

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 19 November 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.

THE HONOURABLE FRED LI WAH-MING, J.P.

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, G.B.S., J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG, J.P.

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN

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

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

DR THE HONOURABLE YEUNG SUM

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

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

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

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

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

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

DR THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

THE HONOURABLE LI FUNG-YING, J.P.

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK, J.P.

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBER ABSENT:

DR THE HONOURABLE DAVID LI KWOK-PO, G.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 MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

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

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

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

CLERKS IN ATTENDANCE:

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

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
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Import and Export (Fees) (Amendment) Regulation 2003.....	247/2003
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Import and Export (Facilitation) Ordinance 2003 (33 of 2003) (Commencement) Notice 2003	248/2003
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Mutual Legal Assistance in Criminal Matters (Netherlands) Order (L.N. 243 of 2003) (Commencement) Notice 2003	249/2003
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Other Paper

No. 24	—	Supplemental Report of the Public Accounts Committee on Report No. 40 of the Director of Audit on the Results of Value for Money Audits (November 2003 - P.A.C. Report No. 40A)
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ADDRESSES

PRESIDENT (in Cantonese): Address. Ms Emily LAU, Deputy Chairman of the Public Accounts Committee will address this Council on the Supplemental Report of the Public Accounts Committee on Report No. 40 of the Director of Audit on the Results of Value for Money Audits.

Supplemental Report of the Public Accounts Committee on Report No. 40 of the Director of Audit on the Results of Value for Money Audits

MS EMILY LAU (in Cantonese): Madam President, on behalf of the Public Accounts Committee (PAC), I have the honour to table our Report No. 40A today.

This Report is supplemental to PAC Report No. 40, and contains our deliberations on the three chapters in the Director of Audit's Report No. 40 which relate to the University Grants Committee (UGC)-funded institutions.

I should mention that Dr Eric LI, Chairman of the PAC, Dr David CHU and Mr SIN Chung-kai have declared that they are members of the governing bodies of some of the institutions. Mr Tommy CHEUNG has also declared that his spouse is a member of the teaching staff of one of the institutions. The PAC has agreed that these members be exempted from the examination of the three chapters covered in this Report. Hence, only Mr LAU Kong-wah, Mr Abraham SHEK and I myself have taken part in the examination of these chapters. The Report is presented by me today in my capacity as Deputy Chairman of the PAC.

I now turn to the substantive issues covered in this Report.

The first part is on corporate governance of UGC-funded institutions. Madam President, the PAC agrees with the Audit Commission that good corporate governance of a public organization helps to maintain the confidence of its stakeholders and assure that it operates for the benefit of the community. As the eight UGC-funded institutions are entrusted with large sums of public funds, they are expected to adopt a high standard of corporate governance. For the governing body of an institution to effectively fulfil its responsibilities, it needs to have a majority of external members who are capable of giving independent advice and exercising independent judgement on important issues. The Audit Commission has also pointed out that, based on the respective ordinances of the eight institutions, there should be a majority of external members in their councils.

Madam President, the PAC has studied in detail the attendance records of the external and internal council members of the eight institutions at each of the council meetings held between July 2000 and November 2002.

We are seriously concerned that, during the period, the attendance rates of external members at meetings of the councils of the City University of Hong Kong (CityU) and The Hong Kong Institute of Education (HKIEd) were generally low (that is, below 50% at some meetings). Those of the Hong Kong Baptist University (HKBU), The Chinese University of Hong Kong (CUHK) and

the University of Hong Kong (HKU) were particularly disappointing. During the period, the attendance of the HKBU's external members constituted a majority (that is, 50% or more) at only one of the seven council meetings held. The attendance of the CHUK's external members constituted a majority at only two of the nine council meetings held. The attendance of the HKU's external members constituted a majority at only four of the 19 council meetings held. As a result, when decisions were required to be made at meetings of those councils, there might be over-reliance on internal members. This is also inconsistent with the spirit of the respective ordinances of the eight institutions.

Madam President, on the other hand, the PAC notes that in respect of The Hong Kong University of Science and Technology (HKUST), The Hong Kong Polytechnic University (PolyU) and the Lingnan University (LU), the number of external members present at their council meetings consistently constituted a majority. In the case of the LU, external members constitute an absolute majority in the LU Council's membership. At any meeting, when external members are outnumbered by internal members, it will not be possible to form a quorum. The PAC considers this an effective means to ensure that external members will constitute a majority at council meetings.

The PAC recommends that the Secretary-General of UGC should request all the institutions to adopt measures, such as that adopted by the LU, to ensure that external members will constitute a majority at the council meetings. The PAC also recommends that, in order to enhance transparency and accountability, all the institutions should consider publishing the attendance records of their council members and uploading the records onto their websites. As a matter of principle, the institutions should not reappoint those council and/or court members whose attendance at council and/or court meetings is low.

Madam President, the PAC is concerned that the size of the governing bodies of the CUHK and the HKU is larger than those of the other six institutions. This is not in line with the international trend towards a smaller-size governing body. We acknowledge that legislative amendments have been made by the HKU to change the size and composition of its council and senate.

We also acknowledge that the CUHK is conducting a review on the size and composition of its council, the outcome of which is expected to be available in the last quarter of 2003. We recommend that the Secretary-General of the UGC should request the CUHK to also consider reducing the size of its senate.

Madam President, the PAC notes that the council of the CUHK can appoint life members under The Chinese University of Hong Kong Ordinance. Before September 2002, there were six life members. We are concerned that all of the six life members did not attend any of the nine council meetings held between July 2000 and November 2002. Moreover, the Committee notes that currently, seven out of the 56 council members of the CUHK are life members.

The PAC acknowledges that the CUHK will recommend to its council that it should not appoint additional life members. It will also remind all nominating bodies (including the various constituent or related organizations of the CUHK) to take into consideration the attendance records of the council members nominated by them when they consider re-nominating their representatives to continue to serve on the council.

Madam President, the PAC agrees that a good corporate governance structure should have an audit committee which consists of a majority of independent external members who have the necessary financial expertise and time to examine the institution's financial affairs more vigorously than the governing body as a whole. The PAC is therefore seriously concerned that the Audit Commission's findings revealed that five of the eight institutions had not established an audit committee. This is not in line with good corporate governance practices. On the other hand, we commend the HKIEd and the HKUST for having set up both an internal audit section which reports to their councils, and an audit committee. We acknowledge that the PolyU has now set up an audit committee and the HKU plans to set one up before the end of 2003. We recommend that the Secretary-General of UGC should request the CityU, the HKBU and the CUHK to set up an audit committee to strengthen their internal audit function and the corporate governance structure.

Madam President, the second part is about staff remuneration packages of UGC-funded institutions. Since October 1970, the pay structure of university non-clinical teaching staff in Hong Kong has been following the pattern of university salary scales, which then existed in the United Kingdom. That is, university salaries bear a relationship to the civil service administrative grade salaries. However, whereas the salaries of the United Kingdom university teaching staff were delinked from the salaries of the United Kingdom local government since 1992, the Government in Hong Kong only sought the Finance Committee (FC)'s approval in April 2003 to delink university salaries from civil service salaries.

The PAC is concerned that despite the significant changes in the tertiary education sector in Hong Kong and worldwide, the linkage between the university salary scales and those of the Civil Service in Hong Kong had not been reviewed or revised for over 30 years.

The PAC agrees with the Audit Commission's view, and is also concerned, that in general, the average salaries of the academic staff of universities in Hong Kong appear to be on the high side, compared to those in other English-speaking countries. Moreover, the pay levels of some of the key management staff, such as the Heads of Finance, of the institutions also appear to be high compared to those of their comparable civil service counterparts.

In addition, the PAC is concerned that although the UGC-funded institutions are entrusted with huge sums of public money, there are currently no guidelines on the public disclosure of the remuneration of their senior staff.

The PAC acknowledges that some of the institutions are formulating a new pay structure for remunerating their staff, in the light of the Government's decision to deregulate/delink the university pay structure. Other institutions will conduct a comprehensive review to consider formulating a new pay structure.

The PAC also acknowledges that the UGC will, in consultation with the institutions and the Administration, develop guidelines on public disclosure of remuneration of the institutions' senior staff. The guidelines are expected to be available by the end of November this year.

The PAC recommends that the institutions should, in the comprehensive review on their pay structure, pay due regard to the international pay levels for university academic staff and the changes in local pay trend. As part of the comprehensive review and in consultation with the Universities Joint Salaries Committee, the institutions should develop an effective mechanism for future annual pay adjustment exercises.

In examining the remuneration of the heads of institutions (HoIs), the PAC notes that the pay levels of the HoIs were approved by the FC in June 1996. The approved salary level for the heads of the HKU, the CUHK, the HKUST, the PolyU and the CityU is at Directorate Pay Scale point D8. In this regard, the PAC is seriously concerned that the PolyU pays its President a monthly cash

allowance of about \$177,000, from its non-government fund, which includes about \$138,000 provided in lieu of housing benefits and leave passage. As a result, his total monthly cash remuneration (that is, basic salary plus cash allowance) is not only higher than that approved by the FC in 1996, but is also the highest among the heads of all the institutions.

The PAC notes that the decision was made by the PolyU's President's Personal Affairs Committee (PPAC). We also note that section 9(3)(c) of The Hong Kong Polytechnic University Ordinance specifies that the PolyU Council shall not delegate to any committee the power to approve the terms and conditions of service of persons in the employment of the University, other than persons in part time or temporary employment. The PAC is seriously concerned that the PPAC had not sought the PolyU Council's prior approval to pay the President a monthly cash allowance in lieu of housing benefits and leave passage. This appears to be in breach of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance.

Madam President, we have noted the Council Chairman of the PolyU's view that the PolyU Council has complied with the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance as the Council does retain and exercise its authority and responsibility in approving the standard terms and conditions of service for all categories and grades of employees of the PolyU other than those in part time or temporary employment. However, we agree with the Director of Audit that the payment of some \$177,000 monthly cash allowance to the President of PolyU in lieu of housing benefits and leave passage is a significant variation in the standard terms and conditions of service as approved by the PolyU Council. The PAC considers that even putting the legal considerations aside, it would have been prudent for the PPAC to seek the PolyU Council's prior approval.

Therefore, the PAC recommends that the PolyU should further review the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application.

The PAC also recommends that all the eight institutions should critically review the current remuneration packages of all their key management staff. In this regard, the eight institutions, particularly the PolyU, should explore the possibility of using their vacant senior staff quarters to provide housing to their key management staff, instead of resorting to the encashment of housing benefits.

All the institutions should conduct a review to enhance, as far as possible, the transparency and accountability in the application of funds obtained from non-public sources.

Madam President, the PAC notes that despite offering mainly degree and postgraduate courses, the HKIED's salary scales for its academic staff are significantly lower than those in the other seven UGC-funded institutions. The PAC recommends that the Secretary for Education and Manpower should, having regard to the recent upgrade of the HKIED to a degree-awarding institution, make sure that it is provided with adequate resources on par with the other seven UGC-funded institutions.

Madam President, in this time of change in the tertiary education sector in Hong Kong, we hope that the PAC's recommendations are timely and will provide useful reference for the institutions in planning for the future and managing the change.

Lastly, I wish to record my appreciation of the contributions made by Mr Abraham SHEK and Mr LAU Kong-wah who have diligently participated in the examination of the three chapters in our Report. Our gratitude also goes to the Director of Audit who has now retired and his colleagues, and staff of the Legislative Council Secretariat for their unfailing support and hard work.

Thank you, Madam President.

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Outlook of Container Freight Industry in Hong Kong

1. **MR HUI CHEUNG-CHING** (in Cantonese): *Madam President, it has been reported that the throughput of the Kwai Chung Container Terminal (KCCT) has been dropping for four consecutive months since June this year, while the throughput of Shenzhen Port sees a continuous increase. The trend of a rise of Shenzhen against a decline in Hong Kong in terms of throughput and sourcing development has already emerged. A local container terminal operator has*

estimated that the throughput of Shenzhen Port would reach 15 million Twenty-foot Equivalent Units (TEU) in five years and would outnumber that of the KCCT. Since the value of re-exports amounts to over 90% of the value of Hong Kong's overall exports, the trade is worried about the above developments. Moreover, based on the development trend of throughput in both regions, the same operator has also estimated that it would not be necessary for Hong Kong to construct any new container terminal in the next two decades. In this connection, will the Government inform this Council:

- (a) of the measures in place to cope with the threats faced by the import/export and container freight industries of Hong Kong;*
- (b) whether it has assessed the changes in the growth of container throughput of Hong Kong's port following the construction of the Shenzhen Western Corridor and the Hong Kong-Zhuhai-Macao Bridge; if it has, of the details; and of its plans regarding the container terminal infrastructure in Hong Kong; and*
- (c) as the container terminals in Hong Kong are all privately owned, and are also charging some 20% higher than their Shenzhen counterparts, of the measures taken by the authorities to enhance the competitiveness of the container terminals in Hong Kong?*

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

- (a) The Hong Kong port's throughput in 2002 was a record breaking 19.1 million TEU, representing a growth of 7.3% over 2001. In the first eight months of this year, the total throughput of the Hong Kong port increased by 8.3% over the same period last year, reaching 13.26 million TEU.

Comparing the throughput of neighbouring ports in the region with that of the KCCT does not represent the whole picture because the KCCT only accounts for 60% of Hong Kong's total port throughput. The remaining 40% is handled by mid-stream operation, the River Trade Terminal and other facilities. These facilities outside the KCCT have recorded a healthy growth in throughput this year.

Even if we look at the KCCT's performance on its own, the throughput in the first 10 months of this year was 10 million TEU, representing a year-on-year growth of 2.3%.

To keep pace with port development needs, the first and second berths of the Container Terminal No. 9 (CT9) commenced operation in July and October 2003 respectively. With a total of six berths, the CT9 will become fully operational by the first quarter of 2005 and provide a capacity of over 2.6 million TEU. By that time, KCCT's total capacity will exceed 15 million TEU.

For the Shenzhen port, available information indicates that the container terminals at Yantian, Shekou and Chiwan will add eight container berths from the second half of this year to 2005. By then, the three container terminals will have an estimated capacity of over 11 million TEU. The port developments in South China, in particular the Shenzhen port, offer shippers alternative routing choices to export their cargoes. To meet the challenge, the Hong Kong import/export industry and container freight industry need to further enhance their competitiveness. I will elaborate on the measures to enhance Hong Kong port's competitiveness in my reply to part (c) of Mr HUI Cheung-ching's question.

- (b) Our port development policy is to ensure that the planning of port-related infrastructure meets the practical needs of the port and that port facilities are provided in a timely manner to handle Hong Kong's forecast cargo throughput. In 2001, we completed the Port Development Strategy Review (PDSR) 2001. The assessment at that time was that Hong Kong would only need new container terminal facilities by around 2010.

To facilitate the long-term development of the container freight industry in Hong Kong, we have commissioned a consultancy "Study on Hong Kong Port — Master Plan 2020" (the Study). The Study will update the Port Cargo Forecasts released in the PDSR 2001 and propose a master plan and strategy to sustain Hong Kong's port development and enhance its competitiveness over the 20-year planning period. It will also examine the need for and feasibility of developing Container Terminal No. 10 (CT10).

The preliminary results of the Study indicate that the development of new infrastructure, such as the Shenzhen — Hong Kong Western Corridor (SWC) which will be completed in 2005 and the proposed Hong Kong-Zhuhai-Macao Bridge, will have positive impacts on Hong Kong's cargo volume. We will reflect these impacts fully in the new port cargo forecasts. The Study will be completed in early 2004.

- (c) In face of competition from the neighbouring ports, the Hong Kong port needs to strengthen its existing advantages, such as further enhancement in container terminal efficiency and maintaining a high frequency of sailings. At present, our port has over 400 sailings of container liner service weekly, higher than the 140 weekly sailings at Shenzhen port. Furthermore, Hong Kong's logistics and business support services are better than those in the nearby region and are conducive to maintaining the competitiveness of the port.

To enhance the competitiveness of the Hong Kong port in the short and medium terms, we will actively pursue measures on five fronts, namely, operating cost, communication between organizations in the port and freight industries, speed of cross-boundary clearance, commercial arrangements and port promotion.

At present, in respect of operating cost, the transport cost of exporting cargo via Hong Kong is higher than that of neighbouring ports. For example, the total transport cost of exporting a 40-foot container, including trucking cost, terminal handling charge (THC) and ocean freight, and so on, from Dongguan to the United States via the Hong Kong port is 10% or about US\$261 higher than that via Shenzhen port. While Hong Kong's ocean freight is lower than that of Shenzhen by US\$50, our THC is higher than Shenzhen by US\$97 and road transport cost by US\$200. To reduce the cost differential, we are studying ways to lower THC and road transport cost.

The level of THC is a commercial matter between shippers and shipping lines in which the Government should not interfere. Nevertheless, the Government has been active in the past year in

playing a facilitating role to bring together relevant parties for better communication and co-operation. In the past year, we held separate meetings with the representatives of the Hong Kong Shippers' Council (HKSC), Hong Kong Container Terminal Operators Association, Transpacific Stabilization Agreement (TSA) and Intra Asia Discussion Agreement. At the meeting earlier this month with TSA and HKSC, the representatives of TSA expressed their understanding of the shippers' concern regarding the transparency of THC and undertook to provide the relevant information as early as possible. We will arrange further meetings to follow up the discussion. In addition, we will continue to encourage Hong Kong terminal operators to enhance their productivity so that the operating cost of the terminals could be reduced.

Improving the handling capacity of cross-boundary facilities is an effective way to reduce road transport cost. Measures implemented by the Government in the past year include the extension of customs clearance hours for goods vehicles and shortening of customs clearance time. Starting from October 2002, we have provided additional lanes at the Lok Ma Chau Control Point for 24-hour clearance for goods vehicles to help improve the handling capacity of cross-boundary freight movements at night-time. The flow of goods vehicles from midnight to 7 am has increased by several folds, from 605 vehicles in November 2002 to 1 979 vehicles in September this year. The land boundary crossings have also introduced new technology to further reduce the time for processing freight vehicles. At present, clearance time has been reduced from 45 seconds to 33 seconds at Lok Ma Chau for a laden goods vehicle, and from 20 seconds to 16 seconds for an empty goods vehicle. The handling capacity of each lane has increased from 90 to 120 per hour, an improvement of 33%. According to a survey by the Hong Kong/Guangdong Co-operation Co-ordination Unit in the first half of this year, 97% of northbound vehicles and 84% of southbound vehicles managed to cross the boundary within one hour. This compared well with the respective 79% and 67% recorded in 2002.

On infrastructure, in order to tackle the bottleneck at the control points, an additional bridge linking Lok Ma Chau and Huanggang is under construction. When completed at the end of 2004, it will help segregate freight traffic from passenger traffic and double the handling capacity of this crossing to cope with demand. We will also strive to complete the SWC by the end of 2005 so as to provide a fourth land boundary crossing between Hong Kong and Shenzhen. With a capacity of more than 80 000 vehicle passages per day and the co-location of immigration and customs facilities, the SWC is expected to make marked improvements to cross-boundary freight movement.

Since the whole container freight industry is run by commercial enterprises, the role of the Government is to maintain close contact with the industry to jointly implement recommendations to enhance the competitiveness of our port.

As regards commercial arrangements, we encourage container terminal operators to develop partnership with the liners so as to attract more shipping lines and foreign buyers to use the Hong Kong port.

Finally, we will join hands with the industry to actively promote the advantages of our port to local exporters and overseas buyers so that port users will have a better understanding of the reliable and quality service which our port can offer.

In the long term, the Study which we are conducting will comprehensively review the operation and structure of the Hong Kong port. It will make recommendations on long-term port development strategy and propose competitiveness enhancement measures.

PRESIDENT (in Cantonese): Honourable Members, nine Members are queuing up for supplementary questions. Since the Secretary has used more than nine minutes in giving a detailed reply, I will extend the time for this question.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary mentioned that Hong Kong would need to build new container terminal facilities by the year 2010. Will the Government follow the practice of Singapore by inviting international shipping lines to bid for the franchise of the new container terminal, so that these shipping lines can continue to use the terminals in Hong Kong?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mr HUI Cheung-ching for his supplementary question. The forecast for the year 2010 was we made in the PDSR in 2001. As I said in the main reply just now, another study is now ongoing to consider in the light of the latest development the need for the construction of CT10, and the timing and location of the terminal if necessary. If CT10 is to be constructed, we will certainly consider many factors. For example, in enhancing competition, we will consider whether the suggestion of Mr HUI Cheung-ching can be adopted to allow shipping lines and other organizations to join the bid.

MS MIRIAM LAU (in Cantonese): *Madam President, the measures implemented by the Government in the past year have actually shortened the customs clearance time for goods. As far as I know, a container truck can now make 1.2 to 1.3 trips a day on average, so this is a rather good situation. But still, this cannot reverse the fact that land transport cost in Hong Kong is US\$200 higher than that of Shenzhen. The main cause is container trucks in Hong Kong are basically operating at a much higher cost than those in Shenzhen. As such, will the Secretary inform us of ways that can really help to reduce the operating cost of road transport industries in Hong Kong, so that the gap in road transport charges between Hong Kong and Shenzhen can be narrowed?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Ms Miriam LAU for her question. I believe Ms Miriam LAU also knows that the matter has been discussed by the Port Development Board (PDB). In fact, in the past year, as I mentioned earlier in my main reply, we have done a lot of work, such as simplifying customs clearance procedures, increasing vehicle accesses and providing 24-hour clearance services. The various measures just mentioned have in fact been reflected in the increased goods vehicle flow and the shortened customs clearance time.

I do agree with Ms Miriam LAU that the above measures are insufficient for road transport is a crucial factor making some shippers choose not to ship their goods at KCCT. Against such a background, we are now studying the various types of charges and expenditure breakdowns involved in the operating cost for road transport in Hong Kong, and see whether there is room for streamlining or downward adjustment. Study in this respect is now in progress, and I believe the matter will be discussed by the PDB.

MR AMBROSE LAU (in Cantonese): *Madam President, part (c) of the main reply mentioned that "to reduce the cost differential, we are studying ways to lower THC and road transport cost". May I ask the Government which unit is responsible for conducting the study? What is the scope of the study? What is the progress and when will the study be completed?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mr Ambrose LAU for his question. When I answered Ms Miriam LAU's supplementary question earlier, I had already stated two points, the first one is on THC and the second one is on road transport cost. Regarding road transport cost, I have said that the Bureau is now studying the various breakdowns of road transport cost and would take up the matter with the PDB. Of course, we will also discuss the issue with other relevant Policy Bureaux where necessary.

As for THC, just as I said in the main reply, the matter is mainly commercial and it is inappropriate for us to interfere, but we consider it necessary to play a facilitating role to bring together relevant parties for discussion. We have, in fact, been doing this, and a discussion with the TSA was held in the beginning of this month. We hope that more discussions on enhancing the transparency, breakdowns and other aspects of THC can induce a downward adjustment in the charges.

MR AMBROSE LAU (in Cantonese): *When will the study be completed?*

PRESIDENT (in Cantonese): When will it be completed, Secretary?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): As for the date of completion, it depends on the progress of our discussion.

MS LI FUNG-YING (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary stated that the PDST was completed in 2001, and the forecast at that time was that new container terminal facilities would be needed in 2010. After two years, has the Bureau conducted any preliminary assessment to confirm the accuracy of the forecast and examine whether there is any deviation?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Thank you, Ms LI Fung-ying. In fact, we have been keeping watch on the forecasts on the container freight sector in view of the many constantly changing factors, particularly after the conclusion of CEPA. Now, the Government is undertaking the Study to look at the latest forecasts on container freight traffic. Of course, we will pay attention to the development of our neighbouring ports and see whether adjustment to the 2001 forecast is necessary in the light of the actual situation. The consultant is studying this issue and expects to complete the study by early next year. By then, we will report to the Legislative Council.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, may I ask the Secretary whether he will try to open discussions with the General Administration of Customs in Beijing and the port authorities of Shenzhen on the application of new technology, such as electronic customs seal, and the establishment of a dedicated access approved by the customs authorities? This may further shorten the customs clearance time, for the Secretary said earlier it would take almost an hour. Will the Secretary consider the application of more advanced technology to speed up the process of customs clearance?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Thank you, Mr TAM Yiu-chung. In fact, we have already set up an expert team to study the planning and development of port and logistics between Hong Kong and the Mainland. As the Member said, experts from the

relevant units of the Mainland will join us in examining ways to strengthen the development strategy, planning and co-ordination in respect of logistics. Moreover, the scope of the study also covers the establishment of a logistics estates or logistics express line. Just as the Member said, we will study the application of advanced technology in the context of shortening customs clearance time. In this connection, the team should be able to complete the relevant study in the short term.

MR TAM YIU-CHUNG (in Cantonese): *May I ask the Secretary whether he has studied the electronic customs seal just mentioned by me?*

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

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I think I have said already that studies would also cover advanced technology and GSP. We will consider it.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, as I listened to the replies of the Secretary to the supplementary questions of Honourable colleagues, I considered his answers too superficial. Madam President, let me cite the reduction of THC, including road transport cost, as an example. I think the Legislative Council has spent considerable time on the discussion of this issue. I guess we have at least spent a year or two on this but nothing new has been introduced during the course. If negotiations with the Mainland are held as the Secretary said just now, given the fact that container terminal developments in the Mainland are targeted at the weakness of Hong Kong, how can Hong Kong win in the competition without a forceful comprehensive strategy set by the Government?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, if Miss CHAN Yuen-han had listened to my earlier reply clearly, she would have noted that we have done a lot of work in the past year or two. It can be learnt from the main reply delivered by me just now

that there has been improvement in customs clearance time for goods vehicles and flow of traffic. I read out those figures to Members just now, for example, clearance time for goods vehicles has been reduced from 45 seconds to 33 seconds; we have also provided additional lanes with a view to speeding up traffic movement. These are fruits of our effort. As we all know, the longer the time goods vehicles have to wait for customs clearance, the higher the cost. Thus, in my answer to Ms Miriam LAU's supplementary question regarding road transport cost, I said that in addition to the effort made last year, studies on the costs and charges of road transport to identify room for downward adjustment were in progress.

PRESIDENT (in Cantonese): We have spent more than 20 minutes on this question. Last supplementary question.

MR KENNETH TING (in Cantonese): *Madam President, I think Miss CHAN Yuen-han is right; we have been discussing the issue for more than two years. In part (c) of the Secretary's main reply, it says, "we are studying ways to lower THC and road transport cost", but it is then followed with "the level of THC is a commercial matter between shippers and shipping lines in which the Government should not interfere". These two points are contradictory for intention is expressed on the one hand to reduce cost, but it is stated on the other that government interference is inappropriate because of its commercial nature. Fortunately, the Government then said that discussion with the TSA and the HKSC could be held in transparency. I consider that transparency should be secured before any discussion is held, but when can transparency be attained? Do we have to wait for another four years? I look forward to a reply from the Government within this Session of the current term of the Legislative Council.*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I believe Mr Kenneth TING and several Members will also agree that the level of THC is a commercial matter that should not be determined by the Government. Though we consider the THC a commercial matter, we have to play a facilitating role actively which does not lead to any conflict. Recently, meetings were held with the HKSC and the TSA. We hope that through these constructive negotiations, room for enhancing transparency can be identified,

and opportunity of downward adjustment in charges will be looked into afterwards. I believe Mr Kenneth TING is aware that it involves the shipping lines, shippers and container terminals. I think pool all stakeholders together to work towards a solution is the most pragmatic approach.

MR KENNETH TING (in Cantonese): *The Government has been talking about its facilitating role for as long as six years. I hope*

PRESIDENT (in Cantonese): Mr TING, please do not state your hope. Please state which part of your supplementary question has not been answered.

MR KENNETH TING (in Cantonese): *The Secretary has not yet stated when transparency can be achieved.*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have in fact given the answer, Madam President. I think the answer has to be worked out by all stakeholders through discussion.

PRESIDENT (in Cantonese): Second question.

Dismissal of Director (Operations) Designate of Equal Opportunities Commission

2. **DR RAYMOND HO** (in Cantonese): *Madam President, regarding the termination of the employment contract of the Director (Operations) designate of the Equal Opportunities Commission (EOC), will the Government inform this Council:*

- (a) *regarding the decision of the EOC at its meeting on 18 September this year to authorize the EOC Chairperson, who has just resigned, to handle the above employment contract, whether it knows the details of such authorization;*

- (b) *whether it knows any follow-up actions taken by the EOC so far in respect of the Director (Operations) designate's complaint about his being unreasonably dismissed, and whether the authorities will further follow up the incident and give an account to the public; if the authorities will not follow up the incident, the reasons for that; and*
- (c) *while the authorities regard the above case as an employment dispute, whether they have assessed the damage to the credibility of the EOC and the impact on other public bodies caused by adopting such an approach in dealing with the case; if so, of the assessment results; if not, the reasons for that?*

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

- (a) According to the information provided by the EOC, there were detailed discussions on the suitability of the then Director (Operations) designate ("former Director designate") for the designated post and the relevant contract at the EOC's meeting on 18 September. Subsequently, a motion was proposed and seconded to authorize the then Chairperson to handle the former Director designate's contract. With no dissent or objection, the motion was carried.
- (b) According to the information provided by the EOC, its Legal Adviser acted on the former Chairperson's instructions and wrote to the solicitors of the former Director designate on 20 September, stating that the EOC intended to settle all the related claims by offering two months' salary (plus cash allowance). On 23 October, the former Director designate held a press conference in Hong Kong on his dismissal by the EOC. However, the EOC has so far not received any response from the former Director designate or his solicitors with regard to the EOC's letter dated 20 September. The EOC wrote to the solicitors of the former Director designate again on 13 November, requesting them to put forward the former Director designate's detailed proposal with a view to seeking an amicable resolution of the matter.

The Home Affairs Bureau considers the termination of contract a contractual dispute on employment between the EOC and the former Director designate. Under the law, the EOC may, on its own, deal with any matters relating to its staff, including their appointment and dismissal. The Government will not intervene in these matters. As the incident had aroused much public concern, the Bureau wrote to the EOC on 29 October requesting it to submit a report to the Bureau on the termination of the former Director designate's contract, and received its reply on 3 November. The Bureau submitted the information it received to the Legislative Council on 4 November. Two Legislative Council Members had since written to seek clarification on some parts of the report. The Bureau had forwarded their letters to the EOC on 6 November and a follow-up letter on this matter had been issued on 18 November.

The EOC is an independent statutory body with its power conferred by the law. The original aim of the relevant legislation is to ensure that the EOC operates independently, free from any government intervention. As the matter concerns the internal affairs of the EOC, the Government should not intervene. Given that the issue of the former Director designate's contract will very likely lead to litigation, it is inappropriate for the Government to intervene or make comments.

- (c) As to employee-related matters of the EOC, the law stipulates that:

"The commission shall determine —

- (a) the remuneration and the terms and conditions of employment of its employees; and
- (b) the standards of work and conduct of its employees, and matters relating to their suspension or dismissal from office."

The Bureau considers that the EOC should handle the contract of the former Director designate on its own in accordance with the law.

The credibility of the EOC and other statutory bodies hinges on various factors such as the way of their operation and the

effectiveness of their work in the past. Since 1996, the EOC has been establishing a track record. Under the leadership of past Chairpersons and the co-operation of its members and staff, the EOC has a proven track record and gained public recognition.

While the recent incidents may more or less have had some impact on how people perceive the EOC, we are grateful that its well-established office has continued capably to carry out its functions. It still has 16 members, some of whom have been with the Commission since its establishment. The best course of action now is to be forward looking. We will try to appoint as soon as possible a new Chairperson who is committed to promoting equal opportunities and has credibility. The Government will continue to respect and honour the EOC's independence, and ensure that the composition of the EOC remains pluralistic and representative. We will also ensure that the EOC remains adequately funded.

In fact, in dealing with matters relating to advisory and statutory bodies, we have always acted in accordance with the existing government policies on these bodies. If statutory bodies are involved, we will also observe the relevant legislation. The recent incidents concerning the EOC should not have adverse impact on other public bodies.

DR RAYMOND HO (in Cantonese): *Madam President, has the Government reviewed the role of the Chairperson of the EOC in staff recruitment, in particular senior staff, in view of the recent incident involving the EOC? Has a review been conducted to examine if the power is excessive and if the usual practice should be adopted, that is, whenever the recruitment of senior staff is required, a recruitment board should be established to conduct the suitable recruitment work?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, according to the law, the EOC shall determine the remuneration and the terms and conditions of employment of its employees, the standards of work and conduct of its employees, and matters relating to their suspension or dismissal*

from office. According to the information provided by the EOC, the Administration and Finance Committee under the EOC is empowered to handle the recruitment of employees whose salary is below point 45 of the Master Pay Scale of the EOC office, including the appointments to some of the director positions. Therefore, there is a Committee in charge of the appointment of senior officers. However, if an appointment involves a salary below point 44 of the Master Pay Scale, the Chairperson of the EOC is authorized to handle it.

The recent incident involving the EOC has brought into light many questions which merit in-depth consideration, including the appointment of chairpersons and members to advisory and statutory bodies and whether the same person should assume the offices of chairperson and executive director concurrently. Based on the principle of effective governance, it is indeed necessary for us to consider if policy making and enforcement in statutory organizations should be separated, so that the objective of checks and balances can be attained and the two areas of work can complement one another in the organization. We are now conducting a review of statutory and advisory bodies. We will take this opportunity to expand the scope of this review on the system of advisory and statutory bodies and examine these issues.

PRESIDENT (in Cantonese): Honourable Members, there are 13 Members waiting to ask supplementaries. I hope Members who have the chance to raise questions should make them as concise as possible so as to allow more Members to ask supplementaries.

MR ANDREW WONG (in Cantonese): *Madam President, last Friday, that is, at 8.30 am on 14 November, the Panel on Home Affairs held a meeting for four hours. After I had asked a question, there was no one to answer it because no representative from the EOC was present by that time. The former Chairperson, Mr Michael WONG, did not attend the meeting. However, he had submitted a written document to give an account of the issue. In this document, the former Chairperson, Mr WONG.....*

PRESIDENT (in Cantonese): Mr Andrew WONG, please ask your supplementary.

MR ANDREW WONG (in Cantonese): *Madam President, I think it is necessary to point out the crux of the problem. His account was that the Director of the Planning and Administration Division had taken up the task of discussing with the Director (Operations) designate about terminating the latter's contract, that is, his dismissal, in early September. At that time, the EOC or the Committee concerned, that is, the Administration and Finance Committee, had not yet discussed and decided to dismiss Mr Patrick YU. May I ask the Secretary if the EOC Chairperson has the power to dismiss Mr YU or any senior officer before any Committee has authorized him to do so? In the meeting of the EOC on 18 September, its members approved without dissent that the Chairperson be fully authorized to handle Mr Patrick YU's contract. Was that an attempt to gloss over a mistake or even a cover-up of the truth, so that the skeleton can be kept in the cupboard? In addition, who moved the motion and who seconded it?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): The EOC is an independent statutory body. The powers of the EOC are conferred by law. The original intent of the relevant legislation is to ensure that the EOC operates independently, free from any government intervention. Therefore, the Government will not intervene in the internal affairs of the EOC. However, since the incident in relation to the employment contract on this occasion has aroused widespread public concern, the Home Affairs Bureau therefore wrote to the EOC on 29 October to request that it submit a report on the termination of the contract with the former Director designate. We have submitted the report to the Legislative Council after receiving it and also conveyed to the EOC some of the questions raised by Members concerning this matter. The Bureau has written to the EOC to inquire of who moved and seconded the motion mentioned in the minutes of the meeting on 18 September were. However, so far we have not yet received any reply from the EOC. They consider it necessary for the reply to be cleared by EOC members, so they cannot give a reply yet.

