted out to everyone. That is why a sound legal aid system is crucial. We have made requests recently that a full-scale review should be made, but the Government has been doing nothing. I am most upset about this. Actually, some reforms should not cause any problems and they will not exert any great pressure on public finance. Take the Supplementary Legal Aid Scheme as an example. We all know that there is surplus in the accounts of that Scheme, but why can it not be expanded from personal injury and death cases to other kinds of litigation? Is this not the result of sticking to the old rut that impedes reforms?

On the other hand, with regard to criminal proceedings, we can see that at times the Director of Legal Aid seems to be not exercising his discretion properly. Under some rules now, when some applicants are indebted, his debts cannot be used to offset his assets. As no change has been made to such rules, it resulted in a recent murder case where the trial took as long as two months, and the defendant had to make his own defence for he was denied legal aid. A decision has been made to retry this appeal case and the person concerned will have to undergo the agony of a trial for another time. So we are sorry to hear this and we are indignant. A full-scale reform has to be undertaken of the legal aid system.

Lastly, I would like to speak on the human rights organizations in Hong Kong. A human rights commission should be set up here as recommended by the United Nations Human Rights Commission (UNHRC). Though an organization like this has yet to exist in Hong Kong, there are some similar organizations here such as the Equal Opportunities Commission (EOC) and the Office of The Ombudsman, which are very important institutions. Their duties are to monitor the protection of human rights by the Government, engage in education efforts, promote reforms, and so on. All these are lofty initiatives. The operation of these organizations must comply with the Paris Principles as advocated by the UNHRC, that is, they should have an independent legal status, sufficient autonomy, a pluralist membership, be vested with authority to address human rights issues extensively according to international standards and sufficient authority to conduct investigations and sufficient resources for operation. The most important thing is, of course, these institutions should perform equitably, with their heads being impartial and the procedures open, and the final results of the cases handled should be just. These institutions should have sufficient transparency and accountability so that persons who come into

contact with them will feel that their rights and dignity are duly respected. It is unfortunate that the handling of the dismissal of the Director of Operations of the EOC is very disappointing.

I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, some time ago the mayor of Shanghai HAN Zheng likened Shanghai to a 15-year-old youth who was still growing while Hong Kong was a 25-year-old adult who could not grow in stature but was nevertheless rich in experience. Mayor HAN was a guest in Hong Kong and being a senior Chinese official, he might not feel free to point out bluntly where the problem with Hong Kong was. But the truth is, Hong Kong under the leadership of Mr TUNG cannot grow in stature, nor can it make any progress. Worse still, the people are physically and mentally battered and there are signs of premature ageing in society.

Why are we physically and mentally battered? I recall last year when we had a debate on a similar motion moved by Mr Martin LEE, doubts were cast on whether or not the public would have any expectations for Mr TUNG. At that time, the Chief Secretary for Administration who made the reply merely poked fun at some of the mistakes found in the shadow policy address compiled by the Democratic Party and said nothing in response to our questions and suggestions. We understand of course the difficulties faced by the Chief Secretary, for what can be invoked to speak in defence of such an inept leader? Facts have proved that our doubts are well-founded. For during the year past, we saw that there were attempts to hard sell the legislative proposals to implement Article 23 of the Basic Law, the impropriety in handling the Antony LEUNG car purchase incident, the ineptitude shown in the SARS epidemic, the senseless squandering in the Harbour Fest, and so on. These heaps of follies and fiascoes have convinced us that the SAR Government under the leadership of Mr TUNG does not deserve any expectations from the 7 million people of Hong Kong. Maybe the best answer to the motion today is a stepping-down by Mr TUNG and delivery of a policy address by a popularly elected Chief Executive. That would be the best solution.

Hong Kong used to be described as a goose that laid golden eggs. I recall there was a TV commercial at the end of the 1980s and the slogan was to this effect: "How could I go when Hong Kong is so good?" Unfortunately, what we

see now is that many people would die to go but they cannot. Why? Because everyone is broke, they have negative equity assets and so how could they go? Under the governance of Mr TUNG, the SAR today is to our mainland compatriots a poor relative desperately in need of help; while to the foreigners, it is a nut to be taken advantage of. The Harbour Fest is the best example of this. Foreigners know that Mr TUNG's government is so inept and it has a weakness in spending money like water. And so they are asking for a sky-high price. Things like these are a disgrace to every person in the SAR and they can never stand tall again. The latest opinion poll conducted by the University of Hong Kong shows that the popularity ratings of Mr TUNG have dropped again. So even if there are 10, 100 astronauts like YANG Liwei coming to Hong Kong, what use are they? Will that change our expectations for Mr TUNG? Will that make us hold any expectations for him when we used to have none?