MISS MARGARET NG (in Cantonese): *Madam President, the Secretary has mentioned a review of statutory bodies. May I ask the Secretary what the progress of the review is? Does it include the criteria and procedures of appointment? In the last two meetings of the Panel on Home Affairs, I requested the Bureau to submit a progress report. May I know when it will be submitted?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, concerning the review of advisory and statutory bodies, we have already conducted the first round of the large-scale consultation exercise and consolidated some of the views. An internal discussion is ongoing. Precisely because of this incident involving the EOC, we have gained a lot of insights and have to conduct an in-depth examination or even make some changes or add some other factors of consideration. We will submit an interim progress report to the Panel on Home Affairs as soon as possible.

MISS MARGARET NG (in Cantonese): *The Secretary has not answered one of my questions, that is, whether the review will include the criteria and procedures adopted in the appointment of chairpersons and members.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the procedures adopted in the appointment of chairpersons and members, as well as other matters, are included in this review.

MR NG LEUNG-SING (in Cantonese): *Madam President, the second paragraph in part (c) of the main reply points out that the EOC has been establishing a track record since 1996 and also mentions the leadership of past Chairpersons and the co-operation of its members. May I ask the Government if the transfer of duties between the two Chairpersons on this occasion was effected only when everything was running smoothly? Was the transfer of duties smooth? Was the Bureau aware of the situation?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I would like to thank Mr NG Leung-sing for asking this supplementary. Generally speaking, the transfer of duties between the chairpersons of statutory bodies or advisory committees is a matter to be handled by the organizations themselves. The role of the Bureau is making arrangements for the retiring and incoming chairpersons to meet each other, and leaving all subsequent matters to both. This has always been the practice. The transfer of duties between the former Chairperson and his predecessor was also carried out according to this arrangement. As to whether it was properly done, I believe Members can express their views to us.

MS AUDREY EU (in Cantonese): *Madam President, the second paragraph in part (c) of the main reply mentions that since the establishment of the EOC in 1996, the EOC has been establishing a track record, that under the leadership of past Chairpersons and the co-operation of its members, the EOC has a proven track record and gained public recognition. This indicates a very positive evaluation of the EOC. These days, a senior member of the EOC has been claiming the contrary every day in the press, saying negative things about the EOC and talking about hearsay circulating among the general public. May I ask the Secretary if he agrees with his comments? If not, how in his opinion should this be handled to rebuild the public's positive view of the EOC that its achievements have won public recognition?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): I wish to thank Ms Audrey EU for asking this supplementary. Although the recent incident may affect the public's impression of the EOC, the organization of the EOC is still very sound. It still has 16 members, some of whom have been with the Commission since its establishment. The Government highly respects the EOC's independence and will ensure that it remains adequately funded for its continuous operation.

Recently, there have been a lot of allegations concerning the operation of the EOC, its members or even its Chairperson, but most of them were unfounded. I believe to rebuild the image of the EOC in the public's mind, the most important thing is to present the facts and give an account to the public of the matter as it is. I believe the facts are the best assurance. If people can see clearly what the facts are, this is the best basis of rebuilding credibility.

MS AUDREY EU (in Cantonese): *The Secretary has not answered my supplementary. Madam President, I asked him how he would handle this matter. Does he mean the Government will produce proof to the contrary, that is, to clarify that the hearsay circulating among the general public is not true?*

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

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

MR ALBERT HO (in Cantonese): *Madam President, the Secretary mentioned in the second paragraph of part (b) of the main reply that after the incident had aroused much public concern, it was not until 29 October that the Secretary wrote to the EOC to request that it submit a report. Why did he think it necessary for the EOC to submit a report only at such a late stage? Was it necessary for him to feel the heat from the public before he was interested in what was going on and requested the EOC to submit a report? Why did he not request the EOC to submit a report earlier, when the dismissed former Director designate called a press conference to say that he had been unfairly treated? Later on, when interviewed by a magazine, the former Chairperson disclosed to the public that the purpose of his appointment to the EOC was to cut the expenditure and he even used such words as "shaking up" the EOC. Did the Secretary feel that he had a duty to clarify if those remarks were true? Why did he request the submission of a report only at such a late stage?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the EOC is an independent statutory body whose power comes from the law. The original intent of the relevant legislation is to ensure that the EOC operates independently, free from any government intervention. Therefore, the Government will not intervene in the internal affairs of the EOC. We think that any dispute between the EOC and its employees is an internal matter, therefore we should not intervene. However, if an incident arouses widespread public concern and that of the Legislative Council, then we will request the EOC to give an explanation.

MR ALBERT HO (in Cantonese): *The Secretary has not answered one very clear question. The former Chairperson said that one of the purposes of his appointment to the EOC was to cut its expenditure and this led to the subsequent dismissal. Is this true? If not, why did the Secretary not clarify? This is a very important point, so can the Secretary say something more about this?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Generally, the Government will not comment on any unfounded report. Some of the reports on this occasion have to do with the expenditure of the EOC. What we gathered was that they were about problems with the expenditure, not the reduction of expenditure. I can tell Members that since the establishment of the EOC in

1996, its expenditure has increased from \$66 million per annum to \$80 million in recent years. The additional provision was made mainly for implementing the newly enacted Family Status Discrimination Ordinance and as reserves for gratuity payments to staff members on completion of contracts.

MR ALBERT HO (in Cantonese): *Sorry, but does the Secretary's reply mean that the former Chairman was appointed to cut the spending, that he was charged with such a mission? Can the Secretary answer this question directly?*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): I wish to say something more on this point. When we appointed the former Chairperson, we did not give him any instruction other than fulfilling the duties and functions prescribed by the three ordinances.

PRESIDENT (in Cantonese): This Council has spent more than 22 minutes on this question. Although many Members are waiting to raise questions, I do not intend to allow more time for Members to go on asking questions because, as far as I am aware, the Panel on Home Affairs will hold a meeting in the near future. Members will have a lot of time and opportunities to raise questions in relation to this issue. Moreover, unlike the meetings of the Legislative Council, there are not so many restrictions in panel meetings.

Third question.

Review of Appointment Mechanism for Chairperson of Equal Opportunities Commission

3. **MS EMILY LAU** (in Cantonese): *Madam President, the recent spate of incidents surrounding the Equal Opportunities Commission (EOC) concerns the integrity and credibility of its Chairperson, who resigned early this month, while in office, and the executive authorities are reviewing the mechanism for appointing the chairmen of statutory bodies including the EOC. In this connection, will the executive authorities inform this Council whether:*

- (a) *they will investigate thoroughly if that EOC Chairperson has disclosed to the media several confidential internal EOC documents, including the personal particulars of the candidates for the post of Director (Operations); if a thorough investigation will be conducted, how it will be taken forward; if not, the reasons for that;*
- (b) *the reasons for that EOC Chairperson's meeting, on the day before his resignation, the Secretary for Home Affairs and individual Members of the Executive Council and of the EOC and the contents of their discussion, as well as the authorities' position on and role in the resignation of that Chairperson; and*
- (c) *they will, in the course of the review, study the enhancement of the credibility of the EOC through a new appointment mechanism; if so, of the details?*

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

- (a) Regarding the allegation that the former Chairperson of the EOC has disclosed the EOC's confidential internal documents to the media, the documents concerned are not official documents and are therefore not subject to the Official Secrets Ordinance. If the documents concerned are the EOC's internal documents, the issue should be handled by the EOC.

If confidential internal documents are disclosed and such documents relate to personal data, then whether follow-up actions could be taken would depend on whether the incident is in breach of the Personal Data (Privacy) Ordinance. The Privacy Commission is an independent statutory body responsible for monitoring and supervising the implementation of the Personal Data (Privacy) Ordinance. The Privacy Commissioner is empowered by section 38 of the Ordinance to conduct independent investigation into cases suspected to be in contravention of the Ordinance. In general, under section 38 of the Personal Data (Privacy) Ordinance, the Privacy Commissioner can carry out investigation in either one of the two circumstances: Firstly, a complaint in compliance with the conditions stipulated in section 37 of the Ordinance is received.

Secondly, he has grounds to believe that the practice of the data user, that has been done or engaged in, or is being done or engaged in, relates to personal data and may be in contravention of the Personal Data (Privacy) Ordinance. The conditions stipulated in section 37 of the Ordinance include:

- (i) the practice of the data user specified in the complaint relates to personal data of the data subject;
- (ii) the complaint is made by the data subject or the representative of the data subject as defined by the Ordinance; and
- (iii) the relevant practice may be a contravention of the requirement of the Ordinance.

I believe that the Privacy Commissioner will act in accordance with the Personal Data (Privacy) Ordinance. The Government will not intervene or speculate on whether or how the Privacy Commissioner will follow up the incident.

- (b) I have already given an account of my meetings with the former Chairperson before his resignation during the special meeting of the Home Affairs Panel held last Friday on 14 November. In fact, we have recently met twice regarding the incident. First we met on 4 November (Tuesday). I was invited to a private gathering and the former Chairperson was also present. At that time, the former Chairperson told me that he had the intention to resign.

We met the second time on 5 November (Wednesday). The former Chairperson cancelled an EOC meeting scheduled for that day, causing a lot of speculation. In order to have a better idea about the former Chairperson's intention, I asked a friend of mine to arrange a meeting with the former Chairperson again on another private occasion that night. During the meeting, the former Chairperson and I talked about the latest developments of the EOC incident. I expressed to him the Government's concern about the incident. The former Chairperson then explicitly indicated that he would consider to resign. I did not ask him to resign at that gathering. The resignation was a personal decision made by the former Chairperson.

In the morning of 6 November (Thursday), I reported to the Chief Executive about the former Chairperson's intention to resign. That afternoon, the former Chairperson convened a press conference to announce his decision to resign. He then tendered a formal letter of resignation to the Chief Executive, who, on the same day, stated that he respected the former Chairperson's decision and accepted his resignation.

The EOC is a statutory body and its operation is governed by the law. Though appointed by the Chief Executive, the Chairperson, once appointed, will handle independently the affairs of the EOC according to the law. The Government will not and should not intervene.

The Administration has been concerned with the recent incidents surrounding the EOC. As the Policy Secretary responsible for the EOC, I have the responsibility to find out the former Chairperson's intention. The resignation was his personal decision. We respect his decision.

- (c) The credibility of the EOC and other statutory bodies hinges on various factors such as the way of their operation and the effectiveness of their work in the past. Since 1996, the EOC has been establishing its track record. Under the leadership of past Chairpersons and the co-operation of its members and staff, the EOC has a proven track record and gained public recognition. Meanwhile, in order to consolidate the independence and credibility of the EOC, the Government will continue to adopt a non-intervention policy so that the EOC can operate independently and carry out its duties as vested by the law. The Government will continue to ensure that the composition of the EOC remains pluralistic and representative, and that it remains adequately funded.

At present, the Government is conducting an overall review of the system of advisory and statutory bodies. The review is multi-faceted, covering the policies on existing advisory and statutory bodies, the rationalization of the structure as well as ways to enhance their accountability, openness and transparency, and so on. There are nearly 500 advisory and statutory bodies in Hong Kong.

The whole system of advisory and statutory bodies is very complicated and multi-faceted, comprising various different advisory committees, public bodies, appeal boards and public corporations, and so on. It is thus not an easy task to develop a set of policies and principles applicable to all these bodies.

The recent incidents surrounding the EOC have aroused concern over a number of issues which call for further deliberation. They include the appointment of chairpersons and members of advisory and statutory bodies, and for statutory bodies with executive functions, whether the posts of Chairperson and Executive Director should be taken up by the same person. Under the principle of effective governance, we have to consider whether the policy-making and executive functions of certain statutory bodies should be separated so as to ensure proper co-ordination and checks and balances. Therefore, we need to extend the scope of the present review in the light of the latest developments. We will complete the overall review of the whole system relating to advisory and statutory bodies as soon as possible, so that all advisory and statutory bodies can operate according to a mechanism that better meets the needs of society.

MS EMILY LAU (in Cantonese): *Madam President, the private meeting which the Secretary attended on 5 November was very unusual and it caused great repercussions in the community. May I ask the Secretary of the names of people who attended that meeting on that night and the name of the friend of the Secretary who arranged for the meeting? Why did the Secretary have to ask the former EOC Chairperson on a private occasion whether or not he intended to resign? Could the Secretary also explain clearly whether or not he took part in drafting that letter of resignation, that is, the letter which has smeared the reputation of Ms Anna WU? It is because there are many versions of this saga and a member of the EOC who said that the Secretary had taken part but that member later said he had forgotten the whole thing.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, with respect to that meeting, we must look at these two meetings together, for the first meeting was held on Tuesday evening, that is, 4 November. At the meeting in

that evening, I was invited, invited by another person to join the meeting. Mr WONG, the former Chairperson, was also there. At that meeting, he told me he was considering resignation. I heard about this only at the meeting. However, nothing happened the next day, that is, he did not resign. Moreover, an EOC meeting originally scheduled on that day was cancelled. I did not know what had happened. Therefore, I arranged for another meeting through the same person who had invited me to the meeting the night before to see what had happened. That was the purpose of the meeting. The person is a lady by the surname of WONG. The people who attended that meeting on Wednesday night included Dr Raymond WU, Mr Andrew LIAO, I myself, a lady by the surname of WONG and Mr Michael WONG. So the two meetings must be seen together and I met Mr Michael WONG on these two occasions in the same manner.

PRESIDENT (in Cantonese): Ms LAU, has your supplementary question not been answered?

MS EMILY LAU (in Cantonese): *Madam President, the Secretary has not answered part of the supplementary question, that is, whether or not he took part in drafting.*

PRESIDENT (in Cantonese): Secretary, would you please reply. Supplementary questions raised by Members should not be too long, for the public officers may find it difficult to remember. *(Laughter)*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Yes, really, I do not have a good memory. Thank you, Madam President.

On the meeting held on Wednesday evening, the purpose of my meeting Mr Michael WONG was to gain a better idea of Mr WONG's intention and inclination. My mission was complete when he explicitly indicated that he would consider to resign. At that time, the people in attendance discussed with him the drafting of a statement of resignation. In that matter, I did not take any part at all. I did not take part in drafting, nor did I engage in the discussions

and give my opinions. When they were discussing that matter, I was not present for I was away for some time. When I came back, the discussions were nearing the end. From what I heard, they were discussing some internal matters of the EOC but these could not be said to constitute any allegation against anyone, nor the smearing of any person's reputation. At least I did not hear such things being said. I did not give any opinions. It was about some internal matters of the EOC and that was all.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, part (b) of the main question raised by Ms Emily LAU asks about the position and role of the Secretary in that matter, but the reply given by the Secretary does not mention anything about his position and role and the reply only gives an account of the whole course of the matter. However, with respect to the course, I can see that in the press conference given by the former Chairperson on the following day*

PRESIDENT (in Cantonese): Sorry, Mr LEUNG Yiu-chung.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I am coming to my question.*

PRESIDENT (in Cantonese): Please raise your question as soon as possible, for there are many Members waiting for their turn to ask their questions.

MR LEUNG YIU-CHUNG (in Cantonese): *I am coming to my supplementary question. Why is it that on the following day, when the former Chairperson mentioned one of the reasons for his resignation, as reported in the English press, he used two words, one was "insupportive" and the other was "betrayed", that is, the lack of support and that he was betrayed? With respect to this incident, was the position and role of the Secretary not sufficient to support the former Chairperson or that he had betrayed the former Chairperson? So far, we have not heard any clarification by the Secretary. Was the former Chairperson accusing the Secretary falsely or did the Secretary actually do such things?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, first of all, I really have to make a clarification on the role and position of the Secretary in this incident. With respect to the role, as the accountable Director of Bureau responsible for the EOC, I am responsible for the following four duties related to the EOC and these can also be said to be the role of the Government. First, I am responsible for the provision of a candidate for the Chairperson of the EOC for appointment by the Chief Executive; second, I am responsible for the submission of a list of members of the EOC for appointment by the Chief Executive; third, I am responsible for the provision of enough resources to the EOC in the discharge of its statutory functions; fourth, with respect to the enforcement and operation of the three ordinances under the purview of the EOC, any recommendations made by the EOC should be submitted to me as the accountable Bureau Director for amendment or discussion. The above four points would form my role.

With respect to this matter, the position of the Secretary is consistent with that of the past, that is, non-intervention. Non-intervention means that the internal affairs of the EOC are decided by the EOC itself. As for the remarks made by the former Chairperson, I really do not know what they mean.

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

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I asked the Secretary why he had not made a clarification as the news had been widely reported, especially in the English press. Would the Secretary tell us why he has not made any clarification and explained the matter?*

PRESIDENT (in Cantonese): I think the Secretary has answered your supplementary question.

MS CYD HO (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that the Government would continue to adopt a non-intervention policy. But in this incident, the public questions very much that*

there was already political intervention in the appointment procedure. Despite the fact that the Secretary said on other past occasions that the mechanism remained the same and nothing had changed, the first task as said by the Secretary earlier used to be done by politically neutral civil servants, that is, recommending a list to the Chief Executive. But nowadays the Director of Bureau is politically appointed, he and the Chief Executive

PRESIDENT (in Cantonese): What would you like to ask?

MS CYD HO (in Cantonese): *Yes, Madam President.they are like breathing from the same mouth. Can the Secretary tell us what measures the authorities would adopt to allay any worries the public may have about political intervention made already at the time of appointment, such as inviting the designate to the Legislative Council to answer questions in public?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I am grateful to Ms Cyd HO for raising this question. When appointing the Chairperson to the EOC, the only criterion we use is the personal capabilities of the candidate and there is no political objective whatsoever or other considerations. We would hear views as much as possible in this respect and we will look for a suitable candidate, especially when the EOC is an organization which is under much public attention. We hope to find a Chairperson for the EOC as soon as possible, one who is committed to the convictions of the EOC and has credibility.

MS CYD HO (in Cantonese): *Madam President, it appears the Secretary does not see the difference between the system in the past and at present. I hope the Secretary can give a more specific answer. He may think that the existing procedure would not lead to misapprehensions, so there will not be any improvements in the future. Is this what he means?*

PRESIDENT (in Cantonese): Actually and strictly speaking, this is not a follow-up, for a follow-up is one which is raised on the part not answered in a

supplementary question. However, I would also give the Secretary a chance to see if there is anything he wishes to add. Secretary, do you have anything to add?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, thank you for giving me another chance to make a supplement.

We will complete the review of the advisory and statutory bodies as soon as possible, that would include the mechanisms on the appointment of chairmen and members to the advisory and statutory bodies. However, as the appointment mechanism for many statutory bodies are set out in the relevant laws, so if any major change is to be made, that may involve the amendment of laws related to the statutory bodies concerned. But we will certainly look into that.

PRESIDENT (in Cantonese): We have spent more than 20 minutes again on this question. Last supplementary question.

MR ABRAHAM SHEK (in Cantonese): *Madam President, I agree very much with the Secretary that we should look forward with respect to the work of the EOC. In part (c) of his main reply, the Secretary mentions the credibility of the EOC and that the EOC has a proven track record under the leadership of the past two Chairpersons. May I ask the Secretary whether he would consider setting up an independent committee to undertake the review or that the EOC would set up such a committee to do the same, and to investigate into some outstanding issues, to better answer the public queries?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I have said, restoring the credibility of the EOC as soon as possible is to make the public know the whole truth.

PRESIDENT (in Cantonese): Fourth question.

Amendments to Draft South West Kowloon Outline Zoning Plan

4. **MR ALBERT HO** (in Cantonese): *Madam President, it has been reported that, to tie in with the development of the West Kowloon Cultural District, the Town Planning Board (TPB) announced amendments to the draft South West Kowloon Outline Zoning Plan (OZP), under which a whole lot of some 40 hectares of land will be rezoned at one go from the previous "Specific Uses" to "Other Specified Uses" annotated "Arts, Cultural, Commercial and Entertainment Uses" without restrictions on height and floor development. According to the Invitation for Proposals for the development of the Cultural District, the authorities have decided that a number of core cultural facilities will be built there. They include a theatre complex, a performance venue, a museum cluster, an art exhibition centre, a water amphitheatre and at least four piazza areas. The purposes and sizes of these facilities have already been listed in detail. The authorities expect that the facilities will start operation by phases from 2010 onwards. In this connection, will the Government inform this Council:*

- (a) *of the total number of submissions received since the announcement of amendments to the OZP and the number of those objecting to the rezoning; the sectors to which the opponents belong and their grounds of objection;*
- (b) *of the criteria for determining to rezone the whole lot of the above land to "Other Specified Uses", and whether the authorities have ensured adequate planning control over the land; if so, of the details; if not, the reasons for that; whether the authorities will rezone the land to "Comprehensive Development Area" in order to regulate its development parameters and density; if so, of the progress; if not, the reasons for that; and*
- (c) *of the measures in place to avoid these core cultural facilities being considered unsuitable or outdated after having come into operation, or not being welcomed by the public and local cultural organizations?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese):
Madam President, as the Chief Secretary for Administration explained in his

reply to Mr James TIEN's question in this Council last Wednesday, the Government wishes to see the West Kowloon Cultural District developed into a world-class facility so as to enrich the cultural lives of our people and offer tourists a chance to sample the blend of Chinese and Western cultures here. Experience tell us that to break away from the conventional practice of having arts and cultural facilities operated and managed by the Government, we must draw on the commercial operations of the private sector as well as the expertise in the cultural sector in developing the project. Also, our fiscal deficit makes it impossible for us to allocate huge funds for building new major arts and cultural facilities. It is encouraging that we have received 11 indications of interest in submitting development proposals.

The project is first and foremost a world-class arts and cultural development. It will only be allowed to proceed if the proposal concerned meets our requirements and expectations in this respect. We will, however, allow an appropriate amount of commercial development to attract the private sector and approach the project as a single package to achieve a properly integrated development. In looking to obtain the most feasible and viable proposal, we have only specified in the invitation document our minimum requirements, and provided a baseline development scheme for reference. This would allow proponents as much flexibility as possible for innovative development planning. Yet, the canopy covering most of the site imposes certain limitations, whatever development is proposed. Taking the abovementioned factors into consideration, the TPB has decided to have the site zoned for "Other Specified Uses", namely, arts, cultural, commercial and entertainment uses.

Turning to the three parts of the question:

- (a) The TPB has received 11 objections to the amended draft OZP. The objectors include local individuals, property developers or consultants acting on their behalf, public transport body and concern groups. They all object to the "Other Specified Uses" annotated "Arts, Cultural, Commercial and Entertainment Uses" zoning in the OZP. The objectors are mainly concerned about the lack of development controls regarding building height, development intensity and possible visual impacts and whether the "Other Specified Uses" zoning is appropriate. Other concerns include the possible adverse traffic, environmental and noise impacts that may arise from the development of the arts and cultural district.

- (b) As I explained in my introductory remarks, the "Other Specified Uses" zoning is to reflect the intention of planning and developing the site in an integrated manner. I stress, however, that such zoning does not mean that there will be little or no planning control on what can be built on the land. Quite the contrary, in fact, when the TPB decided to zone the site for "Other Specified Uses", the Government agreed to submit the preferred development proposal to TPB members for consideration and consultation before the proposal is submitted to the Chief Executive in Council for approval to enter into the Provisional Agreement. Also, once the Chief Executive in Council has approved a development scheme for the site, the maximum permitted gross floor area and the plot ratio decided upon will be stipulated in the Provisional Agreement to be signed between the Government and the successful proponent. These parameters will then be carried forward into the Project Agreement and the land grant, which is legally binding. We will also provide in the Provisional Agreement and Project Agreement for these parameters to be included in the statutory OZP to specify the development mix and density, including gross floor area, plot ratio and height limit. If the proponent wants to amend any of these aspects of the development plan, all the statutory town planning procedures for approval by the TPB will have to be followed. Therefore, we do not intend to zone this as a "Comprehensive Development Area".
- (c) Under our Invitation For Proposals, proponents are required to propose, in relation to the core arts and cultural facilities, modes of governance and operation which, among other things, will enhance the long-term cultural development of Hong Kong, attract public support, provide assurance that the facilities will be run in a financially responsible and publicly accountable manner and involve participation by persons of standing in the community and experts in the relevant fields. These requirements will enable both the Government and members of the arts and cultural community to play roles in providing input to and monitoring the governance and operation of the core arts and cultural facilities, thereby ensuring that standards of operation are maintained to the satisfaction of the community.

MR ALBERT HO (in Cantonese): *Madam President, the Secretary said in the second paragraph of his main reply that the authorities had only laid down their minimum requirements in the invitation document, and provided a baseline development scheme for reference, in the hope that proponents would be allowed as much flexibility as possible for innovative development planning. However, I find that the so-called minimum requirements do actually have great requirements on financial resources. From this we can see that in future, only a few people may really qualify for putting in bids or submitting proposals. On the other hand, the authorities are really lax in terms of land planning because only minimum requirements have been laid down. In other words, there are no maximum requirements; thus there will be enormous room for manoeuvre in future planning. May I ask the Secretary how he is going to compare the bids or proposals in future? As regards bids to be received, the following scenario may happen: Firstly, there will only be very few bids; secondly, it is very difficult to lay down a criterion for making comparisons. Madam President, how can the Secretary avoid a kind of situation, and that is, in future, the Secretary should not select bids on the basis of his personal opinions and preferences or the subjective views of the Secretary and that there should be some better justifications for deciding which is a better bid? How can the Secretary avoid the allegation that the so-called regulatory measures as mentioned by the Secretary.....*

PRESIDENT (in Cantonese): Mr Albert HO, you are turning your question into a debate.

MR ALBERT HO (in Cantonese): *Well, the last sentence of my question.....*

PRESIDENT (in Cantonese): You already spent two minutes on your main question and more than one minute on this supplementary question. Under such circumstances, how will other Members get a chance to ask their questions?

MR ALBERT HO (in Cantonese): *All right, the last sentence of my question is: How can the Secretary prevent the so-called future regulatory measure from turning into something like: you only point to the goal only after the other party has shot the ball?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I believe everyone is clearly aware of the results we want in this regard. The current issue is how we can go from the stage of "nothing" to "completion" and one of the major issues is, like the Member said earlier, how funds could be raised for building various facilities. Of course, I have also said in my main reply that we know that there should be some ways to allow proponents to have adequate financial support to achieve such results. Therefore, we have given them some flexibility in this area by mainly stating our minimum requirements to let everyone know that we will certainly include certain requirements and there are many ways to include such requirements. Of course, the first criterion is, it has to depend whether our requirements can be met with; secondly, we must also look at the measures to be adopted in attaining such requirements? We have to determine whether such measures have exceeded our baseline for this area? If yes, by how much? Therefore, there are actually standards and criteria for our reference. Of course, I am not in a position to explain each and every criterion to Members here now, but we will adhere to the relevant criteria. I have also explained that there is actually an agreement between the TPB and the Government. That means in this whole course, the TPB will be consulted before the proposal on the successful bidder is approved by the Chief Executive in Council, and upon receiving the views of the TPB, we will certainly make a comprehensive assessment of all views. The Chief Executive in Council will then decide on which bid to accept.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, first of all, I have to declare an interest because the company I serve may have an opportunity to participate in the provision of surveying services by one of the organizations. As regards whether the relevant organization will put in a bid is up to them. And, as to whether the Government will accept the bid after its submission, is yet another issue. Even if the bid is accepted, will that organization continue to employ.....*

PRESIDENT (in Cantonese): You do not have to stretch so far. You can just ask your supplementary question direct. *(Laughter)*

MR LAU PING-CHEUNG (in Cantonese): *The Secretary said in part (b) of the main reply that the relevant plot ratio, height limit and floor area would be specified only after the Provisional Agreement for that project has been signed.*

Will this be unfair to the unsuccessful bidders? I am saying this because no general standard for assessment will have been laid down at the time when the bids are submitted and assessed.

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, Members should have heard very clearly that I said in my earlier response to the first supplementary question that we do have a standard, and that is, the minimum standard. However, how can the design be pleasing to all as well as affordable to us and can maintain sustainable operations? Of course, everyone will have different views and suggestions on this. In this connection, we will follow our own standards, standards we have in mind to draw comparisons among the bids to determine which one is better and which one is not satisfactory.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, the Secretary has not answered my supplementary question.*

PRESIDENT (in Cantonese): Mr LAU, please repeat your supplementary question so that the Secretary can catch it more clearly.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, my supplementary question is: Since the Secretary does not have a general standard for assessment, if the plot ratio and height limit are specified only after the Provisional Agreement has been signed, will this be unfair to the unsuccessful bidders?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, we actually do have a minimum standard in this regard. For example, someone claims that this project will become a land development project. Of the various proposals received, it may be very obvious that some of them have to be financed by many other developments, but others have lower requirements in this respect. These are more obvious examples and we can easily distinguish different proposals. Of course, if certain proposals were more difficult to be categorized, then depending on the nature of the problems involved, I have to draw our own line.

MR WONG SING-CHI (in Cantonese): *Madam President, the former Hong Kong Government used to pass over its land to developers for development by way of land sales or land exchange, but this time it seems that it is not doing so by way of land sales. Proceeds from land sales should go to the Treasury. This time around, it is very obvious that many projects in this development area are property developments, what justifications and legal principles have the Government got to support such practices? If such practices are continued, then will it turn into a situation in which many pieces of land are slowly conceded to the consortiums for their own disposal, instead of being put up for sale?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): *Madam President, as regards our proceeds from land sales, under the existing criteria, successful bidders must pay the land premium and we would regard this as proceeds from land transaction, and like what we do with other proceeds from land sales, this income will be recorded in our General Revenue Account. In this regard, we will not use this income as a mortgage for another development project. Therefore, such proceeds are recorded in the same manner.*

MR MA FUNG-KWOK (in Cantonese): *Madam President, the Secretary said in part (c) of the main reply that it hoped that the developer's proposal could include: How to enhance the long-term cultural development of Hong Kong, seek public support, ensure that the relevant facilities are managed in a financially responsible and publicly accountable manner. I think that the first issue, and that is, to enhance the long-term cultural development of Hong Kong, actually involves the issue of cultural policy, so why has the Government required the developer to make proposals on cultural development policy? This is the first issue. In fact, the Government has commissioned the Culture and Heritage Commission to make a long-term plan for cultural development, so why is the developer required to make proposals on promotion of the development? Why is the developer not advised to refer to the proposal of the Culture and Heritage Commission? The second issue is to seek public support. If someone or 100 cultural groups oppose this, then does it mean that there is no public support or will the Government think that there is no public support if a certain number of people oppose it? In fact, the last issue.....*

PRESIDENT (in Cantonese): I am sorry, Mr MA Fung-kwok. You have asked many questions but Members can only ask one question when asking a supplementary question.....

MR MA FUNG-KWOK (in Cantonese): *Actually, this can be summed up into one question.....*

PRESIDENT (in Cantonese): You can ask another main question.

MR MA FUNG-KWOK (in Cantonese): *My question is: What principle will be applied when the Government assesses the performance of the relevant developer? What is that principle? Will it simply be based on the decision of government officials, or will the Government consider the views of the cultural services sector or will public participation be enabled in assessing whether this decision is good or not?*

PRESIDENT (in Cantonese): Which Secretary will answer this question? Secretary for Home Affairs.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I believe what the Secretary for Housing, Planning and Lands said earlier on "How to enhance the long-term cultural development of Hong Kong" should be interpreted as how the West Kowloon cultural facilities can tie in with the long-term cultural development of Hong Kong as a whole. In this regard, the Culture and Heritage Commission has already undertaken a very detailed long-term cultural development planning during the three-year period from 2000 to 2003. In respect of this document, two large-scale public consultation exercises have been conducted and a lot of public opinions collected. This document on the long-term cultural development plan of Hong Kong is now kept at the Home Affairs Bureau and under careful consideration. There are over 100 proposals in the document and the consensus of society was obtained for most proposals, which have now been implemented. Some proposals are related to structural and resource allocation reform, and the Government needs some time to consider

how this can be implemented. Therefore, in response to Mr MA Fung-kwok, I would say that we should interpret that statement as how it can tie in with the long-term cultural development strategy of Hong Kong.

MR MA FUNG-KWOK (in Cantonese): *The Secretary has not answered what principles will be applied by the Government in assessing whether the relevant proposals are good or not.*

PRESIDENT (in Cantonese): Which Secretary will reply? Secretary for Home Affairs.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as regards the matching facilities of the cultural facilities and their mode of operation, the Government has already got some rough guidelines for assessment. In this regard, we will continue to consult the views of the cultural sector and members of the community. We will talk to them and take on board their views before determining the details of the criteria for assessment.

PRESIDENT (in Cantonese): We have spent 20 minutes on this question. Last supplementary question.

MR JAMES TIEN (in Cantonese): *Madam President, I would like to ask a question on behalf of architects, engineers and surveyors because they came to me yesterday with some views on part (b) of the main reply. The Government said that after the Provisional Agreement has been signed, the relevant parameters will be legally binding and included in the statutory OZP. At present, there are many legislation on fire prevention in Hong Kong, such as what should be done in fighting a fire, what to do in case of a fire, what are the requirements on lighting, and so on. The Government has now got plans to build a big canopy, so will certain requirements be exempted in the existing Agreement, will professionals who are well-versed in the relevant legislation be given a free hand, or will a set of new guidelines be issued separately?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, it will not be possible for legislative requirements to be fully exempted, and we will also certainly see whether there is such a need. If there is such a need and sufficient grounds, then the Government will consider it. However, here I cannot say that all exemption requests will be fully granted. In fact, this was not what I meant in my main reply. What I meant was the Government would include the contents of the Provisional Agreement in the statutory OZP. We were actually talking about the development mix and density, including gross floor area, plot ratio and height limit. Though the general standards of such parameters will be included, we will not list in detail which requirements can be exempted in the construction process and which requirements cannot be exempted. In this regard, upon receiving the views of the professionals, we will examine whether such exemptions can be granted under the law.

PRESIDENT (in Cantonese): Fifth question.

Triad Members Demanding Protection Money

5. **MR ALBERT CHAN** (in Cantonese): *Madam President, I have recently received many requests for assistance from shop operators who stated that they had been subjected to frequent demands of triad elements for protection money with threats to do them harm or sabotage their shops if they refused to pay. Though they had reported their cases to the police, the situation had not improved. Some shop operators had no option but to close down business because they could not afford the protection money or stand the harassment. In this connection, will the Government inform this Council:*

- (a) *of the number of reports received by the police from shop operators in each of the past three years about demands of triad elements for protection money and the number of such cases in which the police arrested the suspects and prevented the shop operators from harassment; and*
- (b) *whether new measures will be devised to enhance protection for shop operators and law enforcement actions will be stepped up to prevent similar crimes; if so, of the details of the measures and law enforcement actions; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The police do not have statistics on the number of reports made before 2002 by shop operators alleging that they were extorted for protection money. In 2002, the police received a total of 167 reports involving demands for protection money. In the first 10 months in 2003, 145 reports were received and this is one case less than the number registered in the corresponding period last year.

Among the cases reported in 2002 and the first 10 months in 2003 relating to demand for protection money, about 60% were successfully detected by the police. This detection rate is higher than the overall detection rate for all crimes.

- (b) The police all along pay much attention to combating triad activities, including extortion such as asking for protection money. Fight against triad activities is one of the police's operational targets in 2003. The police's continuous effort in combating triad activities over the years has proven to be effective. In the first 10 months in 2003, the number of triad-related crimes constitutes 2.8% of overall crimes. This is lower than the 3.5% registered for the corresponding period last year.