Now despite the calls for unity in the so-called leadership circle by the Government, I notice one thing and that is, in the Harbour Fest, the top officials were trying to pass the bucket to one another and sneering at one another. It gives people an impression that the show given by the Rolling Stones is really a farce directed by Mr TUNG, with the stage moved from the government headquarters to the Tamar site.

Madam President, I believe what the people of Hong Kong badly need are not shows put up by top officials. They hope that they can live a better life. Unfortunately, after Secretary Henry TANG has assumed office, there has been no attempt to rectify the past harsh policies under Antony LEUNG. There is still that emphasis on "big market, small government", there is still that obstinacy about cutting recurrent expenditure by 11% to an annual total of \$200 billion, only with the deadline slightly pushed back for two years. But that means nothing to the people struggling hard for survival. The kind of approach taken by the Government implies that expenditure on public services will only shrink, and civil service jobs dwindle and to be replaced by contract or temporary jobs. In some cases, even the temporary jobs are cut. So what expectations can the public hold? No wonder Secretary Henry TANG made the remark that the unemployment rate might never return to the pre-1997 level for as long as he lived. There surely is a grain of truth in his analysis.

Madam President, facts show that a change of persons will not solve the problem at all. We must build a democratic system which is truly founded in Hong Kong. We must have a government truly elected by the people, whereby

we can discuss policies and institutions openly and chart a course for our future. This is where the solution to our problems lies.

Unfortunately, we are disappointed once again. Despite our repeated requests made to Secretary Stephen LAM on the plans for consultations on the political system, the result is always procrastination. Ms Emily LAU once said that it was very likely that she would not see a democratic Hong Kong for the rest of her life. Of course, I do not want this to happen. For it would be tragic if it does. I still trust if the people are united, this government will not be one beyond redemption. The march on 1 July speaks for the truth. When the people are united, the pressure produced is tremendous, such that the Government may bow in submission. I used to have doubts about what kind of expectations we can ever hold for Mr TUNG, but having witnessed the 1 July march, my hopes are rekindled, that is, when the people are united again, the pressure this solidarity exerts would be so huge that we may finally have a government elected by the people. That will surely spell hope for Hong Kong.

Madam President, I so submit.

MS CYD HO (in Cantonese): Madam President, as the saying goes, ruling a large country is like cooking a small fish. We all know that when we fry a fish, if we turn it over before it is done, then the fish will be spoiled and it will break into pieces. Wisdom of this kind is required in ruling a country and it is not different when it comes to ruling a city like Hong Kong. For this reason, it is really not necessary for the policy address to come up with gimmicks and fresh ideas every year. What should be considered is the approach.

The function of the policy address is to propose a positioning for Hong Kong in the long term, set goals for the medium term and formulate immediate measures. It should tell the people what direction the Government is going. It should also lead the people, rally them behind some common goals so that they can all proceed in the same direction. But why is it that copies after copies of policy address compiled in the past have never served these ends? The topic of the expectations for the implementation of policies under discussion now should not be concerned about the contents, that is, proposing measures, but rather, it should be concerned about the approach to governance. After 1997, there has been a considerable change in the culture of governance in that policies are devised in a closed shop and that there are frequent changes. There has been no

real attempt to open a serious dialogue with the people and so the people are left confused. Policy objectives are not achieved though they may be sound. All in all, there are four undemocratic ways of doing things in the Government and these have spoiled matters and caused public grievances.

First, the decision-making process is not open. I admire very much the policy paper compiled by the Democratic Party last year on "Our Expectations of the Policy Address Motion". This year they have compiled a similar paper. I am sure they knew what would be the result even when they were writing it. For they have written on this topic many times and conveyed the message to the Chief Executive on many occasions. But are their views heard? Why is it that after saying for so many times he still turns a deaf to these views? We have raised some very simple suggestions, such as organizing a summit before the budget is formulated to solicit views. Political figures, the academia, people from all walks of life and even international elites in economics and finance should be invited to discuss the deficit problem in Hong Kong. This is a democratic channel to gather opinions from all quarters. But what happened is the holding of a half-day seminar a few weeks ago to which some of our Honourable colleagues were invited. A few hundred people held discussions for a few hours, and that was it. That is certainly not a democratic way of making decisions at all. Even though some of the suggestions have been accepted, such as those on the show business and cultural activities in which there is enormous room for development, the result is the Harbour Fest fiasco which is an utter failure.

Second, the problem with governance is that the officials are not accountable to the people. The top officials are just shirking their responsibilities when blunders are uncovered and they never want to bear any blame. They put all the blame on someone who has left office and they are covering up and toning down the gravity of the matter. So much is left for the public to speculate and query. The result is low morale and an inability to convince the people. The Government is also making all sorts of attempts to block and it is unwilling to dig out the truth. That will not help things at all.

Third, there is cronyism. Some things which are good are spoiled by people within the governing circle. Today many Members have pointed out that the new Chairman of the Equal Opportunities Commission (EOC) is drawing two incomes and that the appointed director of operations has been dismissed before he reports for duty. The three months since the Chairman of the EOC

has assumed office have seen the credibility of the EOC seriously injured. Now that a whole week has passed since the affair and Mr TUNG should have come out to order an inquiry into the affair, but he has not taken any action, said anything, or given any opinion. The people suspect this is another case of cronyism. The affair is certainly tragic, for the credibility that the EOC has gained over the years which makes it an institution trusted by the people is lost. And the reputation of the EOC is on the brink of collapse.

Fourth, an undemocratic way of doing things is not showing due respect for procedures. The best example can be seen in the consultation process for the enactment of legislation on Article 23 of the Basic Law.

These four points mentioned by me are all the results of corruption by authority in a system devoid of democracy. In circumstances as these, no matter how good ideas may be, they may be subject to the influence of unfairness in the course of implementation. So I would think that discussions on the contents of governance will never restore public confidence and we had better talk about the fundamental institutions.

We have said many times that the introduction of a democratic system is the only way out to avert a crisis in governance and restore confidence among the people. Therefore, I urge Mr TUNG to show his sincerity in this year's policy address, present his work schedule, take actions to facilitate a popular and equitable election of the Chief Executive in 2007 and the return of all seats in the Legislative Council by universal suffrage in 2008. If Mr TUNG is not sure about the preferences of the people, he may call for a referendum at once and present the principles and timetable for the people to decide. This can eliminate speculations and disputes while finding a definite direction for immediate action. I trust if the Government can take concrete steps and if the people can see that democracy is well within their reach, people power in Hong Kong will take on a new life. I am confident that the people can work hand in hand with the Government to shape a brave new world for Hong Kong.

Thank you, Madam President.

MR AMBROSE LAU (in Cantonese): Madam President, the Central Authorities attach great significance to the problems of Hong Kong, so it has taken a series of measures in support of the recovery of Hong Kong economy

including the introduction of individual visits to Hong Kong, the signing of CEPA, and so on. With the support from the Central Authorities, the recent social atmosphere of Hong Kong has gradually turned more harmonious, the economy has shown a growth rate higher than projected, the unemployment rate has gradually dropped, the property market has stabilized and even the consumption market has improved.

However, the Hong Kong Progressive Alliance (HKPA) thinks that the pro-Hong Kong measures of the Central Authorities could only give full play to their effect if they are complemented by improvement made by the SAR Government in its implementation of policies. We hope that, in his second policy address of his second term of office to be delivered in January next year, the Chief Executive can respond to the aspirations of the people in four ways: first, review and improve the Accountability System for Principal Officials (the Accountability System); second, formulate an economic development strategy which gives priority to employment; third, step up the cost-saving drive of the Government; and fourth, make full use of CEPA to push the economic recovery of Hong Kong.