The police will take into account the situations in various districts and devise appropriate anti-triad actions accordingly. In September 2003, the police conducted the 10-day Operation Twilight in various districts throughout the territory to fight against triad activities vigorously and arrested more than 1 000 persons suspected to have committed triad-related offences. Targeting at disturbances caused to shop operators by persons seeking protection money, the police will conduct covert actions to collect evidence and prosecute triad members involved. For example, in a covert action in Yuen Long in September 2003, the police successfully arrested 38 triad members who have committed extortion and other triad-related offences.

The police's success in detecting extortion cases in relation to protection money is largely attributed to the willingness of the public to report crimes. The high detection rate also reflects co-

operation between citizens and the police will help bring perpetrators to justice. Shop operators should report to the police as soon as possible if they are disturbed. If needed, the police will provide necessary protection to witnesses of the police.

MR ALBERT CHAN (in Cantonese): *Madam President, the phenomenon of demanding protection money has been known since we were small. I wonder why cases relating to extortion for protection money were not recorded until 2002. Madam President, the number of reports, only 160 or so a year, is surprisingly low. I believe most people will feel that this figure is on the low side. Can the Secretary inform this Council whether any measures pinpointing this relatively low figure will be devised to enhance the confidence of the public in reporting, and what will be done to address this problem of "extortion for protection money" to avoid affecting the confidence of investors and shop operators?*

SECRETARY FOR SECURITY (in Cantonese): The low figure, as indicated by Mr CHAN, has precisely reflected the actual situation. It can be seen that our detection rate can reach 60% as long as the public are willing to come forward and report. For this reason, I would like to appeal to the public to come forward and report to the police should they be blackmailed or extorted for protection money. In addition, they should co-operate with the police in combating these illegal activities.

MR WONG YUNG-KAN (in Cantonese): *Madam President, the Secretary stated in part (b) of the main reply that Operation Twilight had been launched. I can also see that a lot of efforts have been made. However, I would like to know if Operation Twilight will continue because it has ceased at the moment. Furthermore, it is now time for winter precautions to be taken. What measures will the Government take to keep the Operation going and what will be done to give shop operators a clear idea of what they should do to take proper winter precaution?*

SECRETARY FOR SECURITY (in Cantonese): Operation Twilight was conducted on a one-off basis. However, intelligence-initiated actions will be

taken by the police in the light of the different situations in various districts, and upon the collection of intelligence. I will not rule out the possibility of similar actions being launched by the police in other districts to combat triad societies, especially in relation to activities involving extortion for protection money. I really have to appeal to the public again that report must be made to the police if they are subjected to any blackmail or extortion for protection money.

PRESIDENT (in Cantonese): Mr WONG Yung-kan, has your supplementary question not been answered?

MR WONG YUNG-KAN (in Cantonese): *Yes. I wish to ask if winter precaution will continue. I mean precaution for the imminent winter.*

PRESIDENT (in Cantonese): Mr WONG, please sit down. I did not indicate that the issue raised by you earlier concerning winter precaution was unrelated to the main question. Now I have to tell you that the question raised by you is unrelated to the main question.

Secretary, are you eager to answer this question? So, please go ahead.
(Laughter)

SECRETARY FOR SECURITY (in Cantonese): Perhaps I should give some response. Even though it is unrelated to extortion for protection money, I can tell Members that the Government has always encouraged the public through publicity to co-operate with the Government in preventing and reporting crimes. In fact, a charter for crime victims was drawn up a long time ago. There are performance pledges setting out the rights and responsibilities of crime victims too. Upon receiving reports of crimes, the law enforcement agency will carry out fair, meticulous, and professional investigations. Furthermore, the police's Crime Prevention Unit will, depending on the circumstances, such as during the time when winter precaution is taken or during the Spring Festival, distribute relevant publicity leaflets to shop operators to show them ways to take winter precaution as well as encouraging them to report cases related to such crimes.

MR HENRY WU (in Cantonese): *Madam President, in part (a) of the main reply, the Secretary mentioned that there were 100 or so reports involving demands for protection money. May I ask the Secretary, insofar as cases involving demands for the so-called protection money are concerned, whether he is aware of the amounts of money involved or, in other words, the seriousness of the cases? I have to ask this supplementary question mainly because the Secretary said the detection rate was as high as 60%. There was such a high detection rate probably because the cases involved were minor or the amounts of protection money involved were very small. Will the Secretary inform this Council of the number of detected and undetected cases and the amounts of money involved; and whether some major cases are not yet detected?*

SECRETARY FOR SECURITY (in Cantonese): I am afraid I cannot tell the exact amounts immediately. According to the information I have received from the police, however, the amounts of money involved in the so-called protection money cases this year are relatively small. Moreover, violence was seldom employed in these cases. The 100-odd cases relating to extortion for protection money this year are considered by the police to be relatively minor.

MR HENRY WU (in Cantonese): *Madam President, if the Secretary does not have such information at hand, can he provide it later?*

PRESIDENT (in Cantonese): Secretary, can you provide the relevant information?

SECRETARY FOR SECURITY (in Cantonese): I will be very pleased to provide the information. (Appendix I)

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary indicated in the main reply that the detection rate was 60%. However, in part (b) of the main question, a very important issue concerning the prevention of similar crimes has indeed been raised. Concerning prevention, we must examine, on the one hand, whether the penalty is adequate to achieve a deterrent effect and, on the other, whether the detected cases show signs of recidivists, that*

is, offenders will keep on committing crimes because they are not frightened at all. Can the Secretary tell us, first, whether the penalty is able to achieve deterrent effect and, second, whether the detection rate can show that the police have been successful in preventing offenders from committing offences related to extortion for protection money again?

SECRETARY FOR SECURITY (in Cantonese): Madam President, according to our understanding, offenders involved in blackmail or extortion for protection money will generally be sentenced to imprisonment. The penalty should therefore be able to act as a deterrent. As for the other part of the supplementary raised by Mrs Selina CHOW concerning whether there are cases involving recidivists in the 100-odd cases, I do not have such information at the moment. Perhaps I shall provide it later. (Appendix II)

MR MICHAEL MAK (in Cantonese): *Madam President, the Secretary seems to believe that the 167 reports have already reflected the entire picture. I hope this is the true picture too. Actually, I was often told by shop operators that, because the amounts involved were not considerable, they chose to make the payment in order to settle the matter without reporting to the police. This is because they were worried that the people seeking protection money might sabotage their shops by, for instance, splashing black or white paint. Worse still, some might choose to ram stolen vehicles against their shop doors. Such incidents have indeed occurred repeatedly. Will the Secretary inform this Council what can be done to encourage people being extorted for a small amount of protection money to report such cases to enable the police to truly bring these perpetrators to justice? May I also ask whether there are any cases involving victims having been injured after reporting to the police by people seeking protection money?*

PRESIDENT (in Cantonese): Do you wish to raise your first question or the second one?

MR MICHAEL MAK (in Cantonese): *Madam President, they are actually cognate.*

PRESIDENT (in Cantonese): They are different. *(Laughter)*

MR MICHAEL MAK (in Cantonese): *In that case, I prefer the first one.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the most effective way to combat people seeking protection money or crimes relating to demands for protection money is for the public to come forward and report. Otherwise, it is impossible for the police to take any actions. The detection rate of reported cases is indeed very high. I can tell members of the public that the Witness Protection Programme is in place. If necessary, the police will, in the light of the actual situations, offer protection if an informant feared that he might get hurt after reporting to the police. Therefore, I would like to appeal to shop operators or members of the public who are blackmailed for protection money to come forward and report to the police.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary stated in paragraph (a) of the main reply that 100-odd cases have been reported in the first 10 months this year. Is there any information showing which district is more vulnerable to such cases and which streets or type of shops are most easily subject to blackmail?*

SECRETARY FOR SECURITY (in Cantonese): I do not have at hand a detailed analysis of the 145 cases received in the first 10 months. However, the North District in the New Territories has recorded the highest number of such cases, and its reporting rate is over 20%.

MR ALBERT CHAN (in Cantonese): *Madam President, the Secretary has repeatedly appealed strongly to people subject to extortion to report. However, I cited an example in the main question that some people were still subject to harassment after reporting to the police and had to eventually close down business because they could not stand the harassment. Secretary, it is not the case that no one reports to the police. Some people did report to the police. However, they were eventually forced to close down business because their cases were not properly dealt with. A lady complained to us in tears that she had*

spent all of her savings on her shop. In the end, her family members were so frightened that they dared not continue with the business because of the people seeking protection money. How can the Secretary help the public regain confidence? As people will still be forced to wind up their business after reporting, how can the Secretary help the public regain confidence and prove that Hong Kong is still being ruled by law, not by triads?

SECRETARY FOR SECURITY (in Cantonese): Madam President, insofar as the case cited by Mr Albert CHAN is concerned, I am very sorry that I am not in the position to comment because I really do not have the relevant information. Nonetheless, Mr CHAN might consider informing us should he acquire the information. I will enquire with the police to examine if this particular shop closed business owing to the people seeking protection money or other factors. I cannot comment because I do not have such information at present.

DR TANG SIU-TONG (in Cantonese): *Madam President, it was mentioned by the Government that 38 people were arrested during a covert action in Yuen Long in September, and 60% of cases have been successfully detected in the first 10 months this year. May I ask how many of these cases were detected through covert actions?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I do not think it is appropriate for me to disclose such information. This is because any comments made by us on such actions might bring inconvenience to the police in their work in the future.

MR JAMES TO (in Cantonese): *Madam President, a Crime Victimization Survey is carried out every few years in the hope of identifying the number of people who have failed to report general crimes or a certain category of crime to the police. May I ask the Government whether, according to the findings of victim investigations, the police or the Government are convinced that the reported cases relating to extortion for protection money or blackmail can reflect the true picture or they represent just the tip of the iceberg? If it is judged that they represent just the tip of the iceberg, will the Government take more proactive actions in seeking co-operation from the relevant shop owners in order to improve the situation?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I would like to thank Mr TO for reminding me of this Survey. The Survey is not conducted every year. Instead, it is conducted every few years. Upon the completion of the Survey, the police will, in the light of the circumstances — I am not implying that the crime figures will definitely be found to be high upon the completion of the Survey — if the figures of certain types of crime are found to be relatively high, the police will take such measures as taking strategic combat actions, encouraging the public to report, and so on. We have consulted the police and have been told that cases relating to the so-called extortion for protection money were considered minor crime cases because some of them involved merely intimidation and extortion for a small sum of money. These cases are relatively easy to detect as long as the victims are willing to report to and co-operate with the police. Furthermore, people seeking protection money very often opt for an easy rather than difficult way. As such, I have always maintained that the public must not fear for a moment's inconvenience. Instead, they must strive to co-operate with the police in reporting and detecting these cases.

MR JAMES TO (in Cantonese): *The Secretary has not answered my question concerning how many victims of these crimes have indicated that they have actually not reported their cases, according to the Crime Victimization Survey.*

SECRETARY FOR SECURITY (in Cantonese): I have to look up the last Survey findings to see if the cases represent just the tip of the iceberg, as suggested by Mr James TO. I will submit a written reply after looking up the Survey. (Appendix III)

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

MR LAU KONG-WAH (in Cantonese): *Madam President, according to the Secretary, the North District in the New Territories accounts for 20%, the highest number, of such crimes territory-wide. This figure is indeed quite high. The North District covers Sheung Shui, Fanling, Yuen Long and Tuen Mun. Does it mean that triad elements are most active in the North District. Has this phenomenon lasted several years?*

SECRETARY FOR SECURITY (in Cantonese): The figure cited by me earlier refers to this year, that is, 2003 only. I do not think we can jump to the conclusion that triads are particularly active in the North District by looking at the figure for just one year. I think it would not be appropriate to draw such a rash conclusion.

PRESIDENT (in Cantonese): Last oral question.

Measures Requiring Passengers to Complete and Submit Health Declaration Forms

6. **MR LAU KONG-WAH** (in Cantonese): *Madam President, to prevent the cross-boundary spread of Severe Acute Respiratory Syndrome (SARS), the authorities have since March this year progressively implemented a new measure at various immigration control points to require passengers passing through them to complete and submit health declaration forms. In this connection, will the Government inform this Council:*

- (a) *of the number of passengers in each month who were required to be examined because the information provided by them indicated that they might have been infected and, among them, the number of those who were hospitalized for observation or treatment, together with details of such cases;*
- (b) *whether it has reviewed if the measure to require passengers to complete and submit health declaration forms is effective in screening out SARS patients, and whether there were passengers who did not provide the relevant information in the health declaration forms for fear of causing delays to their cross-boundary trips; and*
- (c) *whether it will consider adopting other measures to replace that of requiring passengers to complete and submit health declaration forms; if not, of the reasons for that?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, since March 2003, the Department of Health (DH) has been working closely with other government departments and organizations to implement a basket of control measures at all border control points to prevent the transmission of SARS through international travel. Apart from health education to travellers and temperature screening, health declaration is recommended by the World Health Organization (WHO) to prevent the spread of SARS and this recommendation has been implemented in Hong Kong in the past eight months.

- (a) As at 16 November 2003, more than 55 million passengers declared their health conditions when arriving at or leaving Hong Kong. A total of 5 311 persons reported sick, of whom 239 were referred to hospitals. The number of hospital referrals per month ranged from 24 to 44, with an average of 32. Among the 239 persons referred, 59 required hospital admission and two of them were later confirmed to be suffering from SARS. Among the passengers requiring hospital admissions, 15 (25%) were diagnosed to have upper respiratory tract infection; six (10%) were pneumonia; and nine (15%) were other respiratory tract infections.
- (b) Health declaration enables early detection of people with SARS-like symptoms or exposure to the disease, facilitates contact tracing, and helps maintain the public's vigilance against SARS. The effectiveness of the health declaration requirement is reflected by the co-operation generally demonstrated by passengers in declaring their health status and the early detection of people with SARS or other infectious diseases for further management. We do not have the information on whether there were passengers who did not provide the relevant information in the health declaration forms for fear of causing delays to their cross-boundary trips.
- (c) We shall continue with the health declaration requirement for the time being, as it helps people maintain vigilance and heighten awareness against SARS. Nonetheless, the control measures against SARS including health declaration are being constantly reviewed.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary mentioned in the main reply that more than 50 million passengers had declared their health conditions, in which two had been subsequently confirmed to be suffering from SARS. Can the Secretary explain the nature of the two travellers and the place they contracted the disease? In fact, infrared inspection should be conducted concurrently with health declaration. May I ask the Secretary whether the two cases were detected through the infrared thermal imaging system or through the health declaration forms completed by themselves? If the two cases were detected as a result of health declaration, may I ask whether the infrared thermal imaging system is some kind of a duplicated effort, and whether its effectiveness is questionable?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): *Madam President, the two travellers had declared their problems in the health declaration forms and were referred to the hospital for examination. They were later confirmed to be suffering from SARS after admission, so they were not identified by the infrared thermal imaging system which carried out the temperature screening. Certainly, it is difficult to evaluate the effectiveness of the two measures. Since travellers are required to complete health declaration forms or undergo infrared temperature screening, if passengers are detected to have fever, they will be refused entry. In view of this, it is difficult to say that these measures are ineffective simply because they could not detect passengers who are suffering from SARS. Nonetheless, due to the implementation of these measures, some passengers who suspected themselves of having contracted the disease might have probably cancelled their trips to Hong Kong. I do not have the detailed information of the cases at hand, but I can provide Mr LAU Kong-wah with a written reply. (Appendix IV)*

MR BERNARD CHAN (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that 5 311 persons had reported sick. Of the 5 311 persons, will the Secretary inform us of the respective figures for passengers arriving Hong Kong at all control points by air, land or sea? If not, he may provide it in writing. Furthermore, how many of them were arriving and departing travellers? In other words, it concerns information of the declaration made on their arrival and departure.*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I do not have the figures at hand, but I can provide Mr Bernard CHAN with a reply in writing. (Appendix V)

DR LAW CHI-KWONG (in Cantonese): *Madam President, I wish to follow up part (b) of the main reply and part of the supplementary raised by Mr LAU Kong-wah. If we have to evaluate the effectiveness of the health declaration, may the Secretary provide us with more information? Moreover, with regard to the infrared temperature screening, how many people were found to have fever, how many people required hospital admission and how many people were confirmed to be suffering from SARS? How many people were detected to have fever by the infrared thermal imaging system but failed to disclose it in the health declaration? Does the Secretary have the information? If so, please tell us now; if not, please provide us with a written reply.*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I do not have the information at hand, because the infrared screening is just a preliminary test. Generally speaking, even if the infrared system detects that a passenger has fever, a mercury thermometer should be used in order to confirm the finding. If a passenger is confirmed to have fever, staff specially recruited and deployed at every control point would take care of that in accordance with the instructions issued by the DH. Generally speaking, if a passenger has no other symptoms but just low fever, he would be granted entry, but he would be advised to report to the authorities if he feels unwell. This is the situation that we act according to instructions. As to the details, such as how many passengers were detected to have fever by the infrared thermal imaging system, whether they were confirmed to have fever by the use of mercury thermometer and whether they were confirmed to have other symptoms, I do not have such information at hand. I will enquire with the DH of the information and conduct an analysis before giving Dr LAW Chi-kwong a reply. (Appendix VI)

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, when the Secretary answered supplementary questions raised by colleagues just now, he*

obviously confirmed the effectiveness of the infrared temperature screening system and health declaration. Recently, more contagious pathogenic bacteria have come to light. In view of the fact that the current health declaration measure is drawn up to pinpoint SARS infection, may I ask the Government if it is possible to add a few more questions in the health declaration form, so that we can have a better understanding of influenza or other bacteria and viruses?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, Miss CHAN Yuen-han has made a good suggestion, we would take it into consideration. However, why can we not modify it now? Since we are concerned that SARS may return during this season, therefore we maintain the current layout of the health declaration form. This form is designed for SARS. However, after this season, we would review this form and see if we could make it more comprehensive with the inclusion of other communicable diseases as suggested. By that time, a good mechanism would be in place even at our border crossing. Currently, it is still under consideration.

MS LI FUNG-YING (in Cantonese): *Madam President, the Secretary stated in part (b) of the main reply that passengers were generally co-operative in declaring their health status, which means that some had not been co-operative. In this case, how unco-operative were they? Will the authorities draw up effective measures to require all passengers to complete the health declaration form in a more co-operative manner?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, in fact, discussions are ongoing with our colleagues in the DH to see if there is a better measure to encourage passengers to make health declaration voluntarily as well as to prevent the influx of some communicable diseases carried by inbound passengers. I believe there is difficulty in this respect, but the most important thing is to make things as convenient as possible for tourists. Moreover, the publicity conducted by us as well as the correct information we provided them were quite helpful. We would also actively explore better ways to make health declaration as convenient as possible.

MR MICHAEL MAK (in Cantonese): *Madam President, certain over-the-counter medicines would cause a drop in body temperature, if a passenger has fever, he may take any such medication to lower his body temperature temporarily, or he may even lower it to precisely around 37 degrees. Has the Secretary ever envisaged that some passengers, regardless they are departing or arriving, may play these tricks to deceive the relevant officers? He might have declared his health status, but he would surely declare that he is fine, while the infrared thermal imaging system could never detect that he has fever. Does the Government have any measure to curb these tricks?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): *Madam President, of course we clearly know that some medicines would decrease body temperature. For that reason, the implementation of all measures requires the co-operation of passengers, but some of them are not thoroughly enforced in some places. Nevertheless, health declaration is by and large a measure recommended by the WHO. With regard to temperature screening, the WHO also recommends that each place may consider implementing temperature screening. Although we know that it was not so effective, we decided to implement it at that time because we wanted to boost public confidence as much as possible and heighten the vigilance of arriving and departing passengers that fever was one of the symptoms of SARS. For that reason, preventing passengers from entering Hong Kong is not the purpose of the measure, instead, its purpose is to heighten public awareness and vigilance. We know that implementing these measures at border crossings could not stop the entry of people who intentionally conceal the fact that they are suffering from SARS, but the major objective is to heighten their awareness and vigilance, as well as to encourage them to declare their health status.*

MR WONG YUNG-KAN (in Cantonese): *Madam President, in his reply to Mr LAU Kong-wah's supplementary earlier, the Secretary said that two SARS cases had been identified from the health declaration. It is therefore evident that the health declaration forms are very useful. People go to the Mainland these days frequently, but it is the passenger who makes the decision to fill in how much and what information as he wishes. If any person provides false information, will there be any law to deal with such cases? If not, what counter-measures could the Government take?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, passengers are not required to make the declaration by law. Of course, we encourage the public to fill in true information whenever they have to complete any form. In fact, it is not right to furnish false information. However, no specific legislation is in place to require passengers to declare their actual health condition.

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

WRITTEN ANSWERS TO QUESTIONS

Policy Governing Employment of Dependents of New Residents

7. **DR DAVID LI:** *Madam President, on 1 July this year, the Government introduced a new and more restrictive policy governing the employment of the dependants of new residents who have been granted entry into Hong Kong to work. In this connection, will the Government inform this Council:*

- (a) *whether it has conducted a study of the economic impact of the previous policy of allowing the above dependants to work in Hong Kong; and*
- (b) *if such study has been conducted, whether the authorities have evaluated the merits and demerits of the previous policy with respect to the competitiveness of the Hong Kong economy; if such study has not been conducted, whether the authorities will conduct the study with the aim of detailing the full ramifications of the new policy?*

SECRETARY FOR SECURITY: Madam President, the revised policy governing the employment of dependants of persons granted entry into Hong Kong to take up employment was introduced on 1 July 2003. With effect from that day, these dependants have to apply for permission from the Director of Immigration before they can themselves take up employment in Hong Kong. This policy is in line with practices adopted in many developed economies, including Canada, New Zealand, Singapore and the United States, whereby

dependants in similar circumstances require permission for taking up employment. It also underscores the grave concern attached by the Government to the prevailing unemployment rate in Hong Kong.

It must be stressed that the revised policy does not seek to impose a wholesale prohibition. The dependants concerned may still be eligible for employment provided that they meet the eligibility criteria under the general employment policy (GEP) which applies to all overseas persons who seek to enter Hong Kong for employment. A key requirement is that the employment concerned is one that cannot be readily taken up by the local workforce. If indeed it can be demonstrated to the Director of Immigration that the job sought by a dependant cannot be readily taken up by the local workforce, this will be a strong factor arguing for favourable consideration by the Director, provided of course that the other criteria under the GEP are also met. In other words, the impact of the revised policy will largely be felt by those dependants seeking jobs in areas with adequate local supply, as it is unlikely that the Director will approve their applications.

In an effort to minimize the impact, the revised policy does not affect persons who had been admitted into Hong Kong as dependants, or whose applications for such admission had reached the Director of Immigration, before 1 July 2003. Furthermore, the application procedures are not onerous. Indeed, the Immigration Department has undertaken to complete the processing of applications from dependants for permission to take up employment within four weeks after receipt of all the documents required.

The main features of the revised policy and the transitional arrangement as described above help to ensure that the revised policy will not have any substantial adverse impact on our economy. Although some dependants might become ineligible for employment as a result of the policy change, its negative impact on our economy in terms of productivity loss should be minimal as such employment is likely to be in areas with adequate local supply. We also do not see how the revised policy will adversely affect Hong Kong's competitiveness. The Government will continue to monitor the implementation of the revised policy closely and ensure that our policy on the admission and employment of dependants continues to reflect the needs of the community and provide a right balance between the interests of different sectors.

Mortgage Term and Mortgage Default Guarantee for HOS Flats

8. **DR TANG SIU-TONG** (in Chinese): *Madam President, under the agreements signed by the Housing Authority (HA) with the financial institutions offering mortgage loans to buyers of Home Ownership Scheme (HOS) flats, the maximum mortgage term for HOS flats from Phase 19A onwards is 25 years, and the HA provides a mortgage default guarantee covering the same period for the relevant financial institutions. In March 2002, the HA extended the maximum mortgage term for HOS flats of Phases 8B to 18C from 20 years to 25 years, with the mortgage default guarantee period remaining at 20 years. In this connection, will the Government inform this Council whether it knows:*

- (a) the reasons for the HA's extending the mortgage term for HOS flats of Phases 8B to 18C to 25 years, the additional items and amount of expenditure arising from this measure, and the implications on the financial commitment for the provision of mortgage default guarantee;*
- (b) how the number and the amount of bad debts borne by the HA in discharging its obligations under the mortgage default guarantee for HOS flats of Phases 8B to 18C since March 2002 compare with those for the HOS flats of the same phases in the preceding five years; and*
- (c) if the HA will consider further extending the maximum mortgage term to 30 years and the corresponding default guarantee period; if so, of the additional amount of the financial commitment involved; if not, the reasons for that?*

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

- (a) In view of the economic downturn in recent years, some owners of HOS flats have difficulties in repaying mortgage. In April 2002, the Housing Department (HD) gave a blanket approval-in-principle allowing all banks and financial institutions taking part in Phases 8B to 18C of the Scheme to extend the mortgage repayment period from the original 20 years to 25 years at the request of flat owners having

regard to the merits of each case. This arrangement was aimed to provide more flexibility to assist flat owners who have difficulties in mortgage repayment in alleviating their financial burden.

Extension of the mortgage repayment period results in corresponding reductions in the amount of monthly repayments. In the event of mortgage default, the amount of bad debts to be borne by the HA in accordance with the mortgage default guarantee will be increased. The HD's assessment was that the additional financial implications arising from the extension should be small and manageable.

- (b) Since implementation of the above policy, the amount of bad debts paid by the HA under the mortgage default guarantee from 1 April 2002 to 31 October 2003 amounted to \$123.9 million, involving 406 cases^{Note}, whereas the amount paid in the preceding five years (that is, from 1 April 1997 to 31 March 2002) was about \$87.4 million with 468 cases.
- (c) As the prevailing maximum mortgage repayment period for private residential properties is 25 years, the HA has no plan to further extend the mortgage repayment period. However, we are open-minded on this matter and if necessary, will review the mortgage repayment period for HOS flats.

^{Note} The figures on case number and amount of bad debts cover HOS flats sold under all phases. The HD does not have breakdown figures for HOS flats sold under Phases 8B to 18C only.

TDC Giving Preferential Treatment to Exhibitors

9. **MR JAMES TIEN** (in Chinese): *Madam President, I have received complaints alleging that the Hong Kong Trade Development Council (TDC) accords priority to the traders who have participated in its previous related exhibitions to join the Hong Kong Gifts and Premium Fair to be held next year. The complainants consider such practice unfair to those traders who have never participated in such exhibitions. Regarding the practice of giving preferential treatment to exhibitors, will the Government inform this Council:*

- (a) *whether it knows the TDC's justifications for adopting the practice;*
- (b) *given that TDC staff have told the complainants that the practice is usual in the international exhibition industry, whether it knows the information that the TDC has to support such a statement;*
- (c) *whether it knows if the TDC will review the practice, if it will, of the details of the review; if it will not, the reasons for that; and*
- (d) *as the exhibitors of this exhibition may apply for exhibition fee subsidies under the SME Export Marketing Fund (EMF) which is set up with public funds, whether it has assessed if the practice of according previous exhibitors priority, which facilitates them in applying for and obtaining subsidies on exhibition fees, will lead to unfair allocation of the limited resources of the EMF?*

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

- (a) The main objective of the trade fairs presently held in Hong Kong by the TDC is to help local exporters promote their products and contact buyers. As these fairs provide an effective platform for local traders to promote their products and services, they are highly popular and some of them are over-subscribed.

Owing to the physical constraints of facilities and space, the TDC cannot take in all the applicant companies to take part in its exhibitions. Further, participating in exhibitions is a long-term investment. If the TDC cannot guarantee that the exhibitors can continue to participate in the same exhibition in future, the exhibitors, buyers as well as the exhibition itself would be affected. Therefore, the TDC has to accord priority to the applications of existing exhibitors according to the usual practice of the international exhibition industry. This mechanism has been in place for many years and working well.

- (b) The criteria of according priority to the applications of existing exhibitors and admitting new exhibitors only in the event of

withdrawal of existing exhibitors or expansion of the exhibition are in line with the usual practice of the majority of international trade fairs.

- (c) In organizing a trade fair, the TDC will discuss with the relevant organizing committee or the industry's advisory committee. The TDC will also conduct reviews and raise the standard of its exhibitions regularly to meet the practical needs of the industries. The Hong Kong Gifts and Premium Fair is a case in point. Its organizing committee comprises representatives from many trade associations in Hong Kong. The criteria for selecting exhibitors and allocating booths are supported by the organizing committee as well as the industry, and have been working well.

The TDC will adopt the usual practice of the international exhibition industry to meet the practical conditions of our exhibition facilities. The TDC will also maintain close contact with the industries concerned to help them enhance the effectiveness of their promotional activities.

The TDC recognizes the importance of exhibitions in helping Hong Kong companies to promote their products and services. Hence, it has adopted the following measures to enable more Hong Kong companies to participate in its exhibitions:

- *splitting up an exhibition*: In 2001, the TDC split up the popular Hong Kong Gifts and Houseware Fair into two exhibitions held at different times (that is, the Hong Kong Houseware Fair and the Hong Kong Gifts and Premium Fair). More Hong Kong companies were thus given the chance to participate. In 2003, the Hong Kong Lighting Fair was split from the Hong Kong Electronics Fair to accommodate more exhibitors.
- *staging additional versions of existing exhibitions*: In light of the shortening cycle of international sourcing, the TDC will stage additional versions of existing exhibitions at suitable periods of another season to meet both the sourcing needs of buyers and the marketing needs of manufacturers. This will

also help satisfy the increasing demand of Hong Kong businessmen for participating in exhibitions to promote their merchandise. For example, starting from July next year, the Hong Kong Toys and Games Fair in January and the Hong Kong Gifts and Houseware Fair in April will have their summer version as well. These fairs should provide more exhibition opportunities for Hong Kong companies.

- (d) The EMF provides grants to small and medium enterprises (SMEs) for their participation as exhibitors in local, mainland and overseas trade fairs, exhibitions and study missions, as long as these export-oriented activities are relevant to their businesses and are organized by experienced and reputable organizations.

At present, the maximum cumulative amount of grant that a SME may obtain from the EMF is \$80,000. The ceiling of the grant offered to a SME for each exhibition or study mission will be equivalent to \$30,000 or 50% of the expenditure incurred by the SME in that activity, whichever is the less. In other words, provided that the grant applied for does not exceed the ceiling and there are still funds under the EMF, SMEs are free to choose the type, timing and frequency of their export promotional activities. The chance of obtaining grants from the EMF by a SME will not be affected by other SMEs. This practice will not lead to unfair allocation of the limited resources of the EMF.

Enhancing Knowledge Competitiveness of Hong Kong

10. **MR AMBROSE LAU** (in Chinese): *Madam President, it has been reported that according to the recently published study report on "World Knowledge Competitiveness Index 2003/04", the knowledge competitiveness of Hong Kong has descended to the 102nd place in the index, lagging behind the Pearl River Delta Region, which is ranked 85th. The report has also pointed out that Hong Kong's investment on research and development (R&D) is insufficient, and that Hong Kong lags behind other regions in the number of patents registered and public expenditures on primary, secondary and higher education. In this connection, will the Government inform this Council whether it has plans to enhance Hong Kong's knowledge competitiveness; if it has, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): Madam President, the study report on "World Knowledge Competitiveness Index 2003/04" released recently is conducted by a private consultant Robert Huggins Associates based in the United Kingdom. According to the information presented in the report, Hong Kong's ranking in the knowledge competitiveness overall index has descended from 87 in 2002-03 to 102 in 2003-04, whereas Hong Kong ranks higher in certain individual indices, for instance, Per Capita Expenditure on R&D Performed by Government (ranks 34), Employment in High-technology Services per 1 000 Inhabitants (ranks 17) and Employment in IT & Computer Manufacturing per 1 000 Inhabitants (ranks 27).

The Government has been committed to providing a conducive environment by investing in education, offering infrastructural support and funding R&D programs, so as to promote and enhance Hong Kong's competitiveness in the new knowledge-based economy. With regard to the three areas mentioned by Mr Ambrose LAU, the Government is playing an active role in the following initiatives to enhance the knowledge competitiveness of Hong Kong:

(1) *R&D*

Hong Kong has invested resources substantially in academic researches over the past 10 years. The earmarked research grants for the Research Grants Council has increased from \$100 million in 1991-92 to \$578 million in 2003-04. In addition, the number of University Grants Committee (UGC)-funded Research Postgraduate places has increased from 1 285 to 4 315 during the same period.

Meanwhile, the Government also seeks to promote and support applied research, including:

- (A) the \$5 billion Innovation and Technology Fund (ITF), which has provided funding support to 466 R&D projects that contribute to innovation or technology upgrading in industry, involving total funding of some \$1.3 billion;

- (B) the \$750 million Applied Research Fund (ARF), which is set up to provide funding support to technology ventures and R&D projects that have commercial potential. The ARF has approved 23 projects through fund managers, involving total funding of \$382 million;
- (C) the Hong Kong Applied Science and Technology Research Institute, established in 2000, has over 100 research scientists and technologists working in a number of areas where Hong Kong has competitive advantages; and
- (D) other support institutions funded by the Government, including the Hong Kong Science and Technology Parks Corporation (HKSTPC), the Hong Kong Productivity Council (HKPC) and the Hong Kong Design Centre (HKDC), to enhance innovation and technology development, and improve the competitiveness of our industry.

(2) *Patents granted*

It is shown from the figures provided by the Census and Statistics Department that the number for local patent applications increased from 1 092 in 1991 to 9 226 in 2001. The average annual growth rate was 24%.

Through the Patent Application Grant (PAG) under the ITF, the Government has approved 337 applications to date, among which 172 applicants, with the assistance of the PAG, are successful in obtaining 310 patents for their inventions.

(3) *Primary, Secondary and Tertiary Education*

As for education resources, the recurrent expenditure on education represents 23.8% of the recurrent government expenditure in 2003-04. Total expenditure on education has increased from 3.0% of the Gross Domestic Product in 1996-97 to 4.8% in 2003-04. Total expenditure on basic education has increased from \$23.1 billion in 1996-97 to \$41.7 billion in 2003-04 whereas the figure has increased from \$14.8 billion to 19.3 billion in 2003-04 for tertiary education during the same period.

Occupational Accidents Within Hong Kong International Airport

11. **MR LEUNG FU-WAH** (in Chinese): *Madam President, regarding occupational accidents within the Hong Kong International Airport (HKIA), will the Government inform this Council:*

- (a) *of the average numbers of employees working within the airport in each quarter of the past two years and the first nine months of this year, broken down by trade and job type;*
- (b) *of the numbers of occupational accidents that occurred within the airport each year since it came into operation in 1998, broken down by nature of accident, area in which the accidents occurred, the trade and job type of the employees involved, casualty type (injury or death) and amount of compensation involved;*
- (c) *whether it has, in the light of the above data, conducted a detailed study on various aspects of such occupational accidents, including causes of the accidents, job types with high accident rates, job types that are accident-prone, and the relationship between the accidents and staff shortage and unduly long working hours; if it has, of the study results and follow-up actions taken by the authorities to deal with cases where staff shortage and unduly long working hours have increased the possibility of occupational accidents occurring in certain job types; if it has not, the reasons for that;*
- (d) *whether it knows if the out-sourcing contracts of the Airport Authority (AA) require contractors to employ a minimum number of employees to ensure a sufficient number of employees to cope with the job demands of the relevant job types; if they have, of the trades and job types involved and how the authorities monitor the compliance with the requirements; if not, the reasons for that;*
- (e) *of the follow-up actions to reduce the number of occupational accidents occurring in the accident-prone areas and job types within the airport, and how the authorities ensure that the occupational safety of employees are adequately safeguarded?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Chinese): Madam President, according to the information provided by the AA, the average number of employees working on the airport island in the last two years and the first nine months of 2003 is about 45 000 persons, comprising 1 000 persons from the AA, 10 000 persons from the AA's subcontractors, 2 800 persons from the Aviation Security Company Limited, 2 500 persons from government departments, 13 500 persons from airlines, 4 350 persons from air cargo terminal operators, 1 500 persons from retailers and restaurants in the passenger terminal building, 2 500 persons from aircraft caterers, 4 300 persons from aircraft maintenance operator and 2 400 persons from passenger services contractors. The AA does not collect employee figures on a quarterly basis.