First, in more than one year of implementation, the Accountability System has left much to be desired in terms of openness, fairness and transparency. So it warrants a review and improvements. The policy address should formulate criteria for the accountability of principal officials for the information of the people with the purpose of boosting their confidence in the Accountability System. The criteria would also serve as an advance warning for the principal officials, making them guard against any possible wrongdoings. The recent SARS Report and the Harbour Fest are both examples of inadequate accountability, and they also show that the Government has failed to keep tabs on the pulse of the people. As the Government has not been able to collect public opinions adequately, this has placed it in a dangerous position like "a blind man riding on a blind horse". In this connection, the policy address should contain some improvement measures to ensure that the public, the Legislative Council, the professionals and the scholars have been adequately consulted before any policies are formulated. This would ensure that public opinions could smoothly reach the level of the Chief Executive and the accountability officials.

Second, in solving the financial problems that have a bearing on the livelihood of the people, the Government should strengthen the strategy which

gives priority to employment. First, the small and medium enterprises (SMEs) account for over 90% of all the local companies, totalling over 290 000 and are providing more than 1.4 million jobs in Hong Kong. The Government should make the provision of assistance to SMEs as the main initiative in the strategy which gives priority to employment. The Government should encourage SMEs to enhance their competitiveness by making efforts in such aspects as innovative technology, manpower training, brand creation, adding value and creation of wealth. Secondly, though the overall unemployment rate has started to drop, the unemployment rate among teenagers of the 15 to 19 age group hit a record high of 37.6% in the third quarter of the year. The unemployed youth population amounts to 28 800. It is a worrying situation. The Government should face up to the social problems generated by the increase in non-engaged youths. Apart from some short-term measures launched earlier on, the Government should provide more training programmes to help the teenagers in their job search.

Third, the Financial Secretary has delayed the original target schedule for eliminating fiscal deficits by two years. However, we cannot see any measures in place that could achieve fiscal balance in 2008-09. Not much has been disclosed in respect of generating more revenue, whereas the expenditure is planned to be slashed by 11% in five years, that is, an average reduction of 2.2% per annum. Obviously, there is still room for a further reduction in expenditure. The Government should not just bet on its luck and thinks wishfully that once we have an economic recovery, all the problems related to fiscal deficits would disappear. Instead, the Government should step up its cost-saving drive, so as avoid using up our fiscal reserves and leaving a whole financial mess to the next government.

Fourth, some effective measures should be proposed in the policy address to make full use of CEPA, so as to continue promoting an economic recovery in Hong Kong. With effect from next year, 273 types of Hong Kong products will enjoy the zero-tariff preference when imported into the Mainland. But more Hong Kong products can be added to the list in future. People generally are of the opinion that industries that can be benefited include telecommunications, film and television, clocks and watches, jewellery, cosmetics, and so on. However, more industries in Hong Kong could actually make use of the business opportunities provided by CEPA to create more room for preferential treatment and development. The Government should consult people from all sectors and

then formulate matching measures and policies, particularly those that can tie in with the zero-tariff policy to revitalize the manufacturing industries.

Presently, the manufacturing industries of Hong Kong have declined. However, Hong Kong still enjoys certain advantages in such aspects as design, quality management, brand names and goodwill. More importantly, as the Pearl River Delta (PRD) Region is moving toward the goal of becoming "the Factory of the World", Hong Kong must have its own manufacturing industries if it intends to play the co-ordinating role as the bridge or the intermediary in the supply chain between the PRD Region and the world. All governments in developed countries of the West would provide assistance to the industrial development in their own countries. The SAR Government should make full use of CEPA to stimulate the investment and development of high value-added industries in Hong Kong.

Madam President, I so submit.

DR LAW CHI-KWONG (in Cantonese): Madam President, I had intended to mention some specific suggestions that the Democratic Party has made in this policy address. However, knowing that the Chief Secretary has such an eye for details that even some typos could not escape his scrutiny, maybe I should let the Chief Secretary take his time to read it. So, I shall speak on, as a supplement, some issues which are not covered in our expectations for the implementation of policies.

In today's debate, I mainly intend to discuss whether social welfare expenditure should be slashed. We should strive to enhance our cost-effectiveness, including reducing the unit cost of service, increasing the economy of scale of each service unit or stepping up the flexibility of our resource allocation and utilization. All these measures can enhance our cost-effectiveness, and they are measures that we should take. We may re-prioritize certain services and gradually cancel some jobs of low priority or improve the quality of service management, and promote service reforms. All this work must be done. If we cannot do a good job of all this work and bring the extra workload to bear on the shoulders of employees only, then this is by no means the right way to solve problems. I may describe myself as the advocate of such reforms in recent years. Such reforms are not at all popular and have drawn complaints from a lot of front-line colleagues.

Meanwhile, I have kept advocating a partnership relationship between social service organizations and the commercial sector as well as enhancing the public relations and fund-raising capacity of the organizations, so as to reduce their reliance on the Government. However, all of these reforms require time, and they have to be implemented in a gradual and orderly manner. Any changes in management must be founded on the support of staff of all levels, and reforms cannot be achieved simply by sole reliance on the financial incentives of the Government. A top-down approach is surely not a good approach. During the past few years, for example, youth services, elderly services and family services have already undergone the various kinds of reforms mentioned by me just now, so their capability to face future challenges has been enhanced.

Moreover, we also need to know that, the present service demand has been rising actually all the time. The ageing population has brought about an ever-increasing demand for elderly services. Many different kinds of rehabilitation services are still seriously inadequate. Families are also under rising pressure, and the need for support has obviously increased, and such increases are all too evident before our very eyes. I would not object to measures that promote enhanced productivity and efficiency savings. At the same time, however, we still need additional resources to cope with the ever-rising demand for elderly services and family services, and to reduce the shortfall in rehabilitation services. Therefore, in our discussion on whether or not social services expenditure can be cut, then efforts should be made to improve our cost-effectiveness if we look at it only from the perspective of enhanced productivity and efficiency savings. However, if our colleagues have to cope with rising service demands generated from the elderly and the handicapped, they will only be made to shoulder additional workload that may increase from 50-plus hours to 60-plus hours weekly. Their workload cannot rise indefinitely. Therefore, I hope the Government can be more lenient in reallocating resources and the reduction in resources has to be mild. Moreover, it must provide sufficient funding to enable us to cope with new service demands.

Madam President, I just hope that the Government would not adopt a broad-brush approach in reducing social welfare, nor should it address the issue purely from a financial perspective. Instead, the Government should tackle the problem by enhancing the overall cost-effectiveness of the services, while at the same time satisfying the ever-increasing demands in society. Thank you, Madam President.

MR MICHAEL MAK (in Cantonese): Madam President, every year I would receive a copy of the shadow policy address presented by the Democratic Party. I am glad that they have produced it in such an elaborate manner, and the format is very reader friendly. Though not every chapter carries great wisdom, and in spite of the fact that I do not have the time to read it in its entirety, I still feel the proposals in it appear to be achievable and capable of producing fruitful results.

If we talk about our expectations for the policy address, I think it is necessary for us to mention some principles. My principles embody some phrases or idiomatic expressions containing words (seven, to be exact) which are pronounced as "*sing*" in Cantonese, and these I am offering to the Chief Executive.

Firstly, I hope the Chief Executive could be "*chung sing*" (忠誠), which means "honest". This is because I think the Chief Executive must be fair, impartial and open in his implementation of policies. If he is not honest, I think it is very difficult for him to be accepted by the people and the Members. A recent event has made us feel that there are some problems with the implementation of policies by the Chief Executive. It was the appointment of the Chairman of the Equal Opportunities Commission. It seems that he needs some improvement in terms of fairness, impartiality and openness. Therefore, I hope when the Chief Executive writes his policy address, he can seek to make us feel that his policy address is an honest address.

Besides, his "*sing lok*" (承諾), meaning "promises", are very important. Do not always give us the feeling of "engaging in grand, big and empty talks". I still remember several years ago, he mentioned several "ports" in his policy address, including the Cyberport, the Chinese Medicine Port and the Flower Port. But all these seem to be some "grand, big and empty talks". As a result, a lot of people now would say that the Chief Executive is good at empty talk. After the march on 1 July, he made an undertaking to face up to the problems and improve the implementation of policies in a proactive manner. He said that he would keep abreast of the times in terms of his style of governance, his philosophy of governance and even everything related to his governing team, from the choice of candidates to the working style. He has spoken in this Council on numerous occasions that he would think in the way the people think and sense the urgency of the people. How on earth can he actually honour this promise in his implementation of policies? I absolutely do not wish that the Chief Executive

would listen to public opinions partially. He should come into contact with the people, he should attend more radio phone-in talk shows and seminars, and, in the real sense, listen to the opinions of the people and Members. I think, on the issue of his meeting with Members, Mr Albert CHAN asked a question on this regard last week. It seemed that even the Chief Secretary for Administration could not answer it. Mr CHAN asked: Why the frequency of meetings granted by the Chief Executive to pro-democracy Members was so unfair? If this was the case, how could he claim himself to be "thinking in the way the people think"? In fact, we represent the people.