The AA started compiling comprehensive figures on occupational accidents occurred at the airport in August 2001. Hence, it is unable to provide figures prior to August 2001. The figures kept by the AA cover occupational accidents occurred in the passenger terminal building, the ramp as well as the areas within the boundaries of its business partners. At present, companies which agree to report occupational accidents to the AA are on a voluntary basis. These companies cover about 20 000 employees, representing about half of the total employees on the airport island. Figures concerning occupational accidents at the airport, as broken down by the nature and cause of the accidents, the area in which the accidents occurred, the trades of the employees involved and casualty types (injury or death) are set out in the table attached^{Note}. The AA, however, has not compiled any statistics regarding job types and the amount of compensation involved in individual cases. Separately, according to the Labour Department's (LD) information, between 1998 and 2002, the annual number of reported employees' compensation cases arising out of occupational accidents occurred on the airport island amounted to 1 965, 1 811, 1 967, 1 703 and 1 340 cases respectively, involving a total amount of compensation of about HK\$197 million as at 12 November 2003. The Department has not kept statistics on further breakdown by job types, nature of accidents, or the area in which the accidents occurred.

The AA has studied the statistics collected and found that the majority of the occupational accidents were caused by workers not having paid sufficient attention to their working environment (35%), manual handling (27%) and

^{Note} Figures collected by the AA from August 2001 to March 2002 cover only trades and the number of casualties. However, since April 2002, the figures collected by the AA have included also the nature/cause of accidents and the area in which the accidents occurred.

slipping (22%). Other causes include traffic accidents, equipment failure, failure to tighten loose objects, lack of communication and non-compliance with work procedures. The statistics show that trades such as cargo terminal operation, aircraft catering, baggage handling and aircraft maintenance involve a higher number of occupational accidents. The statistics also indicate that most of the occupational accidents occurred within the areas of the operators concerned (43%) and the ramp area (40%). As the statistics kept by the AA do not cover the number of employees or working hours of the concerned trades, no analysis could be conducted on the relationship between the occurrence of the occupational accidents and staff shortage or unduly long working hours. The accident investigations conducted by the LD also did not find any correlation between the accidents and staff shortage or long working hours.

For those fixed-sum contracts between the AA and its contractors such as baggage handling system maintenance and cleaning services, the AA has specified in the relevant contracts the minimum number of employees required. The contractors concerned are required to submit daily manpower deployment figures to the AA for verification. The AA will also conduct regular on-site check to ensure that the relevant manpower requirements are fully complied with.

As regards those non-fixed sum contracts between the AA and its contractors such as emergency maintenance services, it is not practicable to specify the manpower requirement in respect of each individual jobs in those contracts. However, the AA will invariably discuss with the contractors the minimum manpower deployment for all relevant jobs having regard to practical requirements.

To ensure occupational safety at the HKIA, the AA has required its business partners to promote safety management systems. The AA will also conduct yearly safety audit on all safety management systems of its business partners and makes recommendations on safety improvement measures. Moreover, the AA and its business partners set safety targets each year and review the safety level on a monthly basis to ensure that all business partners could meet international safety standards. In the light of the relatively large number of occupational accidents in the ramp area, the AA has also implemented a safety management system to enhance ramp safety, which includes the formulation of ramp safety plan and targets, preparation of safety procedures and guidelines for ramp operation, provision of training to relevant employees,

regular assessment of ramp safety risks and formulation of effective safety measures to reduce the risks.

The LD regularly inspects the workplaces of various trades on the airport island. For workplaces or companies with higher occupational accident rate, the LD will step up its inspections, monitor the work safety situation of these workplaces and urge the management to implement early improvement measures where necessary. In respect of more serious occupational accidents, the LD will carry out investigations to identify the cause of the accidents so that concrete measures could be recommended to prevent recurrence of similar accidents. The LD's occupational safety officers will also promote the concept of safety management to organizations operating at the airport, including holding regular meetings with these organizations about safety management and assisting them in establishing effective safety management system. In collaboration with the AA and the Occupational Safety and Health Council, the LD regularly organizes promotional activities to advocate a safe working culture at the airport and enhance the safety awareness of airport workers so as to ensure their safety and health.

Annex

Figures on Occupational Accidents at the Airport

<i>Occupational Accidents</i>	<i>August 2001 to March 2002</i>	<i>April 2002 to March 2003</i>	<i>April to September 2003</i>
<i>(I) Nature/Cause of accidents</i>			
Insufficient attention to the working environment	N.A.	136	63
Manual handling	N.A.	106	45
Slipping	N.A.	97	30
Travel accidents	N.A.	18	5
Equipment failure	N.A.	12	6
Failure to tighten loose objects	N.A.	28	17
Lack of communication	N.A.	16	6
Non-compliance with work procedures	N.A.	6	6
Others	N.A.	3	4
Total	N.A.	422	182

<i>Occupational Accidents</i>	<i>August 2001 to March 2002</i>	<i>April 2002 to March 2003</i>	<i>April to September 2003</i>
<i>(II) Areas in which accidents occurred</i>			
Ramp	N.A.	142	72
Company area	N.A.	188	79
Passenger terminal building	N.A.	82	28
Baggage handling area	N.A.	10	3
Total	N.A.	422	182
<i>(III) Trades involved</i>			
Cargo handling	6	112	59
Aircraft catering	70	91	26
Baggage handling	110	57	29
Aircraft maintenance	5	54	31
Airlines	9	28	16
Passenger handling	14	23	3
Security	7	19	7
Government	15	11	3
Retail	14	11	5
Restaurants	7	4	1
Airport Authority	3	2	1
Cleaning	7	9	1
Aircraft refueling	2	1	0
Total	269	422	182
<i>(IV) Number of injury</i>	266	422	182
<i>(V) Number of death</i>	3	0	0

Source of information: AA

Entry Requirements of Public Pool Lifeguards

12. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, in accordance with the Swimming Pools Regulation applicable to private swimming pools, lifesaving attendants shall possess valid certificates of competency in lifesaving and first aid issued by an association approved by the Director of Food and Environmental Hygiene for that purpose and certifying a standard of competency not less than that of a holder of the Bronze Medallion of the Hong Kong Life Saving Society (HKLSS). However, in its recruitment of lifeguards*

for public swimming pools, the Leisure and Cultural Services Department (LCSD) requires that applicants must possess valid certificates of Pool Lifeguard Award (PLA) or Beach Lifeguard Award (BLA) or awards of a higher level issued by the HKLSS. In this connection, will the Government inform this Council:

- (a) of the number of lifeguards with a standard of competency not lower than that of a holder of the abovementioned Bronze Medallion, PLA and BLA, broken down by the number of those holding one or many of those certificates and, among them, the number of serving public pool lifeguards on agreement or pensionable terms;*
- (b) whether it has required serving public pool lifeguards without PLA to meet the above entry requirement of the LCSD before a specified deadline; if it has, of the deadline; and if serving public pool lifeguards on agreement or pensionable terms fail to meet those entry requirement before the deadline, whether they will have their contracts renewal denied or disengaged;*
- (c) whether the fitness requirements of the LCSD imposed on new and serving public pool lifeguards are different from its previous stipulations; if so, how the new requirement compare with those of other countries or places; if the new requirements are more stringent than the previous stipulations or those of other countries or places, of the reasons for that; and whether one of the reasons is to deliberately phase out serving public pool lifeguards on agreement or pensionable terms so as to employ another batch of lifeguards at lower pays; and*
- (d) of the reasons for the inconsistency in the above entry requirements of lifeguards for private and public pools, which makes people think that the entry requirements of private pool lifeguards are less stringent than those of public pool lifeguards, and that the authorities neglect the professional status of private pool lifeguards?*

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

- (a) The information on lifesaving qualifications (Bronze Medallion level or above) issued by the HKLSS in the past three years up to the

end of October 2003, and the number of serving lifeguards on contract or pensionable terms of the LCSD possessing relevant qualifications, are tabulated at Annex. The validity period for all lifesaving qualifications is three years. As there are quite a number of candidates taking examinations for various lifesaving qualifications issued by the HKLSS and each of them can sit for several examinations at the same time, the HKLSS does not have breakdowns on the number of persons possessing one or more lifesaving qualifications.

- (b) Since December 2001, the LCSD has been providing training for lifeguards on pensionable and full-year contract terms to facilitate their acquisition of PLA and BLA in order to tie in with the HKLSS's policy in adopting the lifeguard qualifications recognized by the International Life Saving Federation (ILSF) in 2003. All serving lifeguards on pensionable and full-year contract terms have already obtained the above two qualifications.
- (c) All newly recruited or serving public pool lifeguards of the LCSD are required to possess valid PLA. PLA requires attainment of an appreciable level of competency in various aspects such as swimming speed, preventive lifeguarding and overseeing skills, rescue management, use of rescue equipments and emergency action plans, whereas Bronze Medallion only focuses on basic lifesaving skills. If compared with the previous entry requirement of lifeguards at Bronze Medallion level, the standards of fitness and rescue skills requirements of the newly recruited and serving lifeguards of the LCSD are correspondingly higher to ensure safety of public swimming pools. The examination syllabus for PLA is recognized by the ILSF. The standards stipulated by the ILSF are applicable to all its member countries and regions (including Hong Kong, Australia, the United States, Singapore, Japan, and so on). The physical and rescue skills requirements of lifeguards in these countries and Hong Kong are therefore of comparable standards. In fact, in order to ensure and enhance the standards of serving lifeguards, the LCSD has arranged special training courses to facilitate their acquisition of new lifesaving qualifications as well as to revalidate their lifesaving qualifications every three years.

- (d) As public swimming pools and private swimming pools have different usage rates, the existing qualification requirements for respective lifeguards are not the same. At present, the attendance of the public swimming pools managed by the LCSD is in the region of ten millions each year. We have therefore set a high standard on the lifesaving competency of our lifeguards in order to ensure the safety of the large number of swimmers at public swimming pools. As for private swimming pools, their operations are being monitored by the Food and Environmental Hygiene Department (FEHD) through enforcement of the Swimming Pools Regulation. The FEHD is now conducting a review of the qualification requirements for lifeguards provided in the Regulation with a view to ascertaining the need to amend the relevant provisions.

Annex

Information on Lifesaving Qualifications

<i>Lifesaving Qualifications</i>	<i>Lifesaving qualifications issued by the HKLSS in the past three years up to the end of October 2003</i>	<i>Number of the LCSD's pensionable or contract lifeguards possessing relevant lifesaving qualifications</i>
Bronze Medallion	9 179	- (Note 1)
Award of Merit	457	-
Bronze Cross	4 074	-
PLA	4 420	921 (Note 2)
BLA	3 667	916
Pool Lifeguard Management Award	294	139 (Note 3)
Beach Lifeguard Management Award	179	139 (Note 3)
Distinction Award	21	-

Note:

- 1 Since the possession of a Bronze Medallion is not a prerequisite for the LCSD's lifeguards, the Department does not have the relevant statistics in this respect.
- 2 916 lifeguards also possess BLAs as well.
- 3 These 139 lifeguards possess both Pool Lifeguard Management Award and BLA.

Policy to Encourage Use of Gasoline/Electric Hybrid Vehicles

13. **MR KENNETH TING** (in Chinese): *Madam President, given the growing popularity of gasoline/electric hybrid vehicles, will the Government inform this Council whether it has formulated incentive-based policy to attract more people to use these vehicles in the light of such development, so as to strengthen environmental protection in Hong Kong; if it has, of the details; if not, whether the authorities will consider proceeding with the formulation of such policy?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, motor vehicle emission is one of the major causes of air pollution in Hong Kong. Therefore, the Government has been monitoring closely the development of environmentally friendly motor vehicle technologies such that appropriate policies could be formulated at an opportune time to promote the use of environmentally cleaner vehicles among vehicle owners.

Among new motor vehicle technologies, petrol/electric hybrid vehicles are relatively more mature products. However, since the technology is still under development, there are very few makes and models of petrol/electric hybrid vehicles available in the world market. In the local market, only one model of petrol/electric hybrid vehicle is being supplied by one motor vehicle agent at present.

Apart from the limited number of choices available, the emission performance and energy efficiency of this type of vehicles also vary greatly. While some models outperform the newly registered vehicles powered by conventional engines in Hong Kong, the emission performance and energy efficiency of the others are only comparable to those using conventional engines.

For the reasons mentioned above, we consider it inappropriate to implement a policy through the provision of an incentive at this stage to encourage vehicle owners to use petrol/electric hybrid vehicles for the purpose of protecting the environment. However, we will continue to monitor closely the development of hybrid vehicles and other motor vehicle technologies, and examine whether a policy of incentives should be formulated and, if so, how it could be implemented effectively. At the same time, we will educate members

of the public on what they should do in fulfillment of their responsibility to protect the environment.

On the education and publicity fronts, the Electrical and Mechanical Services Department has since February 2002 been running an "Energy Efficiency Labelling Scheme" to introduce to potential motor vehicle buyers the energy efficiency of motor vehicles in the local market. The objective of the scheme is to encourage motor vehicle suppliers to provide consumers with more information about the energy efficiency of their vehicles so as to assist consumers in choosing energy-efficient and environmentally friendly vehicles. At present, the scheme covers petrol private cars. It will be gradually extended to include other types of vehicles. Up to now, 44 motor vehicle models have joined the scheme. We are considering how to extend the scheme further for the purpose of encouraging more motor vehicle suppliers to promote vehicles of high energy efficiency through the scheme.

Repeated Postponements of Target Opening Date of West Rail

14. **MR LAU WONG-FAT** (in Chinese): *Madam President, the Kowloon-Canton Railway Corporation (KCRC) has postponed the target opening date of the West Rail (WR) for several times in recent months. In this connection, will the Government inform this Council:*

- (a) *whether it has requested the KCRC to submit a report on the repeated postponements of the target opening date of the WR; if so, of the details of the report; if not, the reasons for that;*
- (b) *whether it knows the specific reasons for the repeated postponements of the target opening date;*
- (c) *whether it has assessed if the repeated postponements of the target opening date by the KCRC reflects professional blunders on the part of the KCRC's staff and if they should be held responsible for that and be punished; if so, of the assessment results; and*
- (d) *of the estimated net income foregone during the period from the target opening date of the WR as first announced by the KCRC to the latest target opening date?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the Government has been closely monitoring the progress of the WR project carried out by the KCRC. We have noted the problems encountered during the trial operation of the WR and asked for detailed reports from the KCRC on the causes of the problems and rectification measures.

According to information provided by the KCRC, the earth return of the traction power system entered the signalling system via the surge arresters, which caused interference. There were also problems in the signalling system and its interfacing with other systems. The KCRC has taken the following rectification measures:

- Measures have been taken to adjust and debug the software problems. The debugging has been completed. The software is now in the final stage of fine-tuning.
- With regard to hardware, rigorous stress tests conducted by the KCRC indicated that the earth return and surge arresters problems had been resolved after improvement had been made. Under the severe test conditions, loading problems of some of the hardware surfaced. The test runs became steady again following further consequential improvements and replacement of parts.

Under the Kowloon-Canton Railway Corporation Ordinance, the KCRC has to ensure that the WR is in all aspects safe and sound before its opening. For this purpose, the KCRC has to clearly identify the causes of the problems and take steps to rectify them and conduct rigorous tests. One important element of the tests is to conduct adjustments to the rail systems after interfacing. According to the KCRC, the above interface problems will surface only when actual physical tests are carried out and could not be accurately anticipated during the design stage. Before its opening, the WR will also satisfy all statutory requirements under the law and obtain approval from relevant government departments. The KCRC is now working on this in conjunction with the departments concerned.

The West Rail Project Agreement between the Government and the KCRC stipulates that the WR should be opened before end 2003. The KCRC's current target is that the WR will be opened before end 2003. This meets the timeframe set out in the Project Agreement. At this stage there is no question of delay or financial loss.

In response to enquiries by the public on whether the WR could be opened ahead of schedule, the KCRC made some initial response on possible opening dates, and pointed out that a firm opening date would not be fixed until the trial operation and statutory inspections are satisfactorily completed. The KCRC Managing Board is keeping a close watch on the results of the trial operation and progress of statutory inspections before making a decision on the opening date of the WR.

Passengers Being Robbed Collectively on Public Vehicles

15. **MRS SOPHIE LEUNG** (in Chinese): *Madam President, late at night on the 26th of last month, the driver and more than 10 passengers of a public light bus in motion were robbed by two criminals posing as passengers. This case has aroused wide public concern about whether the law and order in Hong Kong is deteriorating. In this connection, will the Government inform this Council:*

- (a) *whether there is an upward trend over the past three years in the number of cases in which passengers were robbed collectively on public vehicles in motion, and of the details of each case, including the number of persons robbed, the hour and area at which the robbery took place and the type of the vehicle involved;*
- (b) *of the immediate measures in place to protect the safety of passengers on public vehicles, the details of the manpower and resources deployed to implement such measures and the results achieved; how, under the financial management principle of "big market, small government", the Government can effectively redeploy the manpower and resources concerned to enhance the effectiveness of the relevant measures; if no immediate measures are in place, of the reasons for that; and*
- (c) *whether it will adopt long-term measures to eliminate the negative impacts of such crimes on various fronts of the Hong Kong society, including law and order, tourism and economic growth; if it will, of the details of such measures; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) According to information from the police, apart from the case which took place at late night on 26 October 2003 in Sheung Shui in which passengers of a public light bus were robbed, in the past three years there was no case involving passengers being robbed collectively on public vehicles in motion. Fifteen persons were robbed in the case mentioned above.

(b) and (c)

The police are now undertaking a thorough investigation of the robbery case that took place in end of October on a public light bus in motion. To assist the industry in preventing recurrence of similar robbery cases and protecting the safety of passengers, the Police Crime Prevention Bureau and the Transport Department promptly arranged a meeting with the public light bus industry after the occurrence of the abovementioned case. The two departments held a seminar for 65 trade representatives on 6 November to discuss effective preventive measures. At the meeting, the police introduced effective security devices and emergency responses in case of a robbery. The police will shortly meet representatives of bus companies to exchange views on prevention of similar robberies. In the long run, the police will continue to deploy resources having regard to the crime situation of different districts, set up road blocks and strengthen patrol at appropriate locations, and launch publicity campaigns on crime prevention with a view to preventing such crimes.

Converting Vacant Industrial Buildings into Premises for Community and Welfare Activities

16. **DR LAW CHI-KWONG** (in Chinese): *Madam President, in September this year, the Industry and Commerce Working Group of the Development and Housing Committee of Sha Tin District Council published the "Report on How to Further Develop and Use the Vacated Industrial Buildings in Sha Tin" which put forward a number of recommendations. One of its recommendations is that the Government should take the initiative to relocate some premises for community*

and welfare purposes to vacant industrial buildings and encourage charitable organizations to make similar arrangements. In this connection, will the Government inform this Council whether it will consider implementing the above proposal to include community and welfare activities in the uses which are always permitted in industrial areas so that social welfare organizations can apply to the Town Planning Board (TPB) for converting vacant industrial buildings into premises for such activities; if it will, of the implementation timetable; if not, the reasons for that?

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

Madam President, as early as the late 1980s, the Government introduced the concept of "industrial-office building"^{Note 1}, the scope of permitted uses of which are much wider than that of traditional industrial buildings, to facilitate the industrial restructuring of Hong Kong. In October 2000, in order to promote better use of industrial buildings, the TPB further introduced the "Other Specified Uses" annotated "Business" zone so that buildings within such zones can be used for both industrial and office/commercial purposes.

Industrial and industrial-office buildings are generally located either in "industrial" or "business" zones. The permitted uses of a building are also affected by its design. For reasons of fire safety, the provision of social welfare facilities in industrial buildings was not permitted^{Note 2} before 2003. For industrial-office buildings, applications might be made to the TPB for provision of non-residential social welfare facilities in the non-industrial portion of the lower floors. Upon completion of the review of the "Master Schedule of Notes to Statutory Plans" by the TPB in early 2003, the provision of community facilities and other institutional uses are permissible in the lower-floor non-industrial portions of industrial or industrial-office buildings without having to apply to the TPB for approval, provided that the requirements as stipulated in the Notes of the respective statutory plan are met. Applicants may also apply to the TPB for provision of non-residential social welfare facilities in the non-industrial portion of the lower floors of industrial buildings. Results of the 2003 review have since been gradually adopted in the relevant Outline Zoning Plans. The

Note 1 Generally speaking, the design and structure of an industrial-office building allow each of its flats the flexibility to switch between "industrial" or "industrial-office" uses.

Note 2 For industrial buildings located in a "Business" zone, applications can be made to the TPB for changing the whole building for non-industrial uses, including the provision of non-residential social welfare facilities.

Annex shows the permitted uses (those related to community and welfare facilities) of these two types of buildings in different land use zones.

We will take the initiative to advise the Social Welfare Department (SWD) of the uses permitted in different types of buildings and the channels for filing relevant applications. The SWD may in turn inform the interested parties accordingly so as to make the best use of buildings for community or welfare purposes.

Annex

<i>Land Use Zones</i>	<i>Land Uses</i>	<i>Types of Buildings</i>	
		<i>Industrial</i>	<i>Industrial-Office</i>
Industrial	Social Welfare Facilities (excluding residential care)	Permissible, subject to application to the TPB.	Permissible, subject to application to the TPB.
	Institutional Use ^(Note 1)	Always permitted. ^(Note 2)	Always permitted. ^(Note 2)
	Community Facilities ^(Note 3)	Always permitted. ^(Note 2)	Always permitted. ^(Note 2)
Business	Social Welfare Facilities (excluding residential care)	Permissible, subject to application to the TPB.	Permissible, subject to application to the TPB.
	Institutional Use ^(Note 1)	Always permitted. ^(Note 2)	Always permitted. ^(Note 2)
	Community Facilities ^(Note 4)	Always permitted. ^(Note 2)	Always permitted. ^(Note 2)

(Note 1) Including offices of charitable organizations, non-government organizations, professional institutions, District Council/Legislative Council members, consulates/consuls and other non-profit-making organizations (excluding religious, residential and educational institutions).

(Note 2) Subject to requirements stipulated in Notes of the respective statutory plan.

(Note 3) Including educational institutions, places of recreation, sports or culture, and religious institutions.

(Note 4) Including library, educational institutions, places of recreation, sports or culture, and religious institutions.

Roadside Non-commercial Publicity Materials Being Vandalized or Stolen

17. **MR MICHAEL MAK** (in Chinese): *Madam President, regarding the problem of roadside non-commercial publicity materials being vandalized or stolen, will the Government inform this Council:*

- (a) *of the total number of such reports received by the relevant government departments over the past three years, together with a breakdown by districts;*
- (b) *of the division of responsibilities between the Lands Department and the Food and Environmental Hygiene Department in managing roadside non-commercial publicity materials; whether and how these two departments have followed up such vandalism or theft cases, and the results of such follow-up actions; and*
- (c) *how the relevant departments combat these crimes?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The police only have the number of reports received in September and October this year relating to roadside non-commercial publicity materials being vandalized or stolen. The relevant statistics are set out below:

<i>Nature of Reports</i>	<i>Regions</i>	<i>September 2003</i>	<i>October 2003</i>	<i>Total</i>
Vandalism	Hong Kong Island	1	1	56
	Kowloon East	3	14	
	Kowloon West	3	1	
	New Territories North	5	15	
	New Territories South	3	10	
Theft	New Territories North	2	0	2
Total		17	41	58

- (b) The Lands Department launched a Management Scheme for the Display of Roadside Non-commercial Publicity Materials to manage and process applications for the display of roadside non-commercial publicity materials. The objective is to ensure that these materials will be displayed in an orderly manner for the community's information without compromising traffic safety or streetscape. Under the Management Scheme, the Lands Department approves applications and allocates designated display spots to individual

parties while the Food and Environmental Hygiene Department takes up the responsibility of removing those publicity materials displayed outside the designated spots, those displayed beyond the approved period and those obstructing public access or emergency repair works. In cases where such publicity materials are vandalized or stolen, the police will conduct investigation according to established procedures, including obtaining information from the informant and visiting the place of occurrence to identify witnesses. Where there is evidence indicating that a person has committed a criminal offence, the police will take arrest and prosecution actions. Regarding the cases mentioned in part (a) of the reply, the police have successfully detected six of them and arrested 11 persons.

- (c) If an owner discovered that his or her private properties (including publicity materials displayed in public places) have been vandalized or stolen, he or she may take up the case with the police station in the district where the case has occurred. The police will conduct investigation according to established procedures, including obtaining information from the informant and visiting the place of occurrence to identify witnesses. Where there is evidence indicating that a person has committed a criminal offence, the police will take arrest and prosecution actions. An offender convicted of an offence relating to criminal damage or theft is liable to a maximum penalty of 10 years' imprisonment. The police have reminded patrolling officers to pay special attention to roadside publicity materials during the election period. If a person is found damaging with intention or stealing the publicity materials, immediate actions will be taken.

Cremation Service for Pets

18. **MR FRED LI** (in Chinese): *Madam President, regarding the cremation service for pets, will the Government inform this Council:*

- (a) *whether it knows the existing number of private operators providing cremation service for pets;*

- (b) *of the number of complaints received by the authorities over the past three years about the environmental problems caused by pet cremators installed in multi-storey industrial/commercial buildings, the details of the complaints and how the authorities handle such complaints; and*
- (c) *whether it will consider regulating the pet cremation industry through licensing to ensure that the operation of the industry complies with the requirements of the legislation on fire safety and environmental protection?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President,

- (a) The Government does not know the number of private organizations currently providing cremation services for pets.
- (b) Regarding environmental problems caused by pet cremators located in multi-storey industrial/commercial buildings, the Government had received two complaints over the past three years. Both of the complaints were about odour emitted by a pet cremator located in an industrial building. They were lodged by the same complainant. After receiving the complaints, the Environmental Protection Department (EPD) had conducted a number of site investigations, but could not find any environmental problems caused by the cremator. Nevertheless, the operator of the facility had improved the operation of the cremator to reduce the possible impact on the people in its neighbourhood. The EPD has been monitoring the cremator closely and will take appropriate enforcement action if environmental problems are found.
- (c) Under the Air Pollution Control Ordinance, the operation of a pet cremator (and any other cremators) of an installed capacity exceeding 0.5 tonne per hour is a "specified process". The owner of the cremator has to apply for and obtain a specified process licence from the EPD before he is allowed to operate the cremator.

Moreover, under the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations, for a pet cremator (and any other cremators) of an installed capacity not high enough to be classified as a specified process, if it consumes more than:

- (i) 25 litres of conventional liquid fuel per hour; or
- (ii) 35 kg of conventional solid fuel per hour; or
- (iii) 1 150 mega joules of any gaseous fuel per hour,

its owner has to submit the plans and specifications of the cremator to the EPD for approval not less than 28 days prior to its installation, and should only install and operate the cremator after the plans and specifications have been approved.

Even for a cremator of a small capacity, if it causes any air pollution problems to its neighbourhood, the EPD can issue air pollution abatement notices to its owner under the Air Pollution Control Ordinance. Any person who does not comply with the air pollution abatement notices commits an offence.

Under the Dangerous Goods Ordinance, if the amount of Category 5 dangerous goods used or stored in any premises providing pet cremation services exceeds the exempted amount prescribed in the Ordinance, the owner of the premises has to apply to the Fire Services Department for a dangerous goods licence.

In the case of the pet cremator mentioned above which was the subject of complaint, neither its installed capacity, total fuel consumption nor the amount of dangerous goods used or stored in the premises where it is located is of such a level prescribed in the Air Pollution Control Ordinance, the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations and the Dangerous Goods Ordinance as requiring its owner to seek and obtain the prior approval from the relevant authorities. The owner of the cremator is therefore not required to apply for a licence or prior approval.

We consider the existing legislation adequate for controlling effectively pet cremation services for the purposes of preventing them from causing an impact on the environment or the safety of residents in their neighbourhood.

Statistics on Electors

19. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, will the Government provide this Council with the statistics on electors collected upon the deadline for voter registration in each of the years since 1997, broken down by the three sets of tables appended below?*

(a)

	<i>Accumulated number of electors</i>	<i>Number of newly registered electors</i>	<i>Number of electors who had changed their registered address</i>	<i>Number of electors who were removed from the register on the grounds of death</i>	<i>Number of electors who were removed from the register on the grounds that their registered address was no longer used as their principal place of residence</i>
1997					
1998					
1999					
2000					
2001					
2002					
2003					

(b)

	<i>The first age group set by the authorities</i>			<i>(Other age groups as set by the authorities)</i>
	<i>Number of newly registered electors</i>	<i>Number of electors who had changed their registered address</i>	<i>Number of electors who were removed from the register on the grounds that their registered address was no longer used as their principal place of residence</i>	<i>(and so on)</i>
1997				
1998				
1999				
2000				
2001				
2002				
2003				

(c)

	<i>Central and Western District</i>			<i>(Other districts)</i>
	<i>Number of newly registered electors</i>	<i>Number of electors who had changed their registered address</i>	<i>Number of electors who were removed from the register on the grounds that their registered address was no longer used as their principal place of residence</i>	<i>(and so on)</i>
1997				
1998				
1999				
2000				
2001				
2002				
2003				

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Chinese): Madam President, the information requested under part (a) of the question is as follows:

<i>Year</i>	<i>Number of newly registered electors</i>	<i>Number of electors who had changed their registered addresses</i>	<i>Number of electors who were removed from the register on ground of death (and self-requested deletions)^(Note 1)</i>	<i>Number of electors who were removed from the register on the ground that their registered addresses were no longer their principal places of residence</i>	<i>Accumulated number of electors</i>
1997	649	59 089	15 407	0 ^(Note 2)	2 531 344
1998	307 373	345 200	8 527	34 819	2 795 371
1999	91 786	170 559	21 687	32 946	2 832 524
2000	248 771	313 448	21 128	4 789	3 055 378
2001	36 896	194 845	17 892	63 338	3 007 244
2002	2 805	172 103	18 432	81 813	2 909 594
2003	164 478	257 858	23 900	76 209	2 973 612

(Note 1) REO did not keep separate statistics on death cases prior to 2000. The figures for 1997 to 2000 in this column include both death cases and a very small number of self-requested deletions.

(Note 2) In 1997, REO did not conduct any address-vetting exercise.

The information requested under parts (b) and (c) is not available. However, for Members' reference, we can provide the following information:

- (i) age profile of all registered electors between 1999 and 2003 (Annex A); and
- (ii) breakdown of all registered electors by age and by district in 2003 (Annex B).

Annex A

1999 to 2003 Final Registers Age Profile of Electors

<i>Age Group</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>No. of Electors</i>	<i>No. of Electors</i>	<i>No. of Electors</i>	<i>No. of Electors</i>	<i>No. of Electors</i>
18 to 20	60 809	46 905	85 180	112 448	89 495
21 to 25	205 683	203 817	216 801	227 094	216 163
26 to 30	246 155	244 949	250 033	247 682	228 285
31 to 35	246 763	248 100	272 223	294 709	296 891
36 to 40	325 367	353 807	394 484	420 076	410 822
41 to 45	412 426	418 312	421 663	418 961	377 774
46 to 50	365 792	345 741	341 206	337 808	308 143
51 to 55	297 490	278 042	256 889	232 666	196 575
56 to 60	187 467	160 156	158 048	159 569	149 607
61 to 65	152 199	156 646	164 269	168 415	160 347
66 to 70	159 958	156 542	159 725	161 546	149 694
71 or above	313 503	296 577	286 723	274 404	248 728
Total	2 973 612	2 909 594	3 007 244	3 055 378	2 832 524

2003 Final Register
Breakdown of all Registered Electors by Age and by District

<i>Age</i>	<i>Central and Western</i>	<i>Wan Chai</i>	<i>Eastern</i>	<i>Southern</i>	<i>Yau Tsim Mong</i>	<i>Sham Shui Po</i>	<i>Kowloon City</i>	<i>Wong Tai Sin</i>	<i>Kwun Tong</i>	<i>Tsuen Wan</i>	<i>Tuen Mun</i>	<i>Yuen Long</i>	<i>North</i>	<i>Tai Po</i>	<i>Sai Kung</i>	<i>Sha Tin</i>	<i>Kwai Tsing</i>	<i>Islands</i>
18 to 20	2 095	913	5 581	3 286	1 497	2 603	2 483	3 826	5 068	1 985	4 633	3 746	3 658	4 269	3 306	6 458	4 562	840
21 to 25	5 453	2 736	17 798	8 292	5 861	8 515	8 321	13 623	18 454	7 046	20 398	14 049	10 324	11 746	9 356	24 634	16 430	2 647
26 to 30	7 151	4 075	22 449	9 920	8 867	10 163	11 739	17 160	21 822	9 977	20 493	17 435	9 001	9 926	13 262	26 995	22 251	3 469
31 to 35	7 924	4 496	23 279	10 324	8 996	10 282	12 558	17 994	22 454	10 572	16 631	18 116	10 425	8 892	16 058	22 180	21 803	3 779
36 to 40	9 983	5 598	30 572	13 742	9 331	12 873	14 560	24 881	28 458	13 876	25 740	25 463	16 109	15 211	19 907	31 040	22 859	5 164
41 to 45	12 876	7 319	39 579	17 319	10 468	17 071	17 341	30 991	33 361	16 273	34 947	30 721	20 821	23 047	23 791	42 899	27 569	6 033
46 to 50	12 439	7 618	35 626	15 642	10 126	16 311	16 112	24 558	29 228	13 140	33 239	24 673	17 600	20 440	18 711	40 265	24 828	5 236
51 to 55	11 197	7 421	32 490	13 338	10 053	13 773	15 383	18 640	25 424	10 687	25 803	16 211	11 352	13 728	13 193	33 119	21 837	3 841
56 to 60	6 626	4 934	20 012	8 158	7 079	9 009	11 133	12 758	18 039	7 644	13 165	9 276	5 970	6 950	8 067	19 072	17 279	2 296
61 to 65	4 981	3 888	16 162	6 379	6 265	8 375	9 722	11 977	17 308	6 180	8 689	7 396	4 638	4 945	6 042	13 053	14 434	1 765
66 to 70	5 097	4 026	16 809	7 512	6 701	9 925	10 381	15 713	19 148	5 886	7 377	7 751	5 064	4 964	5 737	12 341	13 575	1 951
71 or above	9 887	8 302	31 999	15 516	12 236	22 240	18 480	34 835	37 474	9 665	13 844	15 475	11 653	10 145	10 455	23 700	22 848	4 749
Total	95 709	61 326	292 356	129 428	97 480	141 140	148 213	226 956	276 238	112 931	224 959	190 312	126 615	134 263	147 885	295 756	230 275	41 770

Private Medical Practitioners to Provide Details on Labels of Prescribed Medicines

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

- (a) *it knows the respective numbers of complaints received by the relevant authorities in the past three years against private medical practitioners for failing to provide detailed information on the labels of the prescribed medicines, and for prescribing an excessive quantity of medicines; how the relevant authorities have followed up these complaints and the results thereof; and*
- (b) *it will discuss with the Medical Council of Hong Kong (the Medical Council) the possibility of amending the Professional Code and Conduct (the Code) for registered medical practitioners to stipulate that more detailed information such as side effects of the prescribed medicines be provided on their labels?*

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

- (a) The Medical Council is a statutory body established under the Medical Registration Ordinance (Cap. 161) to regulate medical practitioners. In the past three years, the Medical Council received a total of 16 complaints concerning improper labelling of drugs dispensed by private medical practitioners. Eight of these complaints were received in 2000 while four were received each year in 2001 and 2002. During the same period, the Medical Council has not received any complaint regarding the prescription of excessive dosage of medicine.