Next, I hope the Chief Executive could "*sing fung por long*" (乘風破浪), which means braving the winds and waves. We are now under considerable pressure. There are numerous problems in the economy, in politics and in other areas. We are also afraid that SARS may come back. Therefore, I hope the Chief Executive can lead the people of Hong Kong to walk out of the present predicament.

Then, I hope the Chief Executive can "*sing sin kai hau*" (承先啟後), which means inheriting the past traditions and introducing new approaches for the future. Before the reunification in 1997, I think the Government and the pro-democracy camp or the Democratic Party had maintained a very good relationship and contact. However, after TUNG Chee-hwa assumed office as Chief Executive, it seemed that he had torn down all these, and this past tradition has not been observed. He harbours rather strong prejudices, and he discriminates against dissidents. In addition, I do not know whether it was his bad luck or ours, the economy of Hong Kong has experienced one financial downturn after the other. I hope he could inherit our past and open up new horizons ahead, thereby achieving the targets I had before 1997 and introducing us to a brave new world.

I would now come to "*chung chi sing sing*" (眾志成城), which means unity is strength. If the Chief Executive does possess great abilities, or his leadership could really command our unity, I am sure his achievement would be evident to all.

In fact, what worries me most is that he may be "*yat sing bat bin*" (一成不變), which means "stubborn and inflexible", and he stands a great chance of acting exactly this way. Therefore, I hope this prediction of mine on the Chief Executive would not really come true. Instead, I hope he can achieve the first

six expectations each contains the word "*sing*", and he could avoid committing the error (also with the word "*sing*" in Cantonese) about which I am worried.

If I should talk about any special expectation for the Chief Executive, I really hope that he can do something in respect of policy and health services to enable us to see that he can implement an effective financing policy for health care in Hong Kong. The principal problem with the medical services in Hong Kong now is the serious imbalance between the private sector and public sector hospitals. The SARS outbreak precisely illustrated the problems in our medical system, which led to a substantial increase in the infection rate and a large number of casualties. I hope the Chief Executive can let me see the presentation of a health care financing proposal that is acceptable to the people. In fact, he presented a consultation paper on medical reforms in 2000, which suggested the establishment of a Health Protection Account (HPA) Scheme. However, the HPA Scheme did not materialize eventually. I still hope that the Chief Executive can make some efforts in this area in his governance, so as to enable us to have an effective medical system. There is one point we must insist on pursuing, that is, the implementation of the recommendations of the Report of the Working Party on Primary Health Care, which stresses such aspects as personal hygiene, environmental hygiene, personal living habits, occupational safety and mental health. In fact, insofar as medical care is concerned, these are all effective in the long run.

Thank you, Madam President.

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

MR FRED LI (in Cantonese): Madam President, all along the Democratic Party has been very concerned about the supervision of public utilities. For the policy address of the year, we would like to highlight particularly the arrangements of reforming and improving the operation of the electricity market.

Many Hong Kong people say that the present arrangements under the existing Scheme of Control Agreements (SCAs) for the two power companies are a safer and more stable approach. However, if everything remains unchanged, what will happen? The SCAs have been criticized as outdated. The power

companies are allowed to make profits on basis of their fixed asset value. As a result, the fixed assets of two power companies have kept on inflating, and the Hong Kong people have to pay ever-escalating electricity charges. The Democratic Party suggests that the Government must reform the operation of the electricity market, and break the geographical monopolization of the two power companies. And the first step the Government should take is to enhance the interconnection of the electricity supply systems of the two power companies.

The consultancy report on enhancing interconnection between the two power companies released in the middle of this year reveals that an interconnection is feasible. However, it is disappointing that the Government still has not decided on a stand, in spite of the fact that it has studied the issue for a long time. The Government still does not have any specific answers to many details of interconnection, such as the legal arrangements and future financing arrangements. The Government just says that it will conduct further discussions with the two power companies. I believe the interconnection plan cannot be finalized even by 2008 when the present SCAs of the two power companies expire. Such a slow progress has made us, the people who are concerned about the electricity market, impatient and disappointed.

However, the Democratic Party thinks that, even if the engineering works of interconnection would only be completed later, it does not mean that the Government could sit back and do nothing now. It should make use of the time in these few years to study the measures of liberalizing the electricity market in a proactive manner.

Firstly, the Democratic Party thinks that the Government should establish an Energy Authority with the responsibility of co-ordinating the initiatives of liberalizing the electricity market. All along, Hong Kong lacks any long-term and comprehensive energy policies. So the Government has been placed in a passive position, and that explains why it has failed to exercise effective supervision over the two power companies and the gas company and even the fuel suppliers, thus making it difficult to proceed with any long-term planning. As such, the Government should establish an Energy Authority, charged with the responsibility of planning for the overall energy policies and the supervisory arrangements. Apart from electricity, the supply of gas, liquefied petroleum gas, fuels and even renewable energy resources should also come under the charge of the Energy Authority, which should formulate suitable energy policies after assessing the demands for various kinds of energy. After the

establishment of the Energy Authority, its prime task should be studying the liberalization of the local electricity market, so as to break the geographical monopolization of the market by the two power companies and protect the interest of the consumers.

We understand that electricity is the mainstay of Hong Kong economy, and that a stable electricity supply and reasonable electricity charges will be conducive to our economic development. We support the introduction of competition in phases, and reviews should be conducted from time to time. So the electricity market could be opened up gradually, thereby creating a win-win situation in which the stable supply of electricity and the reasonable electricity charges could coexist.

Turning to another subject, I would like to bring up the issue of consumer interest. This is the second issue I would like to dwell on. The present Consumer Goods Safety Ordinance has failed to protect the health of consumers effectively. For example, cosmetic products are directly applied to the skin of the people, and will have a direct effect on the health of the users. However, there is no effective or uniform supervision on the labelling of such cosmetic products. The Democratic Party suggests that a separate ordinance has to be enacted to regulate cosmetic products. Now, the Government has already presented a consultative paper on the supervision of health foods. We hope that the Government can work harder and extend the supervision to the labelling of cosmetic products, so as to enable consumers to enjoy greater right to information and protection of their interest.

The third part I shall speak on is food safety and environmental hygiene, which are my areas of responsibility.

Since 2000, the Government has dissolved the two Municipal Councils. The decision-making authority of municipal matters had been shared between the former Environment and Food Bureau and the Home Affairs Bureau. Due to historical reasons, the two Municipal Councils are very much different in their jurisdiction, the policies on certain issues to be implemented in the urban and rural areas, administrative arrangements and even fees. In the past, as the municipal affairs in the urban and rural areas were handled separately by the two Municipal Councils, the existence of such different treatments was still understandable. But now the municipal affairs have been fully taken over by the Government, so it is only natural that such differences should be removed.

In fact, at that time, when the Provision of Municipal Services (Reorganization) Bill was under scrutiny, the Government had already submitted papers to undertake that such differences would be reconciled before 2001. Unfortunately, 2004 is already around the corner. However, we still could not see any progress made in this regard by the Government. For example, regarding the hawkers policy, the market rent policy as well as other municipal service charge items, there are still different arrangements in the urban area and the New Territories. Yet, the Government now says that the above affairs are still under review. The Democratic Party thinks that such issues should be resolved as soon as possible, so as to maintain uniformity in policy on municipal affairs.

In recent years, the Government has started to attach some significance to the health of the people, and formulated some corresponding policies of regulation. Such initiatives deserve our recognition. However, due to the pressure from the relevant industries, the progress of the implementation of such policies leaves much to be desired. One of the more obvious examples is the labelling system of pre-packaged foods. The Democratic Party thinks that a complete labelling system should enable the consumers to enjoy sufficient right to know such information as the consumption date, the ingredients, the nutrition facts and the existence of genetically modified (GM) elements. However, though the first two items of information are enforced under the present system, the last two are not, and still require further government efforts to include them in the system. The Government says that it will implement the nutrition facts labelling system. However, it will not be implemented until 2010 at the earliest. As for a GM food labelling system, the Government has been quite resistant to the introduction of provisions on this. The Democratic Party is disappointed that the Government has refused to implement a measure that has the majority support of the people and will enhance consumers' right to information. In this connection, we hope the Government can expedite the work of enacting laws on nutrition facts labelling, and hope that the Government can accede to the requests of the people and proceed to implement a labelling system for GM foods.