Upon receipt of a complaint, the Medical Council will take appropriate action as provided under the Medical Registration Ordinance as follows:

- (1) The chairman, deputy chairman and one lay member of the Preliminary Investigation Committee (PIC) of the Medical Council will give preliminary consideration to the complaint to decide whether it should be referred to the PIC for overall consideration, or if it is groundless or frivolous or cannot be followed up and therefore cannot or does not have to proceed further.
- (2) For cases referred to the PIC for consideration, the PIC will decide if there is a *prima facie* case after considering the information received and the response given by the medical practitioner concerned, and decide if the complaint should be referred to the Medical Council for due inquiry.
- (3) An inquiry will be heard by a committee which consists of at least five members of the Medical Council (at least one of whom being a lay member). The committee will hear the evidence given by the complainant and the registered medical practitioner as the defendant.

If a medical practitioner is found guilty of "misconduct in a professional respect", the Medical Council will decide the appropriate disciplinary action according to individual circumstances. Such disciplinary action may include ordering a warning letter to be served on the medical practitioner concerned, reprimand, or removal of the name of the medical practitioner concerned from the register.

Of the 16 complaints against improper drug labelling in the past three years, three cases were dismissed without the need for PIC hearing. Ten cases were considered and subsequently dismissed by the PIC. Three cases were referred to the Medical Council for inquiry and were subsequently found guilty of professional misconduct. The names of the medical practitioners in two cases were removed from the register for one month, suspended for one year, and that of the remaining case was removed for three months, suspended for two years.

- (b) The Code issued by the Medical Council to all registered medical practitioners has already stipulated a number of requirements on drug labelling, including precautions where appropriate. For instance, section 10.1 of the Code stipulates that all medications dispensed to patients directly or indirectly by a medical practitioner should be properly and separately labelled with the following essential information:
- (1) name of doctor or means of identifying the doctor who prescribes the medication;
 - (2) a name that properly identifies the patient;
 - (3) the date of dispensing;
 - (4) the trade name or pharmacological name of the drug;
[If a generic drug is used, a doctor may add the term "generic substitute for (name of patent drug)" on the label to further facilitate identification of the generic drug. Reference could be made to the "Compendium of Pharmaceutical Products" which lists all the drugs registered in Hong Kong and is published by the Department of Health.]
 - (5) the dosages, where appropriate;
 - (6) the method and dosage of administration; and
 - (7) precautions where applicable.

The Administration has been working closely with the Medical Council to uphold the standard of the profession for the protection of public health. Matters of public concern will be reflected to the Council whenever necessary.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the three items of subsidiary legislation relating to the Chinese Medicine Ordinance, which were tabled in Council on 29 October 2003.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MS CYD HO (in Cantonese): Madam President, I move that the motion, as printed under my name on the Agenda, be passed.

Members agreed at the meeting of the House Committee on 31 October 2003 that a Subcommittee should be set up to study three Commencement Notices related to relevant clauses and provisions of the Chinese Medicine Ordinance and its relevant Regulation tabled in Council on 29 October 2003.

To allow more time for the Subcommittee to deliberate on the items and report the outcomes to the House Committee, I move a motion in my capacity as Chairman of the Subcommittee to extend the scrutiny period to 17 December 2003.

Madam President, I implore Members to support this motion.

Ms Cyd HO moved the following motion:

"That in relation to the —

- (a) Chinese Medicine Ordinance (Cap. 549) (Commencement) (No. 2) Notice 2003, published in the Gazette as Legal Notice No. 227 of 2003;
- (b) Chinese Medicine (Fees) Regulation (Cap. 549 sub. leg. E) (Commencement) (No. 2) Notice 2003, published in the Gazette as Legal Notice No. 228 of 2003; and
- (c) Chinese Medicines Regulation (Cap. 549 sub. leg. F) (Commencement) (No. 2) Notice 2003, published in the Gazette as Legal Notice No. 229 of 2003

and laid on the table of the Legislative Council on 29 October 2003, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 17 December 2003."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Cyd HO be passed.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee on the speaking time of Members. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Backbone industries as part of the infrastructure.

BACKBONE INDUSTRIES AS PART OF THE INFRASTRUCTURE

DR LUI MING-WAH (in Cantonese): During the past six years, Hong Kong has been caught in a sizzling economic downturn. The unemployment rate

stands high, the government books have been in the red for years in a row, deflation persists, people's outlook for the economy remains bleak and the community's confidence index has been falling. All the negative effects add up to dissatisfaction towards the administration of the Government. The outburst of grievances finally culminated in the sensational scene of the 1 July march.

It is said that Hong Kong is blessed a piece of land. We can now see that it is true. After the storm, the sky over Hong Kong is clear again. The signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement, that is, CEPA, has given Hong Kong a shot in the arm and brought us new hopes. The individual visit scheme which follows has immediately revived our retail, catering and tourism industries, bringing smiles on the faces of employees and employers alike.

Will the economy of Hong Kong thus embark on a steady sailing towards recovery? This is an issue of great concern to all sectors of the community. If we are to study it in depth, we need to first understand why Hong Kong economy lost its powerful momentum in the past six years. As I have always maintained, the main reason is that Hong Kong has lost its manufacturing industry which used to be the driving force for economic development, and has transformed instead into a service-based economy. It is crystal clear from the past six years that the energy of Hong Kong's service industry, such as tourism, logistics and finance industries which the Government of the Hong Kong Special Administrative Region (SAR) speaks highly of, comes mainly from outside the territory, and their economic return in aggregate is not sufficient to support the whole economy of Hong Kong and satisfy the employment market. What is more, a service industry reliant on outside support is extremely fragile, any change in the external factors will not only deal a blow to our service industry but also impact direct on Hong Kong economy. The best proof is the onslaught of SARS which scared our visitors away, almost bringing our economy to a halt. Therefore, if we want to revive our economy and put it back on the upward path, we must revitalize our local manufacturing industry.

At present, the Government and the community have gradually come to the consensus that Hong Kong must have its manufacturing industry, and recognized that CEPA has given us the historical opportunity to develop our local manufacturing industry. However, whether or not CEPA can effectively achieve its role as anticipated rests with the Government's ability to form a new way of thinking, implement active economic policies and formulate strategic

measures, so as to revitalize the local manufacturing industry to promote the sustained development of Hong Kong's economy.

The "hollowness" of Hong Kong's manufacturing industry has made it extremely difficult to revitalize the industry. If we are only talking about attracting individual factories of various industries to come to Hong Kong to carry out production, given that the supporting industries have already moved out of the territory, there is a lack of support for them to operate their factories here in Hong Kong. It is difficult for cost-effectiveness to come into full play. This is by no means easy. Thus, the Government should make a correct assessment of the situation and look for a new point of breakthrough. Having regard to the objective conditions of Hong Kong and the cost-effectiveness of operating factories in Hong Kong, the Government should set its direction at bringing into Hong Kong the backbone enterprises of certain industrial chains to operate their factories here. This will bring along the related enterprises, form a complete production chain, and fulfil the effect of mutual support and the multiplier effect of the upstream and downstream industries. This should be the best strategy for Hong Kong.

Backbone industries mean those industries of strength which can support the economy and are, at the same time, the backbone of individual industrial chains. They serve to link up the upstream and downstream industries. Backbone industries include the semi-conductor industry, car manufacturing industry, iron and steel industry, petrochemical industry, shipbuilding industry, alumina refining industry, machine tooling industry, and so on. Take the semi-conductor industry as an example, it needs the support of IC design in the upstream, and the manufactured chips have to be tested and packed. As for the IC, it has to be introduced to manufacturers to support the development of a range of products. The products which are popular nowadays, such as computers, PDAs, mobile phones, digital cameras, LCD panels, multimedia products, electronic devices for vehicles, electronic consumer goods, and so on, are all driven by semi-conductors. With the semi-conductor industry, Hong Kong will then have the opportunity to attract the upstream and downstream enterprises to develop here and form an industrial chain.

Aluminium refining is another backbone industry worth consideration in the Hong Kong context. Owing to the rapid development in the industrial, construction and transportation sectors and the manufacture of products for

civilian use, the Mainland's demand for aluminium materials sees an annual increase of over 6%. The existing alumina refineries, however, cannot meet the market demand. Also, the rapid development of the Pearl River Delta economy has been adding to the demand for aluminium materials, but there is no large alumina refinery in Southern China. All these have provided marvellous room for setting up alumina refineries in Hong Kong. The Mainland relies mainly on import of the alumina required for refining. If one operates his factory in Hong Kong, he can export on the external front and do away with the inland transport fees for raw materials on the internal front, and the transportation volume of aluminium ingots is only one third that of alumina. As regards the impact of alumina refining on the environment, the advances in technology have reached a state that stock rearing can be carried out in the vicinity of alumina refineries. There is thus no problem of pollution.

The downstream industry of alumina refining includes the production of aluminium sheets and aluminium foil, moulding and bearing, aluminium casting, aluminium recycling, and so on. Industries further downstream include the manufacturing of construction materials, domestic appliances, civil products, transport vehicles, and so on. This is a group of industries covering an extensive area.

As seen from the above two industrial chains, so long as we can attract the backbone enterprises (for example, the semi-conductor and alumina refining industries) of the relevant industries to Hong Kong, the related industries will follow. This is the only way for the upstream and downstream enterprises to display fully their cost-effectiveness. Nevertheless, it takes enormous effort to enable the entry of backbone industries into Hong Kong to settle and develop. As backbone industries are capital and technology intensive, the Government must discard its past faith in "active non-intervention", embark on a new way of thinking, and keep its policy abreast of the times. It has to attach importance to the strategic position of backbone enterprises in industry, and promote their development in the same manner as it treats infrastructural development. It should provide assistance to attract them to Hong Kong. Hong Kong needs the manufacturing industry, and backbone enterprises can create the industrial chains, restructure our economy, support the development of our overall economy, and bring back the past glory of Hong Kong's economic achievements. Therefore, only by developing backbone industries can Hong Kong fully enjoy the rich contents of CEPA. Thank you, Madam President.

Dr LUI Ming-wah moved the following motion: (Translation)

"That, as the Mainland/Hong Kong Closer Economic Partnership Arrangement will bring about new opportunities for the manufacturing industry in Hong Kong, this Council urges the Government to embrace the new development with a new way of thinking and treat backbone industries as part of the infrastructure, and to formulate strategic measures to attract suitable backbone industries to invest and set up factories and production lines in Hong Kong in order that they will become the driving forces of their industrial chains, thereby attracting related trades and industries to the territory, with a view to revitalizing the local manufacturing industry and promoting the sustained growth of Hong Kong's economy."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr LUI Ming-wah be passed.

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

MR SIN CHUNG-KAI (in Cantonese): Madam President, I move that Dr LUI Ming-wah's motion be amended, as printed on the Agenda.

Madam President, insofar as the motion moved by Dr LUI Ming-wah is concerned, I believe the Government should take it into serious consideration. In the past, that is, a few years ago, when a company proposed to set up a semi-conductor plant in Hong Kong, the Government might still not have a set of objective policies to tie in with that. Of course, I have already mentioned that case many times and here, I do not wish to repeat it. Even though this case could be materialized, it does not mean that we should go ahead together. However, for the few industries mentioned by Dr LUI Ming-wah today, including semi-conductor industries, automobile industry, iron and steel industry, petrochemical industry, shipbuilding industry, alumina refining industry, machine tooling, and so on, it is obviously good if they can be rooted in Hong Kong, although there will be certain constraints. But overall, they will be welcomed.

If we choose to attract these special industries to Hong Kong, we will need some special policies. That is, if some companies come to the Government for negotiations — for example, in some industries, say automobile industry, a large-scale automobile production line will require a lot of land, workers and skills — it is necessary for the Government to engage in negotiations with them. I think that the Government should do so with an open mind. Dr LUI Ming-wah mentioned new thinking, innovative measures, and so on, which I think merit consideration. Dr LUI Ming-wah, of course, has evaded some core questions like whether tax concessions, free land, and so on, should be provided. At this stage, the Democratic Party is of the view that if there are specific cases as such, anything can be discussed.

In the amendment, the Democratic Party only proposes a very simple amendment. Of course, Dr LUI Ming-wah may think that our amendment does not match totally with his original motion, as we have added the study of the establishment of a river-loop industrial zone or a border industrial zone. Is that totally unrelated to the original motion? I do not think so. In my opinion, if such industries are to be redeveloped, some kind of exchange of talents or importation of talents may be involved so that these industries can be rooted in Hong Kong. For example, if steelmaking is to be developed in Hong Kong, do we have enough manpower in this field? If we really need such kind of talents, where can we find them? The situation of petrochemical industry is the same as that of shipbuilding. Hong Kong once also had a shipbuilding industry and some ships were made in Hong Kong. However recently, not to mention shipbuilding, even the ship repairs and maintenance industry is also phasing out, and this is restricted by certain objective conditions. How can we attain our goal? As a matter of fact, I believe that in every area, everyone does hope that these industries can be rooted in Hong Kong. The question is: How this task can be done properly? Policy-wise, everyone hopes that these industries can be rooted in this area. But actually, we also have to live with the fact if we cannot attract them here. Nevertheless, if some companies should knock on the doors of the Hong Kong Government, I reckon that the Government should negotiate with them in a positive manner. It can also consider joining hands with the Central Government in developing a river-loop industrial zone and a border industrial zone, accomplishing this task with the aid of regional advantages.

On the whole, we support Dr LUI Ming-wah's motion. Of course, our amendment does not necessarily warrant consideration. It can be there or not.

However, the aim of this amendment is that if we really have to establish these industries, then it will be a meritorious point for consideration. That is, it can serve as reference. Therefore, I hope that the Government can be a little more positive. As regards the series of backbone industries mentioned by Dr LUI Ming-wah, with the exception of IC design as we have already got a rather comprehensive measure on IC design, including a supporting IC design centre, I personally find that the foundation of Hong Kong is rather weak in other areas. However, if companies should really come to Hong Kong and propose to set up these industries, we should welcome them. But how can we welcome them? What supporting facilities can be provided? What supporting facilities would these companies require? All these have not been mentioned in this motion today. What is new thinking? I think that any question can be discussed. Simply, we can examine what terms and conditions can be offered by the companies concerned.

We will support this motion, and hope that Members can support my amendment. I so submit.

Mr SIN Chung-kai moved the following amendment: (Translation)

"To add "and study the establishment of a border industrial zone or a river-loop industrial zone" after "and to formulate strategic measures"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Dr LUI Ming-wah's motion, be passed.

MR LAU CHIN-SHEK (in Cantonese): Madam President, I believe Dr LUI Ming-wah is definitely a person with high aspirations and determination. Because every year, through a motion debate, he will remind us that Hong Kong needs to have an industrial policy. But unfortunately, what he meets is a Government which all along upholds non-interventionism. Every year, Dr LUI seems to be casting pearls before swine. However, Dr LUI has not given up and has been persistent. And in the last couple of years, he even brings the latest technology to this Council. A year ago, we had nanotechnology. Last year, we had the latest sea water desalination technology. While we are

earnestly expecting what kind of novelty we are going to have this year, Dr LUI returns to the basics unexpectedly, asking the Government to treat backbone industries as part of the infrastructure. I that the Government will not regard these as old stuff. I hope that the government official responsible for reply — I have no idea where Secretary Stephen IP has gone — can respond positively.

PRESIDENT (in Cantonese): Do you wish to wait for the Secretary to come back before you continue?

MR LAU CHIN-SHEK (in Cantonese): Madam President, at a glance, there are many differences between the business sector and the labour sector. For example, if we ask for setting a minimum wage in order to safeguard the living of low-income workers, Dr LUI and other Members of the business sector will definitely shake their heads and say "no". Or if the business sector asks for importation of labour, our reaction will surely be: Under the present circumstances, it is better not to mention that. However, I believe there are actually common interests and common languages between the business sector and the labour sector, and the development of local industries is definitely one of them.

On many occasions in the past, I have pointed out that since "one country, two systems" is implemented in Hong Kong, the mobility of population will certainly be subject to a certain degree of restriction. It is not possible to follow the pattern of New York and London, where some low-skilled workers or workers of lower educational attainment can move to other places of the country for settlement and work. Therefore, Hong Kong cannot only be a financial and commercial services centre. It has to maintain a complete and balanced economic structure. The manufacturing industry should maintain a certain proportion in the economic activities in order to provide long-term and stable employment opportunities to those workers of lower educational attainment.

Besides, the Hong Kong Confederation of Trade Unions also reckons that we should not live only for work, and should not work only for food. Work is not only to satisfy the financial need of workers, but also an opportunity for workers to bring their strengths into play through labour. We have to understand that different people have different specialities. Some people are

good in mathematical analysis, some are strong in hospitality and services. At the same time, some are skillful in handicraft. In a human-oriented economy, there must be diversified economic activities, so that workers either good in mental work or manual labour can find positions suitable to themselves and realize their potentials through work.

Madam President, the development of the local manufacturing industry is a wish common to a lot of people in society. And strong government support is indispensable worldwide to enable industrial development to attain a certain level of foundation and scale. I once said that Hong Kong was the only place in the world where an effective risk-sharing mechanism was lacking, so that the industrial sector was left out on its own. Mr CHAU Tak-hay, former Secretary for Commerce and Industry, did not agree with my viewpoint, and listed the government measures supporting the sector in the past as testimony to the contrary. I agree that the Government has not sit back idly and done nothing. However, the Government only provides some general support. This approach might be suitable to the manufacturing industry in the '60s and '70s when a large number of low-priced products were exported. But it is no longer appropriate nowadays. The prominent shortcoming of the supportive measures of the Government is a lack of direction and focus, which is mentioned in the motion today. The Government has not formulated an industrial policy for Hong Kong from a strategic perspective.

When the industrial sector develops new products and explores new markets, it will certainly bear risks. If the local manufacturing industry is to continuously innovate and develop, it is not possible to rely solely on the industrial sector to bear all the risks. If the market cannot provide effective measures of risk sharing for the time being, it is the responsibility of the Government to intervene. Unfortunately, the Government always upholds the dogma of market forces, and regards any measure to support or subsidize industrial development as dishing out advantages. With the remark that "the Government does not incline towards industrial development and does not subsidize specific trades", a lot of reasonable and feasible proposals have been dismissed one by one. Just as Dr LUI Ming-wah has said, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) brings new opportunities to the local manufacturing industry. I hope that the Government can adopt a new mindset in welcoming this new situation.

Finally, I would like to mention one more point. CEPA only provides an opportunity to Hong Kong. Whether we can grasp it fully will depend on Hong Kong itself. CEPA can provide the local manufacturing industry easy access to the mainland market, facilitate it establishing a good foundation and scale. However, this concession is only temporary. The sector cannot only look northwards but forget setting its eyes on the rest of the world. CEPA or government support is only supplementary. The successful development of the local manufacturing industry depends on the entrepreneurs themselves. There are many entrepreneurs working silently in Hong Kong. In the absence of government support and concessions from CEPA, they have still managed to open up new horizons. I believe if only there can be a few more enthusiastic entrepreneurs in Hong Kong, and if only the government policy for industrial support can be more strategic, the local manufacturing industry can have a bright future.

I so submit, Madam President.

MR KENNETH TING (in Cantonese): Madam President, the motion moved by Dr LUI Ming-wah today calls for the paying of due attention to backbone industries as part of the infrastructure and urges the Government to formulate matching policies for their vigorous development. However, I would like to point out that industries, irrespective of whether they are backbone industries, are vital to the economic development of Hong Kong and the Government must address the issue squarely.

In the heyday of the industries in Hong Kong, the manufacturing sector took up about 25% of the Gross Domestic Product (GDP). There were innumerable types of industries, such as the textile, garments, plastics, toys, electronics and watchmaking industries and they occupied a vital position in Hong Kong economy and their influence was unsurpassed. Even today, despite the drastic fall in the share of the manufacturing sector in the GDP to less than 6%, products from many of the above industries are still top-ranking in the global export market.

A far greater impact is caused by the increasing number of Hong Kong manufacturers who produce inexpensive quality products, making good use of the manpower and production resources in the Pearl River Delta. These

products bring in profits for the manufacturers from consumer markets all over the world. A survey conducted by the Federation of Hong Kong Industries in 2002 points out that there are as many as 63 000 Hong Kong companies engaging in manufacturing activities on the Mainland and these companies account for 52% of the imports and exports of manufacturers based in Hong Kong. This trend will continue to bring attractive returns to the territory.

In addition, the economy of Hong Kong will benefit greatly from the support given to local industries and the encouragement given to manufacturers to retain in Hong Kong such processes as the design, research and development and sales of high value-added products.

In fact, even such advanced countries as Britain and the United States have not neglected the promotion of the export of their industrial products besides giving an impetus to the development of their financial and service industries. It is because apart from generating foreign exchange earnings, industries can also absorb a great part of the labour force and hence will help ease the unemployment problem. That is why we should make good use of the business opportunities offered by the conclusion of CEPA to local industries and strive to consolidate and enhance our industrial base.

Despite the fact that local wages are not as competitive as those on the Mainland, our edges lie in design, creativity, promotion, and so on. In the annexes to the CEPA, there is a 30% value-added requirement which stipulates that product development costs such as design, development, intellectual property rights, and so on, incurred in Hong Kong shall be factored into the calculation of the value-added percentage. This requirement will enable Hong Kong manufacturers to capitalize on their edges.

The zero-tariff arrangement will be conducive to the development of high value-added industries as the costs of product development and intellectual property rights can be factored into the value-added costs of 273 items of import products enjoying zero tariff. Therefore, the Liberal Party urges the Government once again to provide more tax concessions in relation to product development costs and encourage manufacturers to add in self-developed technologies into the production process and enhance the high technology content of their products. It is believed that by so doing, our exports can be upgraded and hence our share of the global market be expanded.

I also hope that the Government can adopt a more flexible policy with regard to land for industrial use. Industries with growth potentials like the logistics and recycling industries should be encouraged to move into the industrial parks to develop their business. At present, parts of the Tseung Kwan O industrial estate and the Science Park are still unoccupied and the Government should provide flexible development conditions in order that more factories can be attracted to relocate there. That will also prevent the wastage of resources.

Moreover, to meet the demands of new high value-added industries, there may be a need for many kinds of workers with various skills. Therefore, we propose the importation of workers whose skills are not found in Hong Kong in accordance with the actual needs of the trades and under the precondition that the job opportunities of local people will not be affected. This will help the local industries and the manufacturing industry launch another take-off and boost employment.

As for the proposals to set up a border industrial zone or a river-loop industrial zone, the Liberal Party has all along advocated this. It is because with the momentum triggered off by CEPA, if the geographical location of the river-loop industrial zone at the border can be given full play, that will pool the advantages of the Hong Kong SAR and the Shenzhen Special Economic Zone and that will certainly help the development of more backbone industries.

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

MISS CHAN YUEN-HAN (in Cantonese): Madam President, Members' motions are proposed today both by Dr LUI Ming-wah and me in relation to how CEPA can boost the Hong Kong economy and employment. One of us comes from the industrial sector and the other from the labour sector. Our position is consistent on this issue. It is not only today that our position is consistent. A few years ago, when Mr Donald TSANG was the Financial Secretary, he consulted me together with representatives from the industrial sector. At one time we had a heated debate with the former Financial Secretary on the non-intervention policy of the Government.

With respect to this issue, I think the Government has already heard the views presented by the industrial sector and the labour sector a long time ago. Unfortunately, the Government has made repeated delays and even as an opportunity arises now, we are worried that the Government will continue to do nothing. We believe the industrial sector focuses on promoting the economy of Hong Kong while the labour sector focuses on employment. There is no conflict between the two sectors. We all know that if there are fewer economic activities, our employment opportunities will become less. That will cause an adverse impact on the overall economy of Hong Kong. I therefore hope very much that officials of the SAR Government, especially Secretary Stephen IP and the Trade and Industry Department will realize this very well.

If Hong Kong is to depend on the four pillar industries as suggested by the Government, that is, the financial services, logistics, tourism and producer services, then I think that the labour sector would feel gravely concerned. For the financial services and producer services would require a lot of professional expertise. The tourism industry can absorb a lot of labour, but apparently, it is subject to external influences as evident in the SARS incident. What remains is the logistics industry, which we think has many advantages. It accounts for 4.8% of our GDP and provides 200 000 positions, including many jobs in the upper and middle management as well as in the basic ranks. It is one of the trades to be benefited under CEPA. The logistics industry has great development potentials and it certainly merits the Government's attention. I mentioned this point to the Secretary during the Question Time today.

The Government often says that importance is attached to the logistics industry, but are there any strategic measures formulated to help the industry to develop? When we look at the Pearl River Delta nearby, obviously we do not have a strong sense of time and we may take years to discuss something without reaching any conclusion. But our competitors, those ports which compete with us, like Shekou, Yantian, Chiwan, or even the future Dachanwan, are pinpointing our logistics business. That is why we are very worried. Last month, the throughput of our container terminals was surpassed by others. I sincerely hope that the SAR Government will give serious thoughts to this. It should think about what it should do if we are to develop this trade. Ever since the establishment of the Logistics Development Council in 2001, what has the Government done? That is a question we need to ask.

The Government says that it will develop these four major industries. I have made my views known and that include the views I have presented just now on the logistics industry. But even if these four industries can develop smoothly, does it follow that the current structural unemployment problem in Hong Kong will be resolved? Our economy used to be undiversified, so when one industry was gone, another industry would rise and take its place. For example, when the services industry was gone, the manufacturing industry would take its place. But things are different now and if one industry dies, then all the others will not survive. I think the Government should make a review of the few years after the reunification. We need to rethink, and industries are important to us. We do have the competitive edges, the problem remains how we can make the best use of them.

Let us look at our neighbours, except China. In Singapore, its services industry and manufacturing industry are developing in parallel. The manufacturing industry accounts for 80% of the exports of Singapore and it brings in foreign exchange and many job opportunities for the country. We can see that the economy of Hong Kong is not large and our working population is about 3 million. If our industries can have one or two key industries as suggested by Dr LUI Ming-wah today, then I believe there are chances to solve our present problems. But that will depend on whether the Government will want to face up to these problems.

Madam President, the greatest merit of the industries is their clustering effect, that is, every form of production will generate many economic activities. For example, a small industrial activity like ship repairs which used to be done in Yau Kam Tau led to many other work processes like metalwork. Had the Government paid more attention to this activity, it would have created jobs in design, marketing, transport and supply of spare parts, and so on.

Madam President, the Hong Kong Federation of Trade Unions (FTU) keeps a keen interest in this issue. Since the Hong Kong Government signed CEPA with the Central Government in June, we have been trying to discuss the matter with the officials, for we think that this is a great opportunity. The Government cannot just sit back and do nothing, nor can it just wave its hands to the people and tell them not to worry. Many people have made enquiries and they are prepared to relocate their production lines back to Hong Kong and then

venture into the Mainland. When we first heard about these things some years ago, we thought it was a great opportunity, but then after these few years, when some people want to come here, they cannot find any policies that will make Hong Kong compete favourably with others. Eventually, these industries have not come to Hong Kong.

Therefore, I must stress that after the conclusion of CEPA, even if there are many people from all over the world making enquiries, asking many questions, expressing interest or asking for information during the promotion activities, that does not mean that we can do anything. As a matter of fact, some of these people are enquiring of the policies Hong Kong has in place to compete with other places. Honestly, we do not have any such policies. For even in the logistics industry mentioned by me just now, places like Shenzhen and Shekou can offer land at half of the prices in Hong Kong to lure our logistics companies to go over there. Why are these places acting so swiftly? Madam President, it is because they have strategies directed against us. But we have nothing pinpointing their activities and all we do is to sit here waiting for our fortune to come by.

I wish to make this demand to the SAR Government once again, though the Government may not be happy at all to hear what I say. I wish to say that we have leading edges like fair competition laws, the rule of law, a simple tax regime while places like South Korea and Singapore have tax concessions, favourable land policy, and so on. I really hope that our Government can capitalize on the opportunity offered by CEPA and solve the prevailing problem of structural unemployment.

I wish to reiterate that we in the FTU have made a lot of commitment and we do hope that the Government can solve the problem of unemployment in Hong Kong. When the year 2006 comes, if the bosses are all making huge profits while the problem of unemployment among the wage earners remains unsolved, then that will be a great political issue indeed.

Madam President, I wish to sound a serious warning to the Government, for despite the calls for "Hong Kong people ruling Hong Kong" for so many years, nothing has been done and that is very disappointing to Hong Kong people. Madam President, I so submit.

MR NG LEUNG-SING (in Cantonese): Madam President, under Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA), starting from 1 January next year, 273 items of goods of Hong Kong origin will enjoy zero tariff when they are exported to the Mainland. These products include some electrical and electronic products, plastic and paper articles, textiles and clothings, chemicals, pharmaceutical products, watches and clocks, jewellery, cosmetics, metal products, and so on. As for other products, the Mainland will apply zero tariff the latest by 1 January 2006 upon application by local manufacturers and upon compliance with CEPA rules of origin being agreed by both parties. Before 1 October each year, both sides will confirm the product list and complete consultations on the origin rules. For products that are currently in production, tariff elimination will commence in the following year. For products that have yet to be manufactured in Hong Kong, zero tariff will be applied from 1 January of the following year after the products have come into production.

Such arrangements have undoubtedly opened the door of the mainland market to local manufacturers. Under such arrangements, manufacturers may make applications for zero tariff to be applied to other products, that is, manufacturers can devise investment plans for new products according to the market demand and to apply for zero tariff for these products. This will give greater room for restructuring and repositioning the industrial mix so that manufacturers can respond to market demand more flexibly and invest in new products. It can be said that Hong Kong has found a golden opportunity. The problem is how to capitalize on it.

In the 1980s and at the beginning of the 1990s, there were phenomenal transformations in the manufacturing sector in Hong Kong as there was a massive relocation of production bases to the Mainland. According to statistics from the Government, the manufacturing sector only accounted for 5.2% of the GDP in 2001 and the sector employed 6% of the total working population in 2002. Figures in 2001 show that the clothing industry which is one of the larger trades in the manufacturing sector only provided some 25 000 jobs with a total production value of only some \$26.5 billion. The textiles industry provided some 25 000 jobs and its total production value was only \$26.2 billion. The printing, publishing and other related trades provided 38 000 jobs and the total production value was \$31.3 billion. The electronic components trade offered some 15 000 jobs and its total production value was \$22.2 billion. Compared with the current working population of 3.48 million in Hong Kong and the annual GDP of \$1,260 billion, the manufacturing sector only accounts for a small share.

With the decline of the manufacturing industries in Hong Kong, the producer services industry has emerged to take up the leading position. The manufacturing industries are labour-intensive and now with the economic restructuring, the service industries begin to replace the manufacturing industries. Though the value added is greater, the kinds of skills required are also higher. So there is a problem of people being displaced by the economic restructuring and that leads to structural unemployment. Meanwhile, being prone to the external influences, the service industries cannot be expected to become an engine for economic recovery. For this reason, in the interest of the long-term and sound development of our economy, there is a need for backbone industries in Hong Kong. The problem is how we are to determine what the backbone industries of Hong Kong are.

On the issue of backbone industries and looking at the situation of the manufacturing sector in Hong Kong, such industries as the textiles and clothing, printing and publishing, and the electronic components can be said to have maintained a certain scale of operation and they should be assisted in enhancing their innovative and value-adding abilities. Of course, it is also worth looking into some emerging industries in Hong Kong, such as the chips manufacturing industry, to see if they have potentials for further development in Hong Kong. I think that the Government can formulate some attractive investment measures for the backbone industries. Such measures may include incentives in tax, government rent and importing foreign workers on a specified proportion, and so on. All the above measures can also be found in foreign countries. The established practice of the Government is that all trades should be treated equally and it would be unfair if preference is given to individual trades. But if the government policy is to extend the same concessions to all those who are interested in investing in the backbone industries, then how can this be said to be unfair? Unfortunately, the Government is sticking to its past thinking. With the high land prices and wages in Hong Kong, and restrictions like the statutory retirement protection, not only will it be difficult to promote the new backbone industries, but that the existing manufacturing may even be eliminated ultimately.

The amendment calls for a study into the establishment of a border industrial zone or a river-loop industrial zone. In the past, I did express agreement with the proposal in principle. But it must be noted that a so-called border industrial zone should be characterized by full utilization of the convenient passenger and goods flows between the two places. Thus there must

be more flexible measures on goods clearance and the employment of workers so that the advantages of such a zone can be highlighted. Otherwise, it may not be more attractive than the existing industrial zones.

Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, industries used to play a vital role in Hong Kong. But now industries take up less than 20% of the GDP, of which the share taken up by the manufacturing sector is less than 10%, with the service industries accounting for more than 80% of the GDP in Hong Kong. A similar huge disparity appears in the relative proportions of the industries and the services in the working population. The acute unemployment situation in Hong Kong is to a certain extent related to the bias towards service industries in the industrial structure as opposed to the manufacturing industries which are neglected. The DAB is of the view that the conclusion of CEPA and the six annexes to it do not mean that the mission of the Government is complete. The opportunities offered by CEPA should be fully capitalized to revive our manufacturing industries. So in this respect, apart from the joint efforts made by the business sector and the public, it is also incumbent on the Government to provide the necessary assistance.

Under CEPA, 273 items of products of Hong Kong origin can enjoy zero tariff when they are exported to the Mainland. The elimination of tariff is expected to attract more investments in our manufacturing industries and create job opportunities. So now is a good opportunity for the SAR Government to come to a fresh understanding of the manufacturing industries and on what kinds of backbone industries should best be developed in Hong Kong. In our opinion, efforts should be co-ordinated to engage in a large-scale study of the manufacturing industries in Hong Kong and the findings of such a study should be used to formulate development strategies and policies on backbone industries.

The DAB has always been concerned about the revival of our industries. We have made many exchanges of opinions with the chambers of commerce in the sector and we have made study trips to the Mainland. We have come to understand the importance of the "clustering effect". For such industries as shoemaking, clothing and electronics in the Pearl River Delta, thanks to the efforts made by the local authorities there to set up specialized processing zones, adopt guiding policies and engage in marketing campaigns, local and foreign

investments are increasing and there is a kind of automatic concentration of investments. This has made possible the concentration of all up-stream and down-stream industrial processes and the emergence of many buildings especially for shoes, clothing and electronic goods. This kind of concentration in production, supplies and sales is the so-called "clustering effect". We sincerely hope that the SAR Government can capitalize on the existing industrial estates or open up new industrial zones. With investments in the infrastructure, co-ordination and promotion, and drawing from the success of the Pearl River Delta, it is hoped that under the "clustering effect", the backbone industries in Hong Kong can grow and our manufacturing sector revive.

Even though CEPA will bring new opportunities to the local manufacturing sector, efforts should still be made by the SAR Government in terms of an industrial policy and matching facilities. The DAB urges the Government to make an expeditious review of the existing industrial policy with a view to improving it. The licence application and start-up formalities should be simplified; quality support services should be offered to facilitate manufacturers to come here to invest and the returnee Hong Kong manufacturers to set up their business here. Another thing is to enhance the protection of Hong Kong industries by stepping up the efforts in protecting intellectual property rights, preventing counterfeit goods or substandard goods from being exported to the Mainland, for this will damage the reputation of our products. Support services provided by the Hong Kong Government on the Mainland should also be increased, more offices should be set up in the major cities on the Mainland and efforts should be made to protect the lawful rights of Hong Kong products. Moreover, the Hong Kong Government should co-operate with the business sector users to allocate more resources in accordance with the investment and development trends of the manufacturing sector and the market-oriented principles to provide more training to local workers which meets the market needs. Why is it difficult for the backbone industries to survive in Hong Kong? The main reasons are high costs of production, strong competition from nearby places, the absence of any supportive policies from the Government, the distance from places which supply raw materials and the limited consumer market. All these would pose obstacles to the development of our backbone industries. It is actually not easy to develop backbone industries in Hong Kong. But our manufacturing industries have to be developed if our economy is to grow. The reliance on service industries and the finance industry alone will lead to an economy which is vulnerable to external influences. What we should pay more attention to in the long run are the positive impacts of economic restructuring.

The DAB therefore urges the SAR Government to seize the opportunity and take positive actions to study how our backbone industries can be developed so that our manufacturing sector can regain its past splendour.

Madam President, I so submit.

MRS SOPHIE LEUNG (in Cantonese): Madam President, we have learnt from the experience of advanced countries that industrial development gives impetus to economic growth. Hong Kong is no exception. However, the population engaged in industrial production has dropped from approximately 1 million in 1980 to approximately 260 000 in 2002. People are thus given a wrong impression that industries, and even the manufacturing sector, have become "sunset industries" without a future. As a member of the industrial sector, I believe this misconception must be clarified. I hope Members can take off their tinted glasses today and give industries, including the manufacturing sector, their due appraisal.

The decline of the industries as a share of the economy, as opposed to services, is actually a normality in the course of economic development. In addition, technology upgrading has led to an increased efficiency and thus a reduced demand for manpower. As shown in a research conducted by the Capital Alliance Management, a fund management company, each of the 20 countries surveyed saw an average 11% drain of their manufacturing posts during the period between 1995 and 2002. But global industrial output grew 30% in the same period. It can thus be seen that reduction in manufacturing posts has become a global trend. One must not extend this phenomenon and hence conclude that the manufacturing sector is dead.

Actually, the manufacturing sector is not only alive, but also playing an important role. However, we cannot tell this from merely looking at the fact that it accounts for 5.2% of Hong Kong's overall economy. The main reason is two-fold.

First, the manufacturing sector is a component of other economic activities. For instance, the Government has actively promoted creative industries, including the interaction between production equipment and even design and production for dozens of trades and industries such as design, publication, and so on, encouraged individual trades and industries to move towards original design

manufacture (ODM), and even original brand manufacture (OBM). All this points to the fact that the high value-added manufacturing sector is indeed a core element of creative industries.

Second, services industries must also rely on the manufacturing sector in order to grow. Without local goods, our pillar industries, such as logistics, financial services, professional services and tourism, will lose a platform that enables them to develop in Hong Kong. The edges of the services industries will also be threatened by even greater competition.

It is not hard to imagine that, without the manufacturing sector, an economy will very easily turn into an economic subsidiary that has to rely on other countries to give it room for economic development.

For these reasons, the significance of manufacturing industries has been affirmed by advanced countries. For instance, after sustaining a drain of more than 2 million manufacturing opportunities, the United States Government has displayed a posture in an attempt to force China to lower Renminbi exchange rates to pre-empt the situation from further deteriorating. In Britain, for instance, the Department of Trade and Industry formulated in 2002 nationwide manufacturing strategies under which seven scopes of development were proposed. In Macao, which is so close to Hong Kong, its Chief Executive has repeatedly indicated his determination to strengthen industrial development.

Our Government is, on the contrary, still adhering to its active non-intervention policy and has thus stifled the room of development for the manufacturing sector. Let me cite an example. Being surrounded by seas and having a world-class deep-water port, Hong Kong should possess all the inherit advantages required for the development of dockyard and shipping industries. In fact, we once ranked the first, particularly in the development of the pleasure boat industry. Unfortunately, the urbanization development policies have failed to warn the industry in advance to make early preparations. Businesses were almost forced to close down when the Government was about to announce land resumptions. It is really sorry that so many opportunities have been lost. The dog leash industry is a minor example that I believe Members who are sitting in this Chamber have seen recently.

More unfortunately, the Government appears to be unaware of the fact that the manufacturing sector has become hollow owing to the Government's active

non-intervention policy. During the period between the reunification in 1997 and June 2003, the workforce engaged in manufacturing has seen an accumulated decrease of approximately 140 000, meaning that there has been a monthly drain of 1 900 or so manufacturing posts on average. Should such a drain rate persist unfortunately, Hong Kong's manufacturing posts will completely disappear in seven years or even sooner.

Even if we can maintain the *status quo*, the percentage of the manufacturing sector as a share of Hong Kong economy, compared to other Asian countries, is still negligible. According to the information furnished by the Asian Development Bank in 2002, the manufacturing sector accounted for 26.5% of the economy in Singapore, 25.7% in Taiwan, 29.2% in South Korea, 33.8% in Thailand, and 30.7% in Malaysia. Even some countries which level of development is not as high as that of Hong Kong fared better than the territory's 5.2%. For instance, Burma recorded 7.8%, Azerbaijan 6.7%, and Bhutan 8.1%. Can the Government take no notice of this?

In my opinion, the Government must take the initiative and the lead with a pragmatic attitude. It must refrain from judging our business environment by mere words. Instead, it must assist the superior manufacturing industries and strive for a more advantageous position by creating a business environment conducive to their development.

Let me take the textiles and garment industries as an example. Since the industries took off in the '60s and the subsequent imposition of quota restrictions by the United States, the industries still managed to grow rapidly and pulled the proliferation of such local industries as banking, shipping, insurance, and so on. In the '80s, in order to offset the constantly rising production costs, their operation began to expand to various parts of the world such as Southeast Asia, and even Portugal, and later the Pearl River Delta, thus speeding up the manufacturing colonization in those places. As a result, Hong Kong's textiles and garment industries are highly acclaimed internationally. Hong Kong has, for many years, ranked the second largest clothing exporter in the world and earned a substantial amount of foreign exchange.

Economic integration has made the division of labour in the regional economy increasingly apparent. There is still a considerable gap between the Pearl River Delta, relying mainly on low value-added products at the moment, and Hong Kong in terms of the quality of products. In order to prevent Hong

Kong from being marginalized in the division of labour globally, we must strive to maintain this high value-added position promptly. However, we cannot rely solely on the strength of the industrial sector because the direction and pace of economic consolidation hinge largely on the Government's policies and determination.

Madam President, I so submit. I hope the Government can introduce some changes and adopt a positive attitude to, taking advantage of the new opportunities brought about by CEPA, support the superior manufacturing industries to upgrade and transform in the interest of promoting the sustained growth of Hong Kong economy.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, subsequent to the signing of Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Mainland, zero-tariff concessions will apply to the import of 273 items of Hong Kong goods starting next year. The territory is set to benefit from this arrangement for Hong Kong businessmen will be encouraged to return to the territory to develop industries here. More importantly, the arrangement will attract the capital of foreign businessmen and induce technology transfer, thus upgrading in turn the competitive edge of local industries.

In view of production cost considerations, there was a massive shift of Hong Kong's manufacturing industry northward across the boundary a long time ago. Financial and services industries have since become the economic pillars of the territory, accounting for more than 80% of the GDP. As a practitioner of the import/export industry, I support the vigorous efforts made in promoting the financial and services industries in the territory. Yet I consider it necessary to preserve and develop the manufacturing sector in some measure in the interest of enabling the import/export industry to grow steadily and, at the same time, creating more job opportunities for local workers. At present, local exports account for less than 10% of the total exports. Should local exports remain stagnant, the livelihood of workers engaging in industries relating to import/export, including the logistics industry, will be hit seriously.

Backbone industries can be described as the mother of all industries. Such industries as steel, oil, aluminum, automobile, semi-conductors, and so on, carry with them innumerable extended industrial chains and pull the development

of related trades and industries, serving as the pillars and backbones of economic development in numerous countries. With limited land and a lack of natural resources, Hong Kong apparently does not possess the right conditions to develop backbone industries that require raw materials or abundant land in production. Furthermore, from the angle of strengthening economic integration with the Mainland, Hong Kong is actually a member of the industrial chains of the whole of China. We do not necessarily have to develop backbone industries which are fundamental to China's overall industrial system. On the contrary, many places on the Mainland have developed a variety of backbone industries by making use of the existing resources or market strengths available locally. For instance, the petrochemical industry, steel industry and automobile industry have, to a certain extent, laid a foundation in Guangdong Province. It is foreseeable that Hong Kong cannot acquire the edge required for developing such backbone industries as the steel industry, petrochemical industry, and so on, within a certain period of time. On the other hand, we should seize the opportunity to provide industries functioning as the driving forces on the Mainland with downstream commercial services and import/export services for relevant goods and materials, as well as equipment, for the purpose of helping these industries to grow in a more rapid and stable manner.

The capital and technology intensive semi-conductor industry, being a driving force of the information industry, is consistent with Hong Kong's direction of developing high value-added industries. Amid fierce competition in the global market, Europe, the United States, as well as Japan and Korea in Asia, have risen one after another. In Taiwan, the development of the semi-conductor industry has also risen to a certain scale. However, the industry has recently moved gradually towards the Mainland. In particular, it has shifted and gathered in Shanghai and the Yangtze River Delta Region, and an industrial chain has gradually formed there. In my opinion, the Government may conduct an in-depth study to examine the conditions possessed by Hong Kong in developing the semi-conductor industry and how the territory can tie in with and delineate responsibilities with the Mainland, particularly Guangdong Province, in the supply and industrial chains, for the purpose of identifying the most suitable production process for development.

Hong Kong possesses the strength in developing certain quality industries, in addition to the backbone industries mentioned in the motion. By these quality industries I mean industries that embrace three key elements: brand name, quality and intellectual property. In other words, the reputable brand of "Made

in Hong Kong" gives us quality assurance that faked and poor-quality products are rarely found. This is similar to the adoption of "99.99" by the trade as a standard of fineness of pure gold to give customers immense assurance of confidence. This is very important to mainland customers. Furthermore, Hong Kong's protection and respect for intellectual property is internationally recognized. CEPA has actually provided products emphasizing intellectual property and the exploration of innovation and brand name values with a great incentive to carry out production and manufacturing in Hong Kong. Under CEPA, 273 items of goods, such as jewellery, pharmaceutical products, cosmetics, and high fashion, will enjoy zero tariff. They all possess the conditions and potentials for developing into quality industries.

Let me cite proprietary Chinese medicine as an example. In addition to possessing a definite measure of strength in terms of manpower and scientific research as well as reputable brand names, Hong Kong is well-versed in the labelling systems adopted internationally for Western medicine. Through the creation of brand names and research and development, Hong Kong can not only expand its market on the Mainland by virtue of the concessions offered under CEPA, but also acquire an advantage in entering the global market. Let me cite jewellery or high fashion as another example. The advancement in information technology and free flow of information have enabled Hong Kong to surpass a number of major cities on the Mainland in grasping the international trends. Hong Kong is also a source of reference and model for the Mainland in terms of style and design. Having such attributes as an open society, a mixture of the Eastern and Western cultures and quality talents, Hong Kong has enormous room for development in terms of creation and design. For overseas brand names emphasizing intellectual property, be they cosmetics or high fashion, Hong Kong as a production base can offer sufficient protection against infringement, imitation and forgery. Moreover, Hong Kong possesses favourable tariff and geographical conditions that can help them develop the mainland market. For mainland customers, quality assurance offered by Hong Kong is readily understood.

These quality industries have been highly effective in propelling the development of local research and development undertakings, promoting employment and local import/export trades, and so on. In my opinion, the Government is obliged to adopt measures to assist the investment and development of these industries in Hong Kong.

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): Dr LUI Ming-wah, you may now speak on Mr SIN Chung-kai's amendment. You have up to five minutes to speak.

DR LUI MING-WAH (in Cantonese): This topic of discussion today is very dry and dull, but unexpectedly, eight Members have spoken on it. I would like to specifically mention a few points. First of all, we all agree that Hong Kong needs the manufacturing sector. Not only does the manufacturing sector provide service targets for service industries, it also supplies a lot of jobs. We are all very clear about this point.

Second, as Mr LAU Chin-shek and other Members have said, Hong Kong needs a set of industrial policies to be introduced by the Government. The economic structure of Hong Kong needs to be reorganized so that the industrial structure and the economic structure can be balanced. The Government has to support and assist backbone industries to take roots in Hong Kong. The attitude of us towards this is also very obvious. As far as Mr SIN Chung-kai is concerned, his requests in the past were rather critical. However, this time around, he has also indicated that the conditions are open to discussion, and that only if they are willing to come to Hong Kong and only if this is in the interest of Hong Kong, they can come here for development. We have all requested the Government to map out some policies and show its determination, with a more positive attitude. Hong Kong needs the manufacturing sector, otherwise, it will not be able to enjoy the concessions provided by CEPA.

Today, I would like to reiterate that this motion may be a little academic. For this, I mean to "treat backbone industries as part of the infrastructure". Members have rarely mentioned this point. Nevertheless, when it comes to infrastructure building, the Government will very often say that the industrial infrastructure of Hong Kong is very good, and that the Administration has spent a lot of efforts in its building, having spent large sums of money. However, we hope that the Government can "treat backbone industries as part of the infrastructure", and this attitude is really necessary. The Government can no longer stick to its old story that: Since you are in the industrial sector, then I

would not care and you have to run your own course. I will give neither assistance nor money. In brief, I would not care at all. I hope that the Government can change its attitude. It can figure out some policies only if its attitude is changed, and only then, there will be hope for Hong Kong.

As regards the amendment moved by Mr SIN Chung-kai, I talked to him last night, saying that this amendment would not affect the motion. It is because backbone industries do not only refer to the industrial park, or backbone industries are not only confined to any specified areas. Backbone industries can be set up anywhere in Hong Kong. As to the consideration on the industrial park or the border industrial zone, so long as it does not form the only condition but is only one of the conditions for consideration, I will not oppose it.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I thank Members who have spoken earlier for their valuable input on ways to treat backbone industries as part of infrastructure. As the Secretary for Commerce, Industry and Technology is on a business trip overseas, he cannot attend this meeting of the Legislative Council in person. I have been asked by Secretary John TSANG to give a response on his behalf for the Government.

Industries constitute a major pillar in taking Hong Kong forward and in promoting economic development. Over the last two decades or so, the economy has become increasingly globalized and regional economic co-operation has also developed rapidly. Entrepreneurs in Hong Kong have demonstrated great foresight. They have wisely capitalized on the relative advantages of the Pearl River Delta (PRD) and other parts in the Mainland, such as an abundant supply of land and lower labour costs, setting up factories in the Mainland and hence overcoming the problem of escalating costs in Hong Kong, while at the same time keeping their operational headquarters in Hong Kong to give play to the strengths of Hong Kong in such domains as management, co-ordination, and support services. Such a *modus operandi* underpinned by an offshore production network is in keeping with the trend of the times. This has expedited development in the Mainland and at the same time helped Hong Kong successfully transform into an economy centred around financial, trade, logistics and professional services and to move towards knowledge- and technology-based economic activities of higher value-addedness in its development.

At present, apart from directly employing about 180 000 workers in Hong Kong, Hong Kong industries also own over 60 000 plants in the PRD, hiring more than 10 million workers. Last year, the total exports of local products amounted to about \$130 billion, and together with re-exports, the total local exports was \$1,560 billion. This shows that there is no shrinkage in the industrial activities financed, operated and managed by Hong Kong enterprises, and better still, with Hong Kong and the Mainland complementing each other with their advantages, sizable growth has been achieved, and this has led to a robust development of the peripheral service industries in Hong Kong.

In the face of fierce competition, the manufacturing sector in Hong Kong must develop in the direction of high value-addedness and maintain its competitiveness through innovation, technology and the creation of brand names. The Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) signed in June this year will precisely bring new business opportunities to the local manufacturing sector. Under CEPA, local products, when expanding their market into the Mainland, will enjoy zero tariff by stages. The 273 items of goods in the initial stage will enjoy zero tariff starting from 1 January next year. For other products manufactured in Hong Kong, zero tariff will be applied by 1 January 2006 the latest upon applications by local manufacturers and upon compliance with the origin rules. For goods that have yet to be manufactured in Hong Kong, local manufacturers can also file applications. In other words, for any product which, in the view of the local manufacturers, embraces business opportunities, CEPA has provided us with a channel to strive for zero tariff from the Central Authorities.

The total exports of local industrial products such as clothing, toys, clocks and watches, jewellery, electronics products, and so on, have all along ranked as high as in the first or second position in the world, demonstrating the strengths of Hong Kong entrepreneurs. Mainland China is the second largest market of our exports. Last year, the total exports from Hong Kong to the Mainland exceeded \$40 billion, accounting for about 31 % of the total local exports. We believe the implementation of zero tariff will help upgrade the competitiveness of local products and increase their market share. Among the products which will enjoy zero tariff in the initial stage, many are products originally required to pay high tariffs. They include jewellery, micromotors for use in toys, and clocks and watches. While the Mainland has committed to gradually lowering tariff rates in the protocol of her accession to the World Trade Organization, the committed final bound tariff rates for some of those 273 products will remain at a high level.

Moreover, according to trade statistics, the 273 products which will enjoy zero tariff in the initial stage include many product types of substantial trading between Hong Kong and the Mainland. For example, textiles and clothing amounted to HK\$16.7 billion, plastic and paper articles amounted to HK\$4.5 billion, and electrical and electronic products amounted to HK\$2.4 billion. We consider that these industries are more likely to set up factories or increase their production processes in Hong Kong and to enhance production and hence increase their exports to the Mainland. Zero tariff will be helpful to investors in setting up factories in Hong Kong and in manufacturing brand name products, high value-added products and also products with substantial intellectual property input.

Madam President, we firmly believe that "big market, small government" is a mode of governance most suitable for Hong Kong. We uphold a free economy policy and under this policy, the role of the Government is not to selectively protect or subsidize individual manufacturers or industries through subvention or other biased measures. Rather, the role of the Government is to maintain a stable economic environment, create the best business environment for entrepreneurs and ensure that infrastructure development can meet the needs of industries and businesses, so that the entrepreneurs can bring their creativity into full play and capitalize on new technology and design and hence develop in the direction of high value-added industries. Over the past two years, the Government of the Special Administrative Region (SAR) has spared no effort in pursuing an agreement with the Mainland on zero tariff, in order to build a platform for the manufacturing sector in Hong Kong and open up business opportunities. This is precisely in line with the intent of this policy. I would like to point out that whether individual manufacturers or enterprises will avail themselves of the business opportunities brought by CEPA and base their production in Hong Kong to enjoy zero tariff is purely a commercial decision to be taken by the enterprises themselves based on cost-effectiveness considerations.

In respect of assisting enterprises to enhance innovative technology and design and to create brand names, it has been our established policy to provide both hardware and software support. In respect of hardware, the Hong Kong Science and Technology Parks Corporation (HKSTP) founded in May 2001 endeavours to provide one-stop infrastructure support services. The HKSTP provides quality services in the light of the needs of industries in different stages,

including training technology start-ups through the incubation programmes, providing a variety of facilities and services for applied research and development businesses in the Science Park, and providing land for production processes in the three industrial estates under its management. It offers land at cost to manufacturers with new or improved technology and processes which cannot operate in multi-storey buildings. Take the Tai Po Industrial Estate as an example. Following the implementation of CEPA, a large-scale Chinese medicine factory has moved its production line in Beijing to Hong Kong and relocated its production to Hong Kong. This success example precisely reflects that given zero tariff for products manufactured in Hong Kong under CEPA, entrepreneurs will carefully conduct assessments and make rational choices.

Phase 1 of the Science Park located at Pak Shek Kok in Tai Po was officially inaugurated in June last year. The Science Park, which is developed using a clustering concept, comprises four clusters, namely, information technology and telecommunications, electronics, biotechnology and precision engineering. As of October this year, 45 local and overseas technology-based companies have been approved for admission to the Park. Planning work for Phase 2 of the Science Park is in the pipeline, and the first building in Phase 2 is expected to be completed by 2006.

In respect of software, the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) endeavours to perform relevant and high quality research and development for transfer to industry for commercialization, with a view to upgrading the technological level of the local industries and stimulating the development of new technology-based industries. The research and development programmes of the ASTRI initially focus on photonics technologies, integrated circuit design, wireless communication, Internet software and biotechnology. The ASTRI has already launched 15 research projects involving a total subvention of HK\$130 million.

With government subvention and support, together with donations from the Hong Kong Jockey Club Charities Trust, the Hong Kong Design Centre was established in September last year at the suggestion of four major professional design bodies in Hong Kong. The Hong Kong Design Centre is an integrated design centre established to promote design as a value-adding activity, upgrading the standard of design and promote education on design.

Besides, the Accreditation Service Section, the Product Standard and Information Bureau and the Head Laboratory under the management of the Innovation and Technology Commission provide a full range of standard accreditation services to support technological development and to support manufacturers in the production of goods compliant with standards in overseas market. Moreover, the Hong Kong Productivity Council also provides integrated support services to innovation and growth oriented Hong Kong firms across the value chain. The principal sectoral focus will be on the manufacturing sector, particularly Hong Kong's foundation industries and the related service industries.

Furthermore, the \$5 billion Innovation and Technology Fund finances research projects that contribute to innovation and technology upgrading in local industries. As of September this year, funding has been granted to 466 projects involving a total subvention of \$1.33 billion. The Applied Research Fund with a capital of \$750 million provides funding support to technology ventures and research and development projects with commercial potentials. As of September this year, 23 companies have been given grants by the Applied Research Fund at a total of \$380 million. Companies which have been provided with funding support are mostly in the information technology, communication and electronics industries.

Through the implementation of e-government, an outsourcing strategy supported by an e-procurement system, and the establishment of new information infrastructure at the Cyberport, our e-business environment has been notably enhanced.

Dr LUI Ming-wah urged the Government to draw up timely measures to attract industries to set up factories in Hong Kong. I wish to point out here that according to the United Nations Conference on Trade and Development World Investment Report 2003, among Asian countries and territories (excluding the Mainland), Hong Kong topped the list in terms of inward investment last year. The Invest Hong Kong (InvestHK) has, through a diversity of channels, established contact with overseas and mainland enterprises by proactively paying visits to enterprises, organizing and participating in seminars and trade exhibitions, and undertaking joint promotional activities with mainland cities and co-sponsoring large-scale international conferences overseas, with a view to reaching out to as many overseas and mainland enterprises as possible at different levels, so as to promote to these enterprises the merits of setting up

companies in Hong Kong. Moreover, InvestHK also has various trade groups which, by using their professional knowledge of the respective trades, organize investment promotional activities targeting at enterprises in the relevant trade.

After the announcement of CEPA, InvestHK has actively promoted among overseas and mainland enterprises the business opportunities to be brought by CEPA by:

1. organizing seminars on CEPA overseas, in the Mainland and in Hong Kong to introduce to foreign and mainland enterprises the business opportunities brought by CEPA. For example, when Hong Kong and Guangdong Province jointly organized investment promotion events in Korea and Japan at the end of October, the opportunity was taken to hold seminars on CEPA in these two places. Well-known entrepreneurs and representatives from business chambers in Korea and Japan were invited to speak at these seminars which had attracted participation from 600 company representatives and manufacturers in Korea and Japan;
2. adding the element of CEPA in the many activities participated by InvestHK, including the Asia-Pacific Economic Co-operation Investment Mart held in Thailand in October, in order to explain to foreign businessmen the business opportunities brought by CEPA;
3. stepping up the publication of promotional pamphlets and publicity materials on CEPA pinpointing at the needs of foreign businessmen for distribution in the various promotional activities and events; and
4. placing advertisements in overseas business publications and newspapers and disseminating information on CEPA in the webpage of InvestHK to specifically cater for the needs of foreign businessmen.

Madam President, given that individual products such as clocks and watches, jewellery and cosmetics will enjoy even lower tariff rates as a result of zero-tariff status conferred on them by CEPA, InvestHK will therefore step up efforts to promote the business opportunities brought by CEPA to the relevant overseas and mainland manufacturers, in order to attract them to set up production bases in Hong Kong.

Meanwhile, the Trade and Industry Department (TID) is actively providing support to the industries through a variety of channels, in order to assist all trades and sectors in Hong Kong to fully grasp the new challenges and business opportunities of CEPA, including regularly disseminating information to local business and industrial companies on the laws and new measures on business operation in the Mainland, holding seminars to enhance industries' knowledge of the market and the rules and regulations in the Mainland, setting up a website on the Mainland and CEPA and also a hotline to answer enquiries, and providing a one-stop service to facilitate applications for the Hong Kong Service Supplier Certificate. Moreover, the Trade Development Council (TDC) will step up publicity on CEPA both in the Mainland and in Hong Kong. From January next year onwards, the TDC will set up pilot business opportunities centres in Beijing, Shanghai, Guangzhou and Hong Kong to provide a more comprehensive range of support services, including facilitating trade matching by mainland enterprises to identify suitable business partners in Hong Kong. The TDC will disseminate the latest information through its trade portal "tdctrade.com" and publish pamphlets on different industries for the reference of mainland enterprises.

Furthermore, as small and medium enterprises (SMEs) account for over 98% of the total number of local enterprises, they are an important pillar of the Hong Kong economy. The TID has all along actively supported the development of SMEs, including SMEs in the manufacturing industry. Two years ago, the Government set up four SME funds with a total commitment of \$7.5 billion, aiming to assist SMEs in securing financing from lending institutions, acquiring business installations and equipment, obtaining operational funds to expand the market of their products in the Mainland and overseas, and upgrading the quality of human resources and their overall competitiveness. So far, more than \$3.1 billion has been approved under these funds, benefiting over 24 000 SMEs, close to 40% of which are in the manufacturing sector. We will encourage SMEs in the manufacturing sector to continue upgrading their ability in financing, their market expansion portfolios, their human capital and competitiveness by making use of these funds.

Mr SIN Chung-kai suggested that studies be conducted on the establishment of a border industrial zone. In reply to Mrs Sophie LEUNG's question last week, the Secretary for Commerce, Industry and Technology already gave a response on this issue. The Government presently has an open

mind on the use of the border area. When considering the development of land in the border area, we will fully take into account the characteristics of the area and seriously consider public views, and we will base our decision on the best interest of Hong Kong as a whole. The Planning Department is currently conducting the third stage of a study known as "Hong Kong 2030: Planning Vision and Strategy", which covers the use of the border area. The Department will consult the public at the end of this month. We will also take into full consideration views from all sides before making a decision.

Madam President, our industrial products have been well-acclaimed internationally, and we are even the leader in the manufacture of some product types in the global market. Such remarkable achievements have been made not because of any form of direct government subvention or as a result of policy inclinations towards certain industries. Rather, such achievements are attributed to our local entrepreneurs who have reacted promptly in the light of changes in the market and consumer choices under a free economy policy. We take great pride in this. The SAR Government will certainly maintain close liaison with the industries, so as to ensure that the relevant policies can keep abreast of the times and meet the needs of the industries as far as possible. We will, on the existing basis, intensify the support measures for industries. We hope that with the hard work of the industries to strive for continuous improvement and the efforts of the Government, we can grasp the opportunities and open up new horizons.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Dr LUI Ming-wah's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Dr LUI Ming-wah, you have eight minutes one second for your reply.

DR LUI MING-WAH (in Cantonese): Madam President, I still have some time to speak. I was very puzzled as I listened to the speech by the Government. Despite the calls by so many Members on the Government to come up with policies to revitalize Hong Kong's manufacturing sector, the reply furnished by the Government was totally irrelevant. I explained in moving the motion that I hoped the Government could come up with some policies to attract backbone industries to Hong Kong. However, the Government has done nothing more than blowing its own trumpet by recapitulating the strengths and history of Hong Kong. I really cannot understand why the Government should be thinking in this way. This is because countries in other parts of the world have been improving their economic policies in keeping with the times and economic background and developments. Our Government is nonetheless reluctant to move forward. The same words have been repeated again and again over the last 50 years. As a result, our unemployment rate has risen from 1.2% to 8.6%, or 8.7%, at the moment. I really fail to understand why the Government is still repeating the same stuff.

On the other hand, can it be said that Hong Kong has no industries when the Government keeps on praising Hong Kong's industries by saying that 80 000 factories in the Pearl River Delta (PRD) are either owned by or worked for Hong Kong businessmen and close to 8 million people, or 6 million people, are working for Hong Kong? The truth is that those industries do not belong to Hong Kong. I do not know why the Government sees those industries as Hong Kong industries. May I ask the Government whether the United States Government will consider United States factories set up in the PRD United States industries? Definitely not. Will Japan treat the production output of Japanese

factories set up in the PRD generated by Japanese industries? The answer is again "no". But why can the Hong Kong Government treat enterprises in the PRD as Hong Kong industries? This is utterly incomprehensible. Why? The Government should know it very well that Hong Kong is an independent city. Politically, it is administered under the concept of "one country, two systems"; economically, it is an independent city with an independent economy. From the economic angle, the PRD and Hong Kong are two different economies. It is simply impossible to mix them up. I really hope the Government can grasp this point clearly. Only in doing so can accurate economic policies be devised to deal with the economic problems confronting the territory. As pointed out by some colleagues earlier, Hong Kong is still making no progress, though discussions on the matter have been going on for so many years. It is all because the Government's way of thinking is still unclear. Such being the case, there is focus for policies. This has subsequently led to high unemployment, public discontent, and low public confidence. Should this continue, what good will it do to Hong Kong? Today is not the first time we discuss industrial policies here. Whenever this topic is mentioned, the Government will invariably sing praises of our infrastructure and all sort of things. But the crux of the problem is: Hong Kong economy has seen no improvement at all. So, what are the advantages? This explains why I have appealed to the Government to, by making use of the opportunities brought about by CEPA and capitalizing on the strengths brought about by CEPA, come up with policies to attract backbone industries to Hong Kong. Only in doing so can Hong Kong stand a chance of revitalizing its economy. Failing this, I can see no future. I hope the Government can consider this carefully. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Dr LUI Ming-wah, as amended by Mr SIN Chung-kai, be passed.

(The Secretary for Economic Development and Labour left the Chamber at this juncture)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I believe the Secretary has a need to leave at this juncture. Under general circumstances, officials should stay until Members have voted on the relevant motion. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Grasping the opportunities brought about by CEPA to enhance employment.

GRASPING THE OPPORTUNITIES BROUGHT ABOUT BY CEPA TO ENHANCE EMPLOYMENT

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I hope you can deal with a point of order first. The Secretary is not present in the Chamber at the moment. I would like to seek your permission to postpone the moving of the motion until the Secretary is present.

PRESIDENT (in Cantonese): I now suspend the meeting, pending the return of the Secretary to the Chamber.

6.20 pm

Meeting suspended.

6.26 pm

Council then resumed.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I wanted to wait for the Secretary to return to this Chamber to listen to what we have to say because today two motions on a very significant issue of Hong Kong are moved by two individual Members from the business sector and the labour side. In fact, when the Secretary responded to Dr LUI Ming-wah, I was already very dissatisfied. However, as I had already become very frustrated in the debate on Dr LUI's motion, I would not say so much now in order to avoid making myself too frustrated. However, I do have some opinions.

Madam President, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) is a major support measure made by the State for Hong Kong. CEPA stipulates that the Mainland will apply zero import tariff for 273 items of goods exported from Hong Kong, and 18 services sectors will enjoy the "first mover" advantage of launching their businesses into the mainland market. The zero-tariff treatment granted to 273 items of goods is actually assistance provided by the State to Hong Kong at a loss of billions of dollars to the national coffers. So the Government of the Hong Kong Special Administrative Region (SAR) must work very hard to grasp the opportunity so as to lead Hong Kong to walk out of its present predicament.

Madam President, we must not forget that CEPA does not just provide us with business opportunities, but more importantly, it shall also enhance the employment situation of Hong Kong. The Annexes to CEPA specify that Hong Kong products, in order to meet the 30% value-added or origin rules, instead of 25% originally proposed by Hong Kong. This shows that the State is trying very hard to help us to improve the unemployment situation by requiring more work processes to be done in Hong Kong, thereby creating more job opportunities in the territory.

As also mentioned in the earlier motion debate, the manufacturing sector is a significant element of the economy can promote the development of peripheral industries and services industries. It will help promote the prosperity of many different trades in society. The businessmen will see their business volume

surge substantially, workers are employed happily and the Government will collect handsome tax revenue — all parties have their good shares of the big pie. So it will benefit everyone. The question is: Will the SAR Government be willing to listen to the views of the people? Does it know how to make use of CEPA to revitalize the industries in order to solve the critical unemployment problem faced by Hong Kong?

Madam President, since the mid-90s, the grass-roots workers have been beset by the problem of structural unemployment. At that time, the Hong Kong Federation of Trade Unions (FTU) had already pointed out that we needed to focus our attention on the unemployment problem of the grassroots, and to formulate suitable policies and measures to assist them in their employment. In July 1998, I still remember it was on the 22nd that I moved a motion on "Restructuring Hong Kong's economy", requesting the Government to assist the manufacturing industries because these industries could absorb the most workforce and were the most productive.

In April 1999, we presented a paper on the development plan of the river-loop area development scheme, and suggested to develop high value-added industries, such as the development of Chinese medicine and the establishment of a testing and certification centre there by the two places because there are a lot of professionals and raw materials for herbal medicines in the Mainland. For us, our strength lies in the reputation of Hong Kong products. So we may establish a testing and certification centre. I put forward many concrete suggestions then. Unfortunately, I have received no response whatsoever.

At the end of 1999, the FTU presented another paper with a proposal of "the economic policy with priority on employment". This research was conducted in conjunction with the Hong Kong Baptist University. We suggested that the SAR Government should implement its policies with a view to giving priority to facilitating employment because what Hong Kong was facing then was a structural unemployment problem, which could not be solved even if the economy had recovered. The proposal also put forward many concrete suggestions, such as enhancing such community services as care for the elderly and children (this could at the same time increase the number of new jobs), implementing the policy of wage subsidy, assisting the grassroots in job search, and so on.

Madam President, the FTU had pursued the issue persistently. So we put forward the proposal of "creating employment opportunities by providing support for the waste recovery and recycling industries" in 2000, because the waste recovery and recycling industries are labour-intensive industries which would be most helpful to absorbing workers with low education and no specialized skill. Madam President, for this, the FTU organized a public procession to voice our dissatisfaction towards the SAR Government after the reunification. To support the environmental protection industries much needed by Hong Kong and the recycling industry could improve the environment on the one hand, and also increase the job opportunities in Hong Kong on the other. Unfortunately, the Government did not give us any material response, nor had it formulated any policies for the recycling of plastic and glass bottles. As of today, we may say that the development of such industries is rather limited.

Madam President, in the Budget of two years ago, the Government said that it had accepted the proposal of the local cultural economy, which was renamed as "local community economy". The proposal was actually put forward by the FTU and a group of people in the districts. However, it met a lot of obstacles in implementation. May I ask the Government, among the 10 measures under the heading of "local community economy", as proposed this year, how many have been successful? What is the effect so far? As I read through the information, I found that most of them had been shelved. Besides, we had also made proposals on creative industries and ways of solving the youth unemployment problem.