With these remarks, I support the motion.

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

(No Member indicated a wish to speak)

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): Madam President, first of all, I wish to thank Dr YEUNG Sum for moving this motion today. I am also very grateful to those Honourable Members who have spoken on the motion for their valuable input.

The policy address delivered by the Chief Executive is the blueprint of administration for the Hong Kong Special Administration Region (SAR) each year. Through consultation and enhanced communication with the community, the Chief Executive will identify the prevailing problems and confirm if these are concerns expressed by Members and the public, thereby summing up the directions and strategies for the coming year and including them in the policy address, with a view to addressing the needs of social development and the public, and soliciting support from the Legislative Council for its concrete plans in administration.

In response to the motion debate and questions raised by Members on the 15th this month, I indicated clearly to Members and the public that the 1 July march had enlightened us on our style of governance. We must strive to do a better job in listening to the public opinions in a modest, open and sincere manner so as to gain their trust and support.

Honourable Members are representatives of public opinion, we will naturally give audience to and attach importance to opinions expressed by them. Since October, we have been consulting Members on the contents to be included in the policy address. So far, the Chief Executive has exchanged views with the majority of political party representatives in the Legislative Council in respect of the policy address. The work is expected to complete in this month.

Madam President, I have to state unequivocally that the SAR Government supports this motion. The Government welcomes Members to conduct rational discussions on the administration of the Government and give incisive views. We believe such discussions will certainly serve as a channel of communication and will lead the community to better harmony. The Government is ready to pool collective wisdom, to get to understand the public sentiments, and to gauge the genuine needs of society, so that we can assist the Chief Executive in compiling a policy address conducive to the development of Hong Kong, which will be delivered in January next year.

As I responded to a similar motion raised by Mr Martin LEE last year, the Government is obliged to gauge carefully the views expressed by 60 Members of the Legislative Council coming from different background, and to identify the views which are consistent with the interest of the community as a whole, and use the same as the basis of governance. Also, even consensus may be reached on certain aspects of administration, the Government still has to consider the priorities of policies to be implemented, as policies that merit examination and implementation are indeed numerous. In addition, the Government is faced by a fiscal deficit, it must therefore exercise stringent control over public expenditure in order to achieve a budget balance over the medium term. Setting priorities for individual options carefully is thus particularly important, and it is a responsibility the Government cannot shrink.

Thank you.

PRESIDENT (in Cantonese): Dr YEUNG Sum, you may now reply. You still have two minutes 59 seconds.

DR YEUNG SUM (in Cantonese): Madam President, first of all, I would like to thank the 25 Honourable colleagues who have spoken on their expectations for the implementation of policies by the Government in 2004. I would like to thank Members for their active participation in this discussion. In his response, the Chief Secretary for Administration said just now that the Government had been greatly enlightened by the 1 July march, and the Government would strive to gain the support of the people. As the Chief Secretary has said that, I hope the Government can respond to one of the major aspirations of the people, that is, returning the political power to the people. I hope the Chief Executive can chart a detailed plan of returning the political power completely to the people in his policy address. The Democratic Party proposes that, by the end of this year at the latest, the Government must publish a consultation document on political review. Otherwise, everything will be too late.

Secondly, on the financial aspect, we also propose that no reduction in fundings to the three areas of health services, social welfare and education should

be made because they are the basic needs of the people. Apart from their relationship with the basic living of the people, they also have a significant meaning to the development of society as a whole. Therefore, we could adopt other measures to solve the problem of fiscal deficits. But for these three services, their expenditures have a close relationship with the livelihood of the people as well as the development of the entire society, so they cannot be cut.

Moreover, the Chairman of the Equal Opportunities Commission Michael WONG has acted arrogantly and unreasonably by abruptly terminating the contract of Mr Patrick YU. The Democratic Party finds this totally unacceptable. I would like to reiterate here that he should attend the relevant meetings of the Legislative Council as soon as possible to make an open explanation, so as to let the people know why he had terminated the contract so soon. If the people have different opinions, we shall continue to follow up this issue.

Thank you, Honourable colleagues.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr YEUNG Sum be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 5 November 2003.

Adjourned accordingly at thirteen minutes to Eleven o'clock.