Ever since the reunification, we have faced all kinds of difficulties. As non-government organizations, we, not just the FTU, but other organizations as well, have put forward a lot of suggestions to the Government. However, it seems that the Government is just interested in doing some patchwork. We have mentioned lots of suggestions, the Government would just do a little bit in response, and it is absolutely not prepared to take them forward with any determination. Had the Government accepted one or two suggestions, had it treasured our opinions and listened to our views, then I believe Hong Kong would not have to undergo such tough times in the past few years! However, ever since the establishment of the SAR Government, it has never had any clear direction of administration. Sometimes it advocates high technologies, sometimes it promotes the Chinese Medicine Harbour. So there have been a host of "X-ports" or "Y-centres". The Government has also aimed at

unrealistically high goals, hoping to develop Hong Kong into the New York or London in Asia. I can say that all that have been pledged are nothing but false ideals. With no realistic objectives in mind, the Government will eventually achieve nothing.

Let us think about this carefully. Hong Kong has a workforce of about 3.5 million, and about 300 000 of them are unemployed now. The creation of jobs by one or two thriving industries would be sufficient, just as mentioned by Dr LUI Ming-wah, to alleviate the unemployment problem. The FTU has recently estimated that, according to the 2001 Population Census, the manufacturing industries will bring about 80 000 job opportunities for each 1% growth in the GDP calculating at the value then. Such posts are not just confined to those in workshops, but also clerical posts such as accounting staff, clerks, and so on. Why does the Government not take this into consideration?

Two days ago, the Government released the latest unemployment rate, standing at 8%, with the unemployed population having dropped to 282 000. The Government declared that "the most difficult time is now over." Is it really over? I hope Members could recall that, the unemployment rate had dropped continuously in 2000. The Financial Secretary at that time, Mr Donald TSANG, who is now the Chief Secretary for Administration, predicted that the unemployment rate would drop continuously, so the Government did not do anything. As a result, the unemployment rate rose again from 6.3% in 1999 to the unprecedented high of 8.7 % this year. Now, the figure still stands at 8%. The unemployed population has now gone up from 240 000 to 300 000. In the light of such earlier examples, the Government should not, at the sight of a small drop in the unemployment figures, harbour the wishful thinking that the unemployment problem could naturally be solved after our economy has recovered.

Madam President, how should it grasp the opportunities brought about by CEPA? This would be another challenge to the SAR Government. Has it really tried its best with whatever measures possible to make use of CEPA to solve the structural unemployment problem? I cannot see that happening, so far until the last motion debate, I still cannot see this happen. What I can see is the Government sitting back and relaxing with folded arms, doing nothing. All I can see is the Government adopting an onlooker's approach and telling the businessmen to solve the problems by themselves. May I ask the Government to think about this question? If the policies fail to tie in with the situation, and

the businesses, especially the SMEs, could not solve the problems by themselves, what should they do?

Madam President, the FTU thinks that the Government should take this opportunity brought about by CEPA to review the existing policies related to the industrial and commercial sectors and examine if such policies have obstructed overseas investors from making investments in Hong Kong. The Government should also formulate industrial policies to match CEPA in such aspects as industrial land use, taxation policies, human resources, training, and so on, so that we can attract more investments and business ventures, revitalize the industries and create more job opportunities in Hong Kong.

Madam President, I am very disappointed. I am really disappointed. Regarding the present circumstances and the situation of the Government, as described by the Secretary Stephen IP, I feel that the Government is just drawing up plans regardless of the reality. I have this suggestion for the Government: It is fine if it chooses to ignore my words. However, today, many colleagues belonging to the commercial, industrial and labour sectors have put forward many opinions. The Government keeps saying that it has provided a lot of support to the commercial and industrial sectors as well as the industries of Hong Kong. If this is true, why should we hold such a debate in this Chamber today? Why should Members who are also industrialists have to present their views here? The Government really needs to reflect on its own approach. As such, I suggest that the Government should immediately establish a committee comprising people from the Administration, the commercial, industrial, labour and academic sectors as well as the professionals, to come together for discussions and to collate views from different sectors in order to identify suitable solutions. In this way, the Government could be regarded as having responded to our suggestions, instead of making us feel that our views are ignored altogether. I hope that we can revitalize the industries of Hong Kong and enhance employment through this approach.

Madam President, my motion has mentioned specifically that the Government should assist SMEs in grasping the opportunities brought about by CEPA. I say this because the SMEs of Hong Kong will find it very difficult to stay in Hong Kong to develop their businesses if no assistance is provided to them through the introduction of relevant policies. According to our past experience, it is not difficult for us to discover that the Government has not attached proper significance to the investment and business difficulties faced by

SMEs in its policies. The Government attributes this to the need of providing a level playing field. However, the major corporations and the SMEs actually belong to different categories. If they have to compete in the same field, they are actually made to compete in unfair positions.

People talk of assisting the weak to fight against the giants, but our SAR Government just acts in the opposite. It takes special care of major corporations. The most vivid example is the allocation of a large piece of land in Cyberport to an individual developer without going through tender. But if the SMEs wish to have a land lease granted at a concessionary premium, they would be accused of trying to "get some undue benefits from the Government". How can it act in this way?

In fact, every industry and every work type has different needs in terms of government policy. Having regard to the characteristics of the different industries, the SAR Government should implement the policies flexibly, abolish unnecessary regulations and restrictions, before the SMEs can have the chance to grasp the opportunities brought about by CEPA. Otherwise, the SMEs will not stand the slightest chance of benefiting from CEPA. I must reiterate once again that SMEs employ the largest number of workers in Hong Kong. It would be really conducive to enhancing employment if the Government could assist the SMEs, especially those engaged in the manufacturing industries, to stay and continue investing in Hong Kong.

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

Most of the provisions of CEPA will come into effect in a month or so. The SAR Government really needs to race against time. Please stop talking about a high degree of non-intervention, or the so-called "policy of importing workers at a ratio of 1:3", which are really the policies of lazy officials! I hope we can pool the strength of the labour sector as well as the commercial and industrial sectors to urge the SAR Government to reverse the past practice of doing nothing and eventually making the unemployment rate remain at a high level. I strongly hope that the SAR Government will not repeat the past mistakes of shelving some practical proposals which can improve the unemployment situation as well as the livelihood of the people.

With these remarks, I implore Honourable colleagues to support the motion.

Miss CHAN Yuen-han moved the following motion: (Translation)

"That, as the unemployment rate in the territory remains high with the unemployed population reaching 300 000, this Council urges that, in order to tie in with the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) which will be formally implemented in 2004, the Government should collect views from different sectors of the community for the purpose of reviewing and improving the existing policies relating to various industrial and commercial sectors and, having regard to the characteristics of the different sectors, implement the policies flexibly, abolish unnecessary regulations and restrictions, and assist small and medium enterprises in grasping the opportunities brought about by CEPA, thereby creating more employment opportunities and improving the acute unemployment situation."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHAN Yuen-han be passed.

DEPUTY PRESIDENT (in Cantonese): Mr Kenneth TING, Mr LEE Cheuk-yan and Dr YEUNG Sum will move amendments to this motion respectively. Their amendments have been printed on the Agenda. The motion and the three amendments will now be debated together in a joint debate.

DEPUTY PRESIDENT (in Cantonese): I now call upon Mr Kenneth TING to speak first, to be followed by Mr LEE Cheuk-yan and Dr YEUNG Sum; but no amendments are to be moved at this stage.

MR KENNETH TING (in Cantonese): Madam Deputy, it is very meaningful for Miss CHAN Yuen-han to have proposed a motion today to, having regard to CEPA, speed up the process of abolishing unnecessary regulations and restrictions to improve the business environment. This shows that she has at least gone a step further in identifying with the Liberal Party, which has always believed that the measures to regulate the business environment are excessive and

too complicated, rather than inadequate and negligible. To provide us with a relatively less stringent business environment, streamlining is needed to revitalize economic activities and help create more job opportunities.

The Liberal Party considers that the business environment is currently subject to too much regulation. People in the industry are often at a loss as to what they should do since different departments impose individual rules. For instance, in a debate held early this month on further regulating health foods, the Liberal Party already pointed out that health foods are currently being regulated by the Public Health and Municipal Services Ordinance, the Trade Descriptions Ordinance, the Import and Export Ordinance, and even the Chinese Medicine Ordinance and the Pharmacy and Poisons Ordinance. The departments involved include at least the Customs and Excise Department, the Food and Environmental Hygiene Department, the Department of Health, and so on. Not satisfied with merely safeguarding the consumption safety of customers, the Government has even contemplated to further regulate the efficacy claims of health foods. These regulatory measures, once implemented, will only cause the industry great disturbances.

To give the matter its fair deal, since I took the lead in proposing a motion seeking to improve the business environment by calling for the elimination of unnecessary regulation two years ago, the Government has indeed made certain improvements by providing some trades and industries with "one-stop" licensing service. However, not all trades and industries have been benefited. Concerning the licensing of places of entertainment, for instance, the Government has originally planned to set up a unified mechanism to deal with licence applications from all places of entertainment including cinemas, amusement games centres, bowling alleys, indoor amusement games centres, billiard parlours, and so on. However, the plan was subsequently shelved by the Government for reasons of serious fiscal deficit.

However, we consider that it is still essential for the Government to set up a central licensing organ to centralize the handling of all kinds of licence applications, not being confined to the catering or entertainment businesses only. Instead, a uniform approach should be adopted in dealing with all licences by offering "one-stop" service as far as possible in the interest of saving investors the trouble of approaching various departments to apply for licences.

Despite its proposal of streamlining the licensing procedures, the Government has tended to supervise everything by way of legislation.

Furthermore, employers are often open to criminal liability and sanction, making their operation increasingly difficult. Let me cite the Occupational Safety and Health (Display Screen Equipment) Regulation which came into effect in July as an example. When the relevant legislation was initially put forward, it was proposed that employees who are required to use display screen equipment continuously for at least one hour daily will be governed by the law. Such a definition is so stringent that it is totally not conducive to improving the business environment. At the same time, it is contradictory to the proposal of abolishing unnecessary regulations and requirements. Although the definition was relaxed to at least four hours daily thanks to the active lobbying by the Liberal Party and Members, it is sufficient proof that the Government often tends to favour excessive regulation.

Without setting up a high-level task force to examine ways to further eliminate the various complicated regulations governing business operation, abolish excessive regulation, streamline the procedures, and enhance administrative efficiency, I believe it will be very difficult for the Government to, as demanded in the original motion today, truly abolish unnecessary regulations and restrictions. We hope the Government can refrain from talking without taking actions. Instead, it should expeditiously honour its pledge in this year's policy address by grasping the business opportunities brought about by CEPA, simplifying complexities, and further improving the business environment. This also explains why I have to propose an amendment to Miss CHAN Yuen-han's motion today on behalf of the Liberal Party.

We in principle support Mr LEE Cheuk-yan who has proposed in his amendment that the Government should expeditiously evaluate the impact of CEPA on the local labour market and introduce complementary policies. However, we are of the opinion that the thrust of CEPA is enabling Hong Kong businesses to seize the first opportunities. Should the assessment reveal that labour for certain job types is in short supply, I am afraid the remedy will be too slow to meet the urgency if we rely solely on the proposal raised by Mr LEE Cheuk-yan concerning manpower development. I believe the most effective solution is to suitably import labour in short supply. As for the amendment proposed by Dr YEUNG Sum, it is concerned mainly with his view that the establishment of a border industrial zone can propel local employment. We support this view because it is consistent with the viewpoint that has been advanced by the Liberal Party all along.

Madam Deputy, I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, people seem so congenial these days. When he started to speak just now, Mr Kenneth TING sounded so congenial to Miss CHAN Yuen-han, saying that unnecessary regulations and restrictions must be removed. But as he went on, he no longer sounded so congenial because he maintained that the legislation on computer display screens had adversely affected the business environment. So, he no longer sounded so congenial. It then turned out that the Liberal Party and the Democratic Party sounded quite congenial, but then I did not find them congenial at all — I am referring to the idea of a boundary industrial zone. I fail to understand why the Democratic Party sees the need for a boundary industrial zone. What is the reason for setting up an industrial zone in the boundary area? The assumption is that mainland workers should be able to work there. Is this really necessary? Details of a river-loop industrial zone are still largely unknown. If the idea of a river-loop industrial zone, of a boundary industrial zone, is merely intended as a disguised means of importing labour, the whole idea will be meaningless to Hong Kong workers, and the Hong Kong Confederation of Trade Unions (CTU) will definitely raise objection, because it does not find the whole idea agreeable at all. But in a way, I do find some of the opinions advanced by Miss CHAN Yuen-han quite agreeable, one example being her remark that the Government is far too incompetent to achieve its own lofty ambitions. The words used by her are so similar to mine. She is really something.

But there is one thing beyond my comprehension. CHENG Yiu-tong, Chairman of the Hong Kong Federation of Trade Unions (FTU), is on the Executive Council. If they are really so enraged, they should consider the idea of breaking up with the SAR Government. They have a member on the Executive Council, and they are still part of the ruling coalition, so in theory, they should have fought for their position in the Executive Council. They are so enraged; are they in fact enraged by CHENG Yiu-tong? Therefore, if they think that CHENG Yiu-tong is unable to achieve anything in the Executive Council, they should really ask CHENG Yiu-tong to break with the Government and withdraw from the Executive Council. I think the FTU should really consider this. If they really decide to withdraw after consideration, they will be much freer.

Madam Deputy, let me now turn back to CEPA, the main topic today. It so happens that Secretary Stephen IP will be replying today. It should have been the Secretary for Commerce, Industry and Technology, not him, to give a

reply. I remember that something Mr IP said yesterday is related to my amendment today. He said that he was cautiously optimistic that the unemployment rate would go down for two reasons, namely, the individual visits and CEPA. What gave him the confidence to say that CEPA would bring forth more jobs? Is this really going to happen? Did he have any justifications? Was he just trying to wheedle people into believing that there are bright prospects for them? I am not trying to gainsay his words totally, but my amendment today seeks precisely to make him produce evidence, analyses and formal research findings relating to the effects of CEPA on the various trades and industries.

The Panel on Manpower is actually going to discuss a paper on this issue tomorrow, but having read the whole paper, I can say that it can be summed up by just a short sentence: Things will be better as there will be more jobs anyway. But how are jobs to be created? Is there going to be any assessment of the employment situation? No answer whatsoever has been given to these questions. This is but another instance of "false, big and empty talks". The problem with Hong Kong now is that there are just too many "false, big and empty talks". Madam Deputy, I also remember Mr TUNG's saying that when China is well, Hong Kong will also be well. China has been well for years already, but Hong Kong has not been so over the past six years. This "false, big and empty talk" has been proven wrong.

The current talks about CEPA are also based on the same logic, that when China is well, Hong Kong will also be well. The only thing is that they have expanded this logic a little bit. Apart from saying that when China is well, Hong Kong will also be well, and that integration must therefore be good for us, they now also say that when the commercial sector is well, workers will also be well. Their thinking is that when the business sector is well, there will be job opportunities, so workers will be well. They also say that when the business sector has more investment opportunities in the Mainland, there will naturally be more jobs for Hong Kong.

I think there is one problem with this kind of logic. They should not take it for granted that Hong Kong workers will definitely benefit simply because the business sector welcomes CEPA and will generally benefit from it. When workers are well, the business sector will certainly be well too, because the former are employed by the latter to make money. But conversely, when the business sector is well, workers may not necessarily be well because instead of

making money in Hong Kong, the business sector can always do so in the Mainland. The greatest worry about integration is that Hong Kong may be "melted", gradually "melted" in the process. Capitals will be moved to the Mainland, and so will all our talents. What will be left in Hong Kong then?

Let me make it clear that I am not trying to dismiss CEPA as totally useless. I do not look at it that way. But I do think that there is not any justification sing CEPA praises, as something so good to the whole of Hong Kong. If CEPA is just about the offer of preferential treatment to the business sector, and if such treatment is merely intended to induce businesses to move to the Mainland, I simply cannot see how Hong Kong must necessarily become better off. Unless we can turn this preferential treatment into a real advantage of Hong Kong which can create more jobs, Hong Kong will not be able to gain any real benefit. But in the whole process, Hong Kong will not become better off automatically, and the Government must play an important role to really ensure that the preferential treatment under CEPA can eventually be turned into an advantage enabling Hong Kong to make genuine economic progress, instead of being used as a means of inducing all businesses to move into the Mainland, leaving nothing in Hong Kong.

The greatest problem is that our workers have had lots of bitter experience, have been tortured enough by restructuring. In the 1980s and 1990s, it was a restructuring from manufacturing industries to services industries, a very painful process indeed. The restructuring is complete by now, but if we ask any manufacturing workers, we will know that their pain is not yet over. They still think that they could really earn money in the past, could really earn money by applying their skills. But now, they see that their labour has become increasingly worthless, so their pain is really not yet over. Worse still, more pain is being inflicted on them. The restructuring this time around is no longer about a shift from manufacturing industries to services industries, no longer about the elimination of manufacturing workers alone; while the elimination of manufacturing workers continues, service workers, especially white-collar workers, have also started to be eliminated due to the northward relocation of all production processes. If this continues, just how many jobs will be left for Hong Kong workers?

If CEPA will bring forth more jobs, I must then question the Government, ask it to conduct some studies to ascertain who will get these jobs. If only high-skilled workers can get these jobs, what will become of our low-skilled

workers? How can we turn middle-skilled workers into high-skilled ones? All these are the questions I must ask. What kinds of high-skilled posts will be created? What kinds of low-skilled jobs will disappear? There are no answers to all these questions. All these are the areas which call for assessment. If no assessment is carried out, we will not be able to know the future directions of our manpower development.

There is now a new kind of argument. It is said that industries will come back, and new ones will emerge, so there will be more jobs. We naturally welcome the return of industries, but is this really going to happen? Will each and every industry be asked on this? Will each and every industry be studied? There can be fruitful results only if studies are conducted to ascertain which types of industries should be assisted in their return. But this does not mean that industries should be allowed to import workers as a condition of returning to Hong Kong. I think it is largely pointless. All these should be done by the Government, but it seems that the Government has not done anything at all.

Some say that as a result of the northward movement of our professional services, more companies will set up their bases in Hong Kong, thus creating more job opportunities. But then, I must again ask, "While jobs will be created, how many jobs will be lost as a result of the northward movement of our professional services, or how many jobs will be shifted northward to the Mainland?" Hong Kong has not had any answers to these questions. When there are no answers, how can we in the CTU say whether CEPA is good or bad on behalf of workers? I dare not do so, because I am very worried. CEPA may bring prospects to the commercial sector. But what will be left to Hong Kong as a whole?

If we cannot turn the preferential treatment under CEPA into Hong Kong's advantage at the end of the day, which means that Hong Kong will not have any competitiveness and advantage of its own, I simply cannot see what will be left in Hong Kong. This is my greatest worry. But, unfortunately, if the Government refuses to make any assessment, my worry will always be there. In fact, I am not the only one who has such a worry. If Members ask the people in the streets, they will see that people do not actually know what CEPA will mean to them. The reason is that people cannot be shown concretely what jobs will Hong Kong people get.

Thank you, Madam Deputy.

DR YEUNG SUM (in Cantonese): Madam Deputy, today's motion topic is on the relationship between CEPA and employment. The Democratic Party has always been very concerned about the employment situation in Hong Kong. Although the latest employment statistics released by the Government show some signs of improvement, we still find the overall situation very worrying. Currently, 282 000 people in Hong Kong are still unable to find any job in the employment market; 120 000 people are still underemployed; and, more than 20 000 families are even earning less than \$4,000 a month. Unemployment has not only created livelihood problems for the people, but also caused immense frustration and mental stress to them. The Government is definitely obligated to assist the people in re-employment. Government departments should be more imaginative in working out more ways to improve the present shape of the economy.

CEPA will no doubt bring forth a greater number of new opportunities which can deliver from Hong Kong from its present economic difficulties. Examples like zero tariff, the facilitation of trade investment and the northward expansion of Hong Kong professional services will directly or indirectly promote the trade and professional services markets of Hong Kong. But in terms of employment, CEPA will at best improve the employment prospects of a handful of professionals and enable some of them to work in the Mainland only. As for young people and those with low qualifications, who are most seriously affected by unemployment, we have so far failed to see how CEPA can offer any direct solutions to their problems.

The policy on allowing individual mainland travellers to come to Hong Kong has provided some assistance to retail businesses and the tourism industry and has led to an increase in job vacancies. But the tourism industry accounts for only a very small share of Hong Kong's GDP, as borne out by the statistics disclosed in the latest issue of the *Hang Seng Economic Monthly*. According to these statistics, the number of mainland visitors to Hong Kong increased drastically by 53% to 6.8 million passenger trips last year, but our domestic consumption still remained sluggish, and with regard to the impacts of mainland visitors on our economy, it is disclosed that visitors' consumption only represented 6% of our GDP. It is estimated that every extra 1 million visitors from the Mainland will only bring about a direct increase of 0.27% in our GDP. Although the tourism industry is thus able to employ more people, tourism may easily be affected by external factors. For instance, during the SARS outbreak, the tourism industry was brought to a virtual standstill.

Neither can Hong Kong rely solely on the financial services, because they only need to employ a small number of people with higher qualifications. Therefore, industrial development is the only long-term solution to the unemployment problem. Industries are not only capable of sustained development but can also employ more workers and create large numbers of jobs. The Democratic Party is of the view that the zero-tariff concession under CEPA can be used to induce the return of manufacturers whose market is the Mainland. This can reasonably adjust our economic structure and eventually turn CEPA into an "anti-biotic" treatment for the unemployment ills.

We urge the Government to adopt a pragmatic approach, examine the possibility of setting up a border industrial zone and a river-loop industrial zone, and formulate policies with an innovative mindset, so as to facilitate our industrial revival and find a proper remedy for our economic problems. As early as 2002, when the Democratic Party published its proposal on a development strategy for full employment, and in its proposals in respect of the 2002-03 Budget and the 2003-04 policy address, it already said that the Government should study the setting up of a border industrial zone and a river-loop industrial zone. According to statistics, as at March this year, the manufacturing sector in Hong Kong employed a total of 190 000 workers, or 5% of the workforce. As much as 86% of our working population are currently employed by the services industries, but in recent years, the number of jobs in the services sector has also shrunk because of the overall economic situation. So, the rebuilding of our industries can serve the purpose of making up for the loss of jobs in the services sector.

With regard to the idea of developing a border industrial zone, the Democratic Party thinks that attention must be paid to both hardware and software, for both are equally indispensable. For hardware, the Government should promptly explore how best to utilize the border areas for industrial development. The authorities concerned must also explore how to make use of measures like land concessions to induce the return of manufacturers whose target market is the Mainland, so as to alleviate the unemployment problem of low-skilled workers. The river-loop area measures 96 hectares, so the Government can consider setting up a border industrial zone there. The land there has been formed after the straightening of the Shenzhen River, and it is suitable for setting up an industrial zone both in terms of location and size. But the Government must still conduct feasibility studies and carry out careful assessments of environmental impact and the actual amount of investments

required. Besides, the Government must also conduct in-depth studies on the infrastructure and make projections on the future flows of goods and people, so as to develop the infrastructure required.

In terms of software, while seeking to establish a border industrial zone, the Government should also take the initiative to assist the entry of "Made in Hong Kong" to the mainland market. According to the statistics of last year, Hong Kong's trade with the Mainland amounted to \$1,300 billion, or 43% of the total trade volume. Of this amount, 88% went to the goods processing trade, and the export of locally manufactured goods represented just a mere 12%. It is thus obvious that the goods exported from Hong Kong to the Mainland are mainly processed goods, which cannot meet the origin rules making goods eligible for zero tariff under CEPA. The goods which can really benefit from CEPA are only those which meet the requirements of "Made in Hong Kong". Currently, it is very difficult for these goods to enter the mainland market due to ambiguous laws and regulations and complicated tax regimes. As a result, many Hong Kong brand names have not yet managed to access the mainland market. For this reason, the Hong Kong Government should co-operate fully with the mainland authorities in the exchange of economic and market information, so as to provide Hong Kong manufacturers with the most up-to-date information on mainland rules and regulations and the market situation, with a view to further assisting Hong Kong businesses in promoting their goods in the Mainland. The Government should also negotiate with the Mainland on the establishment of an arbitration system for commercial disputes as soon as possible, so as to protect the interests of Hong Kong manufacturers in the Mainland.

All along, the high-end market of the Mainland has been dominated by European brand names, and the low-priced goods market by local products. "Made in Hong Kong" goods have only been able to compete for the market of medium-priced goods. However, due to high costs caused by import tariffs, Hong Kong goods have not enjoyed any substantial advantage in terms of pricing. With zero tariff, Hong Kong goods can be exported to the Mainland at lower costs. This will greatly help Hong Kong brand name goods compete in the medium-to-high-end markets of the Mainland.

Furthermore, the Government should also provide assistance for the development of high value-added and high-tech industries, such as telecommunications, high-tech electronic equipment and biotechnology, in the

border industrial zone. These industries have a great demand for high-skilled and quality employees. As long as the quality of their products can be assured, the manufacturers will be able to pay higher costs. Besides, since there are a sound Judiciary and satisfactory copyright protection system in Hong Kong, the availability of zero tariff will constitute a main impetus to Hong Kong's future development.

The tariff exemption available to some Hong Kong goods under CEPA will play a positive role in boosting its industrial development. The SAR Government should work pragmatically on the basis of CEPA and explore ways to revive our industries, with the ultimate aim of easing the unemployment problem.

Thank you, Madam Deputy.

MS LI FUNG-YING (in Cantonese): Madam Deputy, on 29 June this year, after signing CEPA, Premier WEN Jiabao said, to the effect that "The objective of CEPA is to progressively eliminate tariffs and non-tariff barrier, achieve liberalization of trade in services, and promote trade and investment facilitation, so as to upgrade the level of economic co-operation between Hong Kong and the Mainland." In fact, the elimination of tariffs and non-tariff barrier and the liberalization of trade in services have already become a worldwide trend. Besides the North America Free Trade Agreement and organizations like the European Union, we can also see that many countries and regions are preparing similar frameworks or structures.

Free trade agreements are closely related to economic development and employment. At a time when the economy of Hong Kong has yet to recover fully and the unemployment rate is still as high as 8%, it is timely to explore the effects of CEPA on the economy and employment. And, the experience of other free trade zones will help us identify the directions we should follow and formulate better policies. We may look at the largest free trade zone in the world, that is, the North America Free Trade Zone, as an example. To begin with, free trade has boosted the economic development of the region. During the first five years after the implementation of the North America Free Trade Agreement, the trade volume in the region increased by as much as 92%. Second, there has been deterioration in the treatment for workers in the region. This is basically due to the fact that the low labour costs in Mexico have induced

many labour-intensive industries to close down their original plants for relocation to the country. As a result, the unemployment rate of manufacturing workers in the United States and Canada has soared. And, in Mexico, because incoming enterprises all want to reduce costs, wages have gone down in tandem with a rise in productivity. In the first five years following the implementation of the North America Free Trade Agreement, productivity rose by 36.4%, but wages went down by 29%.

Madam Deputy, although CEPA and the North America Free Trade Zone are different from each other in terms of background, I am still very much concerned about how we can capitalize on CEPA to restructure our industries, something which does good instead of dealing any further blows to our workers. For example, under CEPA, Hong Kong businessmen are permitted to run logistics businesses as proprietorships in the Mainland. According to government officials, this can induce more related enterprises to set up headquarters in Hong Kong, thus creating job opportunities. But will this affect the huge numbers of Hong Kong-China freight lorry drivers and rob them of their means of living? I do not deny that enterprises setting up their headquarters in Hong Kong will bring us jobs, but can these jobs offset the negative impacts on those engaged in the industries concerned? Will Hong Kong run into the same situation as the North America Free Trade Zone, one under which economic development brings along a deterioration of labour employment and treatment?

According to a paper submitted by the Government to the Panel on Manpower of this Council, such labour-intensive industries as textiles and clothing, plastic products, paper articles, and electrical and electronic products will benefit from CEPA and offer more job opportunities. But the paper does not contain any analysis on how this conclusion has been reached, nor does it mention how workers in traditional manufacturing industries can benefit from CEPA. Conversely, the whole paper simply focuses on how to attract to Hong Kong manufacturing processes with high value-added content or substantial intellectual property input. The SAR Government's policy on the manufacturing sector is to promote the industrial restructuring of Hong Kong. What is the main use of CEPA for Hong Kong? Is it meant to sustain the development of labour-intensive industries for the benefit of low-skilled workers? Or, is it simply meant to foster yet another round of industrial restructuring in Hong Kong, in which the emphasis on knowledge, technology and innovation will displace low-skilled workers with low qualifications? How are we going to strike a balance between the two under CEPA?

I do not oppose any action by the Government to help SMEs grasp the opportunities offered by CEPA and create job opportunities, as long as such actions are fair and reasonable. I support the amendment's request that the Government should conduct an employment impact assessment, and I also hope that this assessment can first be conducted for the 273 items of goods which will benefit from CEPA. Following the coming into effect of CEPA next year, I hope that an assessment can be conducted every three or six months on the changes in manpower supply and demand and treatment of workers in the industries concerned. It is hoped that the assessment report containing appropriate measures can be submitted to this Council. I hope that the economy of Hong Kong can move forward, but I do not wish to see the accomplishment of this at the expense of the broad masses of workers.

Madam Deputy, I so submit. Thank you.

MR LAU PING-CHEUNG (in Cantonese): Madam Deputy, since the signing of CEPA, all the 18 beneficiary trades and industries have been making respective efforts to prepare for its implementation, hoping that they can benefit from it as quickly as possible once it comes into effect next year. The construction industry to which I belong is no exception. The Hong Kong Institute of Architects and the National Management Board of Registered Architects signed a draft agreement on the mutual recognition of professional qualifications in Wuhan on 20 October. It is expected that the first batch of Hong Kong architects can start their practice in the Mainland next year. On the 4th of this month, the Hong Kong Institute of Surveyors and the China Institute of Property Valuers also signed an agreement on the mutual recognition of qualifications. At the same time, through different channels, we are also requesting the Central Authorities and the SAR Government to lower the threshold for construction-related Hong Kong companies wishing to set up offices in the Mainland, so that more small and medium professional service providers can develop business opportunities in the Mainland.

Madam Deputy, insofar as the mutual recognition of professional qualifications is concerned, Hong Kong professional bodies have to negotiate with their mainland counterparts in the light of the actual situation, and identify an appropriate starting point for the introduction of supplementary training courses and examinations. A mechanism can then be set up for the professionals of the two places to acquire qualification recognition and then start

practice in the other place. It must be admitted that circumstances do vary from profession to profession, so it is necessary for various professional bodies to conduct negotiations on their respective professions. The Government may of course provide assistance in the process.

But market entry, the collection and dissemination of business information and the lobbying on according national treatment to Hong Kong professionals must be undertaken by government officials. And, all this can only be done by government officials in their official capacity.

I can still remember that in 2001, in this Council, I requested the Government to assign an official with the sole responsibility of assisting the professions in opening up the mainland market. But my request was turned down by the Government. In contrast, foreign consuls in Hong Kong are much more proactive. In some foreign consulates, there are even Commercial Counsellors responsible for collecting commercial information and providing the latest and first-hand information to the business sectors of their own countries. These Commercial Counsellors may even lobby for contracts. Right after the signing of CEPA, for example, the consulate of one major country in Hong Kong hastened immediately to hold a video-conference between the construction industry of one of its States and their counterparts in Hong Kong. Later on, the Assistant Secretary of Commerce even led a delegation to Hong Kong and the Mainland in a bid to gain a better understanding of CEPA. It is believed that their intention is to assess whether they should co-operate with the Hong Kong construction industry to acquire the status of "Hong Kong companies", so that they can use Hong Kong as a springboard to enter the mainland market ahead of others or to start their business there direct.

In the past, under the excuse that it is not appropriate for it to interfere with market operation, the Government persistently refused to assign an official to assist in the promotion of local professional services. But I wish to stress that certain lobbying work just must be done by government officials. The agreement on permitting Hong Kong banks to operate retail RMB banking services is an example. The agreement was signed by the Governor of the People's Bank of China, Mr ZHOU Xiaochuan, and Mr Joseph YAM, the Chief Executive of the SAR's Hong Kong Monetary Authority. Can any private-sector organizations and institutions conduct negotiations on such an important monetary agreement and then implement it on their own? In this case, the Government cannot watch with folded arms.

Fortunately, over the past two years, there have been gradual changes. In the case of the legal profession, for example, the Secretary for Justice has been vigorously promoting Hong Kong legal services in the Mainland, and she has also lobbied mainland cities and provinces to allow Hong Kong lawyers to practise in the Mainland. Obvious results have been achieved. In contrast, other Directors of Bureaux have not tried positively to assist the professions falling within their respective portfolios. I hope that such a change can become common among other Directors of Bureaux.

Madam Deputy, it is still too early to say whether the Hong Kong construction industry can establish a foothold in the Mainland and bring large numbers of jobs to Hong Kong as a result of the arrangements under CEPA. Much will also have to depend on our own competitiveness. But we must not focus only on the huge mainland market and ignore our own, because Hong Kong is our base and also the training ground for local professionals. While we seek continuously to export our professional services to the Mainland, we must also pay heed to the potential danger of our local professional services market being hollowed out, lest the experience of the manufacturing sector may repeat.

I have pointed out in this Council many times before that the Government must act wisely and promote infrastructure construction, so as to ease the unemployment problem faced by the local construction industry. The overall unemployment rate for August to October was 8%, recording a drop of 0.3%. But the unemployment rate for the construction industry has risen from 18.8% between June and August to 19.6% from July to September. This shows that unemployment is still very serious in the construction industry.

In order to solve the unemployment problem, the Hong Kong Government must continue to promote infrastructure construction to create local job opportunities. The Government's announcement this morning on deferring the construction of new government headquarters is yet another blow to the construction industry as a whole, because the project is supposed to involve \$4.85 billion and create 4 000 jobs. Therefore, I hope that the Government can consider the idea of "private-sector participation" for the construction of the new government headquarters. Afterwards, the Government can lease the headquarters from the building contractor on a long-term tenancy. This will make it possible for the construction to go ahead. Alternatively, the \$4.8

billion may be used on other works projects such as building maintenance and improvements of municipal amenities. That way, the unemployment problem faced by the construction industry can also be eased.

Madam Deputy, I so submit.

MR HUI CHEUNG-CHING (in Cantonese): Madam Deputy, the signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) is undoubtedly a confidence booster to the economy of Hong Kong. Some economists have estimated that this arrangement will stimulate the local economy to grow by an additional 1%, that is, the creation of \$13 billion in wealth plus the provision of 100 000 job opportunities in the next three years. Many manufacturers who have already relocated northwards as well as overseas and mainland enterprises are interested in conducting in Hong Kong such high value-added processes as research and development, design, packaging and marketing initiatives, and even the final processing, thereby enjoying the benefits provided by CEPA. Such work processes will bring a great number of new jobs to Hong Kong.

I would like to point out that the number of new jobs that can be created by CEPA will largely depend on whether the small and medium enterprises (SMEs) could grasp the business opportunities brought about by CEPA. This is because SMEs are the largest employer in Hong Kong — 290 000-plus enterprises have altogether employed over 1.3 million employees. Therefore, the Hong Kong Government must provide assistance to the SMEs before employment can be enhanced substantially.

First of all, the Government should provide assistance to SMEs and individuals in developing their businesses in the mainland market. For example, the Government should step up its liaison with its counterparts in various provinces and municipalities, so as to assist Hong Kong businesses in negotiating for simplified licensing procedures. Besides, the economic and trade offices in China and the various offices of the Hong Kong Trade Development Council (TDC) in different parts of China should provide more assistance to Hong Kong enterprises, especially the SMEs. Secondly, the Trade and Industry Department, the TDC or the Hong Kong Productivity Council should effect

division of labour and co-operation in organizing business fact-finding tours, so that the SMEs and individuals who are interested in developing businesses or getting employment in China may join such tours. In doing so, they would be able to have direct contact with the relevant departments and trade organizations in the Mainland, thus enhancing their understanding of the opportunities and risks involved in business development there. In the meantime, these public bodies should also send their respective staff to the Mainland and other parts of the world to promote the benefits brought about by CEPA to Hong Kong. They should co-ordinate overseas businessmen and enterprises and bring them to Hong Kong on fact-finding tours to identify opportunities of investment in the manufacturing sector or acquiring Hong Kong companies. Besides, the Government should continue to negotiate with the Central Authorities to lower the threshold for the professional services in launching business operations in the Mainland, so as to enable companies of a smaller scale to actually participate in conducting business in the Mainland. Of course, the Government should also assist the manufacturing industries to solve the problem of shortage of technical workers. This would include the provision of short training courses in Hong Kong, for the purpose of encouraging more young people to join the manufacturing industries.

I would like to stress that CEPA has removed tariff and non-tariff barriers between Hong Kong and the Mainland, and it will create the right conditions for a second economic integration between Guangdong and Hong Kong. The model of "a shop in the front and a factory in the backyard" had once been a successful mode of co-operation between Hong Kong and Guangdong. Nowadays, the respective "shop" and "factory" edges of Hong Kong and the Mainland still remain unchanged. Hong Kong is still able to make contribution to Guangdong as well as other provinces and municipalities in tapping the international market for their products by providing its expertise in international commercial networks, international commercial practices and professional marketing planning. I think one of the directions is for Hong Kong to develop into the Mainland's exhibition and merchandizing centre in the international market.

In its earlier meeting with the Chief Executive, the Hong Kong Progressive Alliance (HKPA) already proposed that we should, on top of the existing wholesale and retail markets, develop "specialized exhibition and

merchandizing streets for individual industries" ("specialized streets") which should possess the dual functions of both an exhibition and a merchandizing centre. We may start by organizing activities in the specialized streets for stimulating the purchasing and consumption activities of "Hong Kong products", and eventually develop them into centres for purchase of mainland and Hong Kong products by overseas buyers.

Modelled on the development strategy of "Trade Towns" in Guangdong Province, the idea of the "specialized streets" shall have the effect of making Hong Kong the "windows" on mainland products. In fact, some "specialized streets" have gradually been taking shape in Hong Kong. For example, we have export fashion factory direct sales shops in Cheung Sha Wan, the clustered electronic products in Kwun Tong, and computers and spare parts streets in Shum Shui Po. There is also the Jewellery Square in Tsuen Wan organized by people of the jewellery industry. As a first step, the Government may use such established "specialized streets" as the foundation. And next it should provide matching measures and incentives, and then it should launch promotional initiatives to further extend the scale of the scheme. For example, shops of the computer industry have already hosted the "Shum Shui Po Computer Festival" on their own initiative, then the Hong Kong Tourism Board may complement it by launching some publicity work among the tourists. As there is a large number of vacant factory premises in many industrial areas, the Government may also consider co-ordinating with the Housing Department and the Urban Renewal Authority to provide the venues required for exhibition and sales purposes, and to attract the relevant industries to move into such vacant premises. In fact, the specialized streets that are gradually taking shape or the industrial areas with lots of vacant factory premises are basically located in the urban area with convenient transportation. If the Government can provide sufficient assistance, they should have the right conditions to become exhibition and merchandizing centres for those industries. I would like to point out that, the effects of the "specialized streets" will be particularly evident for the SMEs. And such "specialized streets" could also be developed into alternative tourist spots. Of course, the Government may also develop such specialized exhibition and merchandizing centres in the border areas so as to make the operation of this Hong Kong "shop" more remarkable.

Madam Deputy, I so submit.

MR LEUNG FU-WAH (in Cantonese): Madam Deputy, it was reported in prominent and extensive coverage in local newspapers today that banks of Hong Kong would be able to conduct four categories of personal Renminbi business with effect from 1 January 2004. After the news was released, it was met with a general welcome by the local financial sector. The editorial of a newspaper even described the situation as "A small step of Renminbi means a major stride for the financial centre." This is another significant initiative made by the Central Authorities to support the economic recovery of Hong Kong since the signing of CEPA in June this year.

The so-called "a small step" or "a major stride" will involve a process. But most importantly, there must be a starting point, a clear objective which will create long-term benefits as well as satisfying needs arising from medium/short-term benefits. This is a significant task charged with very heavy responsibilities, and the consequences will be very far-reaching. It really requires the different sectors of society to get together to discuss and formulate the objectives which are compatible with the overall interests of the entire community in a way that would enable us to reach a consensus while allowing differences to co-exist. And only by then could suitable measures be formulated.

Madam Deputy, under CEPA, the arrangements for trade in goods allow 273 items of goods to be imported into the mainland market on zero tariff. On the arrangements for trade in services, 18 services sectors are allowed to operate their businesses in the mainland market. As described in the government pamphlet, "CEPA has good potential to open up many new business opportunities in the Mainland for Hong Kong. The zero import tariff preference may attract to Hong Kong manufacturing of brand name products, or manufacturing process with high value-added content or substantial intellectual property input." We in the Hong Kong Federation of Trade Unions (FTU) will not be as naive as thinking that CEPA could revive the traditional labour-intensive industries of Hong Kong. However, CEPA could really bring new opportunities to the industries of Hong Kong. We believe that high value-added products such as watches and clocks, processed jewellery, brand name garments, and so on, would exploit the opportunity and enjoy a new lease of life. Therefore, the Government should re-define the economic structure of Hong Kong.

Presently, the services sectors such as the financial, tourist and logistics industries are the pillars of the local economy. However, they are not able to provide a very solid foundation of employment to the employees. For example, during the SARS outbreak in the beginning of this year, the local tourist industry and the peripheral industries were severely affected, and the wages of employees were given no protection at all. We must have a very solid financial structure which can ensure employment for people of different classes in our workforce. The FTU advocates a dual economy for Hong Kong, that is, on the one hand, we should make full use of the advantages of Hong Kong to develop high production value, high value-added and high-tech industries, so as to create wealth for Hong Kong. This would facilitate the employment of people with high educational qualifications. In the meantime, we must also develop industries which are suitable for the grass-roots workers, thereby enabling people with low skills or low academic attainment (such as most of those who are unemployed now) to land a job and make a living for themselves. In such a multi-tier economic structure, other than the existing services industries, the mainstream industries could really strengthen the foundation of employment. However, which kinds of industries can actually satisfy both the profit aspirations of the businessmen as well as the employment aspiration of the employees? This is open to public and extensive discussion in society, rather than a unilateral decision by government officials behind closed doors.

Madam Deputy, in order to develop the above dual economy, apart from manpower, we still need technical training to upgrade our service level. In the past decade or so, the manufacturing sector has been dwindling incessantly, and the prospects of industrial development have been rather dim. So many young people have opted not to work in the industrial sector, thus there is a succession gap in the sector. It has brought about immense difficulties for the industries to undergo restructuring and transformation. Each year, many students who have graduated from technical courses in tertiary institutions and the Vocational Training Council will face the reality of "graduation means unemployment" and "what one has learned cannot be applied in one's work". This is indeed a waste of government resources on the one hand, and undermining of the initiative of the young people on the other. We think that the Government and the business sector should lay emphasis on the training of local talents, and exploit the golden opportunities offered by CEPA to develop creative industries and emerging industries, so as to attract more young people to join and work in such industries.

Madam Deputy, I so submit.

MR BERNARD CHAN: Madam Deputy, we all take it for granted that the Government should take a leading role in planning and developing our infrastructure. Without government action, we would not have sewerage services or water supplies. We would have no railways or airport, and our hospitals, schools and housing would almost certainly be inadequate.

In all these cases, the private sector is unwilling or unable to invest in these areas. No company can make a return from piping water into our homes. But we are happy to see public resources go into these areas. The returns on investment come in the form of long-term benefits for the whole community.

More recently, the definition of infrastructure has become broader. The Government has described Cyberport, Disneyland and the Science Park as infrastructural projects.

This is more controversial. In each case, officials select a specific economic sector for special assistance, which other economic sectors do not get. Some profit-making companies benefit, but others do not. The benefits to the community as a whole are debatable.

The Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) adds a new dimension to that debate. In some cases, CEPA opens up new opportunities, but the opportunities are not always economically viable. We all know that a lot of the manufacturing industry are no longer economically viable on this side of the border.

However, some new opportunities from CEPA could be economically viable — if the Government adopted the infrastructural approach and took measures to encourage manufacturing.

The question is whether the benefits would justify the costs.

Some people will argue that the Government should not interfere with market forces, and we should accept that factories are simply a part of Hong Kong's history. Other people will argue that the new opportunities from CEPA offer significant potential, and government measures could produce very attractive returns for the whole economy.

The fact is that nobody knows. The community needs to decide whether it wants government support for the manufacturing industry. And in order to decide, we need to know what the costs and benefits are.

I would urge the Administration to conduct an accurate and objective analysis in order to answer these questions.

Thank you.

MR CHAN KWOK-KEUNG (in Cantonese): Madam Deputy, this June, the Hong Kong Special Administrative Region (SAR) received a great gift — CEPA. Starting from 1 January next year, under CEPA, 273 items of Hong Kong products will enjoy zero tariff on export to the Mainland. Other categories of Hong Kong products will also be able to enjoy zero-tariff treatment before 1 January 2006. These 273 items of products, which top the list of all goods exported to the Mainland in terms of quantity and value include electrical machinery, electronic products, plastic goods, paper articles, textiles and garments, chemical goods, pharmaceuticals, clocks and watches, jewellery, cosmetics and metal ware.

This arrangement will further facilitate the trade activities and the flows of goods and services of Hong Kong. With something like a special permit, Hong Kong businessmen will enjoy an unrivalled advantage in the Mainland.

As estimated by the SAR Government, the zero-tariff arrangement for the 273 items of Hong Kong Origin Products will directly reduce the tariff liability of Hong Kong products by \$750 million, and the zero-tariff arrangement for other goods later will also benefit 90% of all Hong Kong products. On the basis of the total value of all products exported from Hong Kong to the Mainland in 2002, we reckon that the zero-tariff arrangement will enable the local manufacturing sector to save \$4 billion in tariff expenditure.

The purpose of my describing the opportunities brought about CEPA to Hong Kong products is to point out the immense potentials of these opportunities and how greatly the small and medium enterprises (SMEs) of Hong Kong will benefit from the preferential treatment. SMEs will not only be able to expand into the Mainland, but also enjoy an advantage. This may lead to the further

development of the services and industrial sectors, directly or indirectly creating job opportunities. It is really the time for high value-added manufacturing industries to return to Hong Kong and employ local workers for high-end production processes, so as to increase product value. This is far more visionary and profitable than relying solely on labour-intensive production.

The seasonal fluctuations of Hong Kong's unemployment rate shows that the foundation of our economy is still solid, in that the employment market will fluctuate with the change of seasons. If Hong Kong is to tackle the fluctuations of the unemployment rate at root, it must develop high value-added industries.

Just as pointed by the Secretary for Economic Development and Labour, since there is a great demand for patent medicine in the Mainland and proprietary Chinese medicine can enjoy zero tariff under CEPA, proprietary Chinese medicine manufacturers can be induced to set up production lines in Hong Kong. That way, they can benefit from the strict quality control in Hong Kong and market their products back in the Mainland. Scientific research on Chinese medicine is just one of the many opportunities. Other goods and services such as fashion design, clocks and watches and the services can all prosper with the help of CEPA. All this will enhance our industrial structure and solve our structural unemployment problem.

Many SMEs have become the targets of acquisition by foreign enterprises as a result of CEPA. According to the Chairman of the International Business Bookers Association, following the finalization of CEPA, there has been a drastic increase of more than 50% in the number of enquiries made by overseas companies of the acquisition of Hong Kong SMEs. In October alone, the Association received 126 overseas enquiries, mostly from United States, British and French companies.

The research report on CEPA published by the Hong Kong General Chamber of Commerce in October shows that 80% of mainland cities, provinces and organizations are interested in the services industries of Hong Kong. A survey conducted by the Hong Kong Productivity Council also points out that the implementation of CEPA will create 43 000 jobs in Hong Kong. The latter survey even indicates the very striking finding that 35% of the SMEs surveyed will employ more local workers as a result of CEPA.

The surveys mentioned above show that there are bright prospects for Hong Kong SMEs. This indicates that CEPA will not only give Hong Kong a veneer of prospects, but also reform Hong Kong industries fundamentally. As long as the Government can grasp the opportunity of a head start, offer practical incentives and guidance to Hong Kong investors in the long-term development of industries and services, so that they can build up their own strengths and cater for the needs of the Mainland, there will be "never-ending" business prospects. This is the only way to ensure the stability of our economic growth and employment rate and to avoid fluctuations. What SMEs lack most is information. We hope that the Secretary for Industry, Commerce and Technology can provide SMEs with more information on making investments in the Mainland.

Madam Deputy, I so submit.

MR JASPER TSANG (in Cantonese): Madam Deputy, it really makes many people worried whether CEPA could help to solve the unemployment problem of Hong Kong. This is because, while CEPA is opening up the mainland market to Hong Kong goods and services, those who may benefit from it are entrepreneurs, people from the business sector and professionals (such as lawyers, accountants or bankers, and so on). It would be of very little help to the unemployment problems faced by local middle-aged workers and young people with no working experience. Some people worry that CEPA will produce the effect of attracting a lot of Hong Kong capital to the Mainland for investment, as well as attracting a lot of Hong Kong professionals to develop their business in the Mainland. As a result, this may lead to the hollowing out of Hong Kong, thus intensifying the unemployment problem of the territory. Therefore, we have noticed some central officials having said that CEPA is just a policy provided by the country, and it still very much depends on Hong Kong itself whether it can really revitalize its own economy and really create job opportunities here. That involves the policies of the Government of the Hong Kong Special Administrative Region (SAR). In this connection, it is unrealistic for us to say that, once we have CEPA, all the problems would be gone. The DAB thinks that if the SAR Government can grasp the opportunities provided by CEPA and implement some suitable policies, it should help to quicken the pace of our economic development and solve part of our unemployment problems.

On behalf of the DAB, I would like to make three suggestions here. First, on attracting Hong Kong manufacturers to relocate their mainland production operations back to Hong Kong, or even attracting overseas investors to set up factories in Hong Kong, or relocate part of the production processes to Hong Kong, these are issues often discussed by people after CEPA has been put on the agenda. As mentioned by many Honourable colleagues just now, the zero tariff preference is actually very helpful to relocating the production processes of certain goods back to Hong Kong. But this will only apply to products which are originally charged higher tariffs. As the zero-tariff arrangement will help to cut the costs substantially, it will become more cost-effective for manufacturers to relocate the plants back to Hong Kong. However, there are only a small number of such products. If we want to exploit this opportunity, we still have to consider such industries which, even with zero tariff, will find that the savings will not be able to offset the huge expenditures arising from wages and rents upon relocation back to Hong Kong. In view of this, we think that this must be complemented by government policies. The DAB thinks that the Government should formulate specific preferential policies for certain industries in order to attract the capital back to Hong Kong. In the past, the Government strongly resisted the idea of the so-called "picking the winners by the Government". Presently, we think that we are not asking the Government to guess who will be the winners. Instead, the Government is expected to provide special preferences. In short, certain tax charge concessions should be provided to whatever trades or enterprises which are conducive to the creation of jobs and economic restructuring of Hong Kong. In addition, we hope that open, uniform preferential policies should replace the past practice of vetting individual cases in a piecemeal manner. The Government could bring about a high degree of transparency by specifying which types of trades could enjoy the preference. Any enterprises, as long as they satisfy these conditions, could enjoy the same preferential treatment. We believe that if we could make full use of the opportunities provided by CEPA in this way, and extend the scope of work processes that could be attracted to relocate their operation to Hong Kong, this should boost the employment opportunities.

Secondly, we suggest that the SAR Government should continue to negotiate for the rights to allow the professionals of Hong Kong to provide direct cross-boundary services in the Mainland. Presently, under the framework of CEPA, the terms for the liberalization of the trade in services mainly allow the professional service sector of Hong Kong, such as banks, insurance companies, accountants and lawyers, to set up companies in the Mainland and access the

mainland market. Really, I am afraid this kind of access to the mainland market would not benefit the ordinary grassroots. It would only be entrepreneurs, middle or top level managers and professionals who will be benefited. However, if we can lobby for support from the Central Authorities, so that the service businesses could freely contact clients, then it may not be necessary for them to set up companies in the Mainland. Instead, they could go to the Mainland for direct negotiations with clients on the provision of cross-boundary services. On the other hand, mainland clients may also travel to Hong Kong direct to discuss deals with Hong Kong companies. This will surely be more beneficial to the development of the professional services of Hong Kong. Besides, through such business transactions, we may promote the development of various local industries such as transportation, hotel and restaurant, retail and department store, infrastructure and even estate agencies. As they have to set up offices here, this will also create job opportunities. We hope the SAR Government could seriously consider this.

Thirdly, we propose that the SAR Government may make suggestions to the authorities concerned in the Pearl River Delta (PRD), Yangtze River Delta (YRD) as well as the various major cities for the establishment of permanent products exhibition and sales centres in Hong Kong. Riding on this feverish trend generated by Hong Kong-Guangdong and Hong Kong-Shanghai co-operation, we suggest that the Government should discuss with their counterparts in these places, so that we can bring about co-operation with the PRD and YRD. These permanent products exhibition and sales centres will, on the one hand, create job opportunities, and make Hong Kong a show window for PRD and YRD products on the other, thereby attracting more overseas businessmen to Hong Kong and upgrading Hong Kong's status as an international business and commercial centre.

We think the three suggestions are practicable. We hope the SAR Government can consider them, so that we may boost the CEPA effect. Thank you, Madam Deputy.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, as we look at the figures released two days ago, we know that the unemployment rate has dropped to 8%, showing that the unemployment situation of Hong Kong is gradually improving. In spite of this, it does not mean that we can lift the warning signal of unemployment, nor can we brush it aside as only a trivial issue. Afterall, the

size of the unemployed population of 280 000 is by no means small. Therefore, at the moment, unemployment is still a hidden problem for us. While the Government is working full steam ahead to strive for a solution to economic recovery, it should also try its best to create more job opportunities. This year, the Central Government has given us a great gift, that is, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). If the SAR Government can make good use of CEPA, it will be our most effective weapon in ameliorating the unemployment problem. In fact, since the signing of CEPA in June, many Hong Kong and overseas companies have pledged to grasp the golden opportunity to launch their businesses into the mainland market before the accession of China to the World Trade Organization (WTO). Therefore, if the SAR Government can provide full assistance to these companies, especially those SMEs of Hong Kong in grasping the golden opportunities brought about by CEPA in tapping the mainland market, it will be the best way of reviving the economy of Hong Kong as well as ameliorating the unemployment situation.

Many grass-roots people have a misconception that CEPA will be helpful to the business sector only, and it has nothing to do with them. This is a total misconception, because according to CEPA, as many as 273 items of Hong Kong products can be exported to the Mainland on zero tariff. Such products include textiles, clothings, clocks and watches, jewellery, electronic products, and so on. These industries used to enjoy a booming time in Hong Kong in the past. Subsequently, as a result of escalating operating costs and other factors, they were relocated northwards gradually, and their operation eventually diminished in Hong Kong. However, enterprises operating such industries have actually developed into major plants with thousands of employees, and their market shares in the Mainland and overseas countries have been expanding persistently. Presently, the high unemployment rate in Hong Kong is attributable to the massive relocation of our industries to the Mainland, and this has led to structural unemployment in Hong Kong. With the zero-tariff preference provided by CEPA, together with our advantages in a sound legal system, excellent goodwill and brand names, the strong commitment to protecting intellectual property rights, high efficiency of workers and the simple low tax regime, Hong Kong will be able to attract Hong Kong and mainland businessmen into establishing factories in Hong Kong. In this way, products made in Hong Kong will be able to tap the mainland market at zero tariff. With the preferences provided by CEPA, the manufacturing industries may be relocated back to Hong Kong, thus giving rise to the number of relevant job opportunities, and this will absorb some manufacturing workers who have not been able to switch to other work types.

In the meantime, CEPA also allows Hong Kong residents to operate business in the Mainland as sole proprietors in Guangdong Province. Therefore, CEPA has provided direct assistance to both factory operators and workers.

Besides, the Government should also study the possibility of opening up and making use of the closed areas in the border, so as to tie in with the operating preference provided by CEPA, thereby creating more business and job opportunities.

Since CEPA will bring so many advantages to Hong Kong, there is no reason that the SAR Government should not make full use of it. There are however still many man-made barriers now. The SAR Government should remove all the barriers between Hong Kong and the Mainland, so as to facilitate smooth passenger and goods flows. First of all, it should solve the long-standing problems of congestion at the border checkpoints, as well as the excessively long clearance time which together has led to substantially increased transportation costs. For example, we may advance the time for implementing the co-location of immigration and clearance facilities, and implement e-service scheme for immigration clearance. With such measures, it is hoped that the smooth flow of both goods and passengers between the two places can be facilitated. Another area that requires improvement is the provision of support services to Hong Kong residents or staff of overseas enterprises stationing in Hong Kong who have to travel to the Mainland for investment purposes. Such support services include the provision of information on the mainland market, business tips, general legal knowledge, emergency support, and so on. However, it is evident that the Hong Kong Government has not done sufficiently well in this area, and there is indeed a need for a review.

The Hong Kong Progressive Alliance (HKPA) believes that, if we can grasp the advantages offered by CEPA, we would be able to turn them into the tools instrumental in improving the critical unemployment situation of Hong Kong. The Government should realize that the preferential treatment provided by CEPA does have a time limit. If the Government fails to grasp the opportunities within the two-year time limit, there is nothing we could do once this chance has lapsed. The most urgent task before us now is to review our existing relevant policies. Any policies that may stifle the business environment must be remedied with immediate effect. If we can successfully attract local and overseas enterprises to capitalize on the opportunities provided by CEPA and

make significant investments in Hong Kong, a large number of job opportunities will naturally follow.

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

MR JAMES TIEN (in Cantonese): Madam Deputy, regarding today's motion, in fact, this is the first time I have seen something like this in the Legislative Council: Members from different political parties, be they stand for the business sector or the grass-roots workers, are all concerned about enhancing the employment opportunities in Hong Kong, and they all look at the issue from a commercial perspective. Having worked in the Legislative Council for so many years, I feel that, in the past, when the Liberal Party proposed in a debate on behalf of the business sector that the Government should adopt a certain course of action, the speeches would give others the impression that such proposals were beneficial to the business sector, and then the labour sector would mostly have some reservations. However, today I am very glad to see that all other Members have agreed to something which all along has been advocated by the Liberal Party.

Madam Deputy, let me speak on the different aspects. First of all, it is about the processing zone. I still remember that, when I first joined the Legislative Council, that was 1993 to 1995 when I was the representative of the Federation of Hong Kong Industries, I had already suggested the establishment of a processing zone at the border. If the processing zone was established at that time, and we could make use of the mainland labour at mainland wages, not at Hong Kong wages, many factories would not have been relocated away from Hong Kong. However, at that time, my proposal was absolutely not supported by the labour sector. They said that if the border processing zone were set up, the "rice bowls" of the Hong Kong people would be taken away, and the jobs would go to the mainlanders. That was not feasible! Today, we are putting forward the proposal of setting up the processing zone at the river-loop area. In fact, the business sector also supports this. But in my opinion, this scheme will take at least five years, if not 10, to materialize. This is because we have to conduct an Environmental Impact Assessment, and we also need to complete the entire relevant infrastructure at the river-loop area. By then all the benefits of CEPA will have lost their relevance because we are talking about the early opportunities in three or five years' time.

Let us take a look at our wages today. In the river-loop area, should Hong Kong wages or Shenzhen wages be paid to workers? Judging from the pace of development in Shenzhen now, it is growing very rapidly when compared to the situation of 10 years ago. Ten years ago, if the Hong Kong wage is \$6,000 or \$7,000, then the equivalent in Shenzhen would just be between \$1,000 and \$2,000. However, nowadays in Shenzhen, you can hardly find someone to work for you if you cannot offer a wage of \$2,000 or \$3,000. Five years later, I feel that the wage gap between Hong Kong and Shenzhen will even be smaller. If the processing zone in the river-loop area could only be completed by then, I think there must still be some factories operating there. But will some well established factories at some other places, such as a factory with 10 000 workers in Dongguan, be relocated to the our river-loop area? In addition, we are talking about something that may happen five years later, so I do have some reservations about this. Of course, some people may say, "Doing something is better than doing nothing." Or "It's better late than never." I believe the scheme will still be of some use by then. I feel that I am saying this to strike a balance because Members today are all praises for this proposal, but I just do not want people place too much expectation on this, thinking that if all the work can be done and CEPA could be implemented, then more job opportunities would be created. In today's motion, the most important point is increasing job opportunities. However, can we really make our grass-roots wage earners hold so much hope, thinking that once the river-loop industrial zone is established and once CEPA is implemented, their job opportunities would be enhanced substantially?

If CEPA had been implemented 10 years ago, it would be very useful. I still remember soon after the reunification in 1997, I had discussed with Mr CHAU Tak-hay, then Secretary for Trade and Industry, for many times. Under "one country, two systems", why could we not have some special trade arrangements? Taking the United States, Canada and Mexico as examples, three different countries could sign some agreements, why could we not do that? Secretary CHAU Tak-hay said at that time to the effect that, we could not breach the provisions of the World Trade Organization (WTO) and ask the country to grant us such benefits. Unfortunately, we have been late for six years. If CEPA could be implemented in 1997, and the other countries could only enforce the WTO provisions officially in the Mainland as late as 2005 or 2006, then we could enjoy eight years of a head start. This would be very useful. But now, we have only two or three years of such early advantages.

Besides, CEPA, the arrangement we are discussing today, is not stipulated by any legislation enacted by the Central Government. Therefore, the Liberal Party had put forward two points to improve the matching arrangements of CEPA when we visited Beijing several months ago. First, we have to consider the enactment of a law on investment by Hong Kong and Macao compatriots. As we proceed with our investments in the present manner, should such investments be treated as foreign investments or domestic investments? This is because foreign investments are entitled to certain benefits, whereas domestic investments also have their share of benefits. But there is no explicit investment law governing investments from Hong Kong and Macao. Even for investments made under the framework of CEPA, the Central Government does not have any guidelines for them. So how should we interpret the situation? All businessmen conducting business to take advantage of the CEPA opportunities, be they professionals or manufacturers, interpret the situation in each of their own way in the Mainland. They conduct their negotiations in whatever cities or provinces they are in, and the outcomes they could get are the ultimate results. I feel that such protection is inadequate. Another point, many manufacturers with factories in the Mainland have met with disputes, which really should not be resolved by way of a lawsuit in court. We have suggested to the Central Government for the establishment of an unofficial arbitration conference, which is similar to the Labour Tribunal in Hong Kong. The operation of such an organization does not entail legal proceedings, but just reconciliation. We all know that, it always happens like this: If someone wishes to start up a factory in a certain city, the original law there could be amended to incorporate two additional laws or an additional provision for the collection of a poll tax. Sometimes a fee is charged on the ground of environmental protection. Such situations often take place in many provinces and cities, and different places have enacted new laws on their own. This puts manufacturers in some very difficult situations. As the Hong Kong Government or Secretary Stephen IP now have come to know this suggestion put forward by us, I hope they can follow this up with the Central Government when they have a chance to discuss such matters.

As for the factories, I also share the views of many Honourable colleagues, that if such factories, such as those making watches and clocks, high-end garments or jewellery, are still operating in Hong Kong, we hope we could keep their operations in Hong Kong by making use of the CEPA advantages. I strongly hope that factories already moved to the Mainland, such as garment factories and plastic toys factories, could be relocated back to Hong Kong, as

some Members for the labour sector have suggested. But I think we should not be excessively optimistic.

Madam Deputy, the Liberal Party supports the original motion as well as all the amendments. Thank you.

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

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, we can all actually see that there has been a continuous drop in the unemployment rate recently, and everybody seems very delighted. However, despite this continuous drop, we are still very worried, because we simply do not know when the rate will stop going down. Will it drop to the very desirable level in the past, the level of 3% or so, for example? This is our greatest concern.

Many people have also said that it will already be very good indeed if the rate can drop to the level before the SARS outbreak. Naturally, in the interest of grass-roots workers, I will say that even such a level is not satisfactory enough. I hope that the rate can really keep going down all the time. But how can this be achieved? This is indeed one of our greatest concerns. The most serious aspect to the unemployment problem is connected with the large numbers of middle-aged workers with low qualifications. I guess these workers number more than 700 000 in the total working population. If we wish to improve the economy and solve the unemployment problem, I would say we must attach the greatest importance to the question of whether or not we can really solve the problem of these people. I really wish to contribute to the studies on this problem. Anyway, it is most important for the Government to admit the existence of this problem, that is, the problem I have just talked about. The Government has all long mistakenly regarded the unemployment problem as a simple mismatch of educational qualifications, deeming that lifelong learning will be the solution. But as the Government seeks continuously to axe funding for education and training, the people have started to encounter many obstacles in the course of trying to upgrade themselves and increase their own worth. Since tuition fees are forever rising and wages forever dropping, even if people wish to upgrade themselves, they will be hindered by financial difficulties. This is not to mention the fact that most people with low qualifications simply do

not have the basic knowledge and skills that can help them upgrade. For this reason, the mismatch has remained a problem difficult to solve.

Besides, even if the problems of qualifications and skills can be solved, these people may not necessarily be able to find any jobs at all. In the five-year manpower forecast made in 2000, the Government projected that there would be a manpower surplus of 42 300 in 2005. This year, the projection on the situation in 2007 shows that the surplus will increase nearly three-fold to roughly 129 800. This means that even if the problem of qualification mismatch can be solved, there will still be a shortage of 130 000 jobs. This is the most urgent problem which the Government must tackle.

Madam Deputy, the authorities may well think that the implementation of CEPA will solve the problem of unemployment. I think before it jumps to this conclusion, the Government must first answer these three questions: Can CEPA really increase job opportunities? What kinds of additional jobs will be created? What can the Government do to increase the employability of the unemployed people mentioned above?

Madam Deputy, when CEPA was first mooted, some predicted that it would bring as many as 4 000 or 20 000 jobs to Hong Kong. Even if such a projection is accurate, I still think that CEPA can in fact do very little to solve the problem of inadequate jobs. Moreover, Hong Kong's relative advantage over the Mainland in terms of capitals, talents, technologies and international connections is fast diminishing. It is altogether doubtful as to whether foreign investors will still retain part of their capitals in Hong Kong just because of CEPA. The only industries which Hong Kong can still develop may be those with high requirements in terms of technology, institution and infrastructure, such as the cosmetics and pharmaceutical industries, which require a satisfactory certification mechanism and registration system. But these industries do not need to employ too many workers, and what is more, low-skilled workers are not their target employees.

What is even more worrying is that since the professions can join the "gold rush" in the Mainland, there is every possibility that they may shift their main business to the Mainland. In that case, they will naturally need less local manpower support, thus pushing up the unemployment rate. Some may well think that I am a bit over-worried. But I must stress that over-optimism will not be so helpful to solving the problem either. Regarding CEPA, our greatest

hope is that while people can go north for jobs, capitals will return. Domestic consumption can boost the labour-intensive services industries. But we cannot possibly expect that most people will really do so. That is why the Government must adopt appropriate measures to enable Hong Kong to gain the maximum benefits from its integration with the Mainland, to make sure that both capitals and talents will return to Hong Kong suitably.

(THE PRESIDENT resumed the Chair)

To begin with, production costs in Hong Kong are still rather high. As pointed out by some academics, the Government may consider the idea of providing small and medium enterprises with tax concessions linked to the employment of local workers, so as to induce them to relocate their production lines back to Hong Kong. At the same time, the SAR Government should seek to build up a better environment here, such as by improving our social services and political system, so as to give Hong Kong an advantage over the Mainland as a place of living. Those Hong Kong people working in the Mainland may thus develop a greater sense of belonging and return to Hong Kong. That way, there will be more business and other opportunities in Hong Kong. I very much hope that these people can really regard Hong Kong as their home and come back to live and spend here.

Naturally, it all depends on the Government's determination. As rightly pointed out by Central Government officials, all preparations are already done, and the rest will have to depend on whether Hong Kong people are willing to exert any efforts. That is why the Government must show its sincerity in solving the problem. Unfortunately, up to this very moment, with the fiscal deficits as an excuse, the SAR Government still seeks to reduce funding for education and thus training opportunities on the one hand, and downsize the Civil Service on the other. All this may render all efforts futile eventually.

I think the Government must stop before it is too late and spend money in the most appropriate ways, so as to create more jobs. In addition, it should set up a mechanism for employment impact assessment to assess the impact of policies on employment opportunities. Policies not conducive to the good of Hong Kong, for example, should be improved by all means. No policies should

be implemented without first considering whether they will increase, or reduce, the number of jobs available. The outsourcing of government services, for example, has become a major problem. We maintain that outsourcing will only reduce job opportunities instead of increasing them. Therefore, the Government should now conduct a fresh assessment. As I pointed out just now, only a mechanism for impact assessment will work.

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): Miss CHAN Yuen-han, you may now speak on the three amendments.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, I am very glad that three Honourable colleagues respectively from the Liberal Party, the Democratic Party and the Hong Kong Confederation of Trade Unions (CTU) have proposed amendments to my motion. All their amendments have proposed additions to my motion, rather than opposing my original motion. In other words, we all agree with the general principle that we should grasp the opportunities brought by CEPA to enhance employment. This goes to show that a consensus does exist among all parties, and I feel very happy about this.

The Liberal Party proposes to set up a high-level task force to improve the business environment, which is not in conflict with the committee made up of government officials, members of the business community, the labour sector and the academia, and professionals as mentioned by me in moving the motion earlier on. We can set up this task force to improve the business environment, or we can set up a committee to formulate industrial policies in respect of CEPA, or we can set up both. I think we should enable the aspirations and views of the community to be reflected through public discussions. This is better than leaving it to the Government to decide that this should not be done and that should not be done.

However, I have some views on the earlier remarks of Mr TING. He mentioned in his speech labour protection and consumer protection being undermined. I think this is not at all relevant to grasping the opportunities brought by CEPA.

Moreover, regarding the Democratic Party's proposal to facilitate industrial development by establishing a river-loop industrial zone, there was already this view back in 1999, and the Hong Kong Federation of Trade Unions (FTU) had also discussed this proposal. When it comes to the development of the river-loop area, what should be developed? We should develop high value-added industries, rather than traditional industries that rely on an abundant supply of cheap labour.

We have stressed time and again that it is impossible for Hong Kong to compete with others in terms of wages anymore. We must give play to our strengths. For example, Hong Kong has held property rights in high regard and our workers are of a high quality. Coupled with the good reputation of "Made in Hong Kong" products, Hong Kong can develop into a product certification centre, and this is where our strengths lie. So, we proposed at the time that the river-loop area can be developed into a research centre on Chinese medicine and it could be further developed into a certification centre. Much to our regret, the Government did not give consideration to our proposal at that time. I hope that the Government will consider this as soon as possible.

Moreover, I would also like to respond to the proposal made by the Democratic Party earlier. I think our views are basically the same. But I must stress again that I absolutely take exception to the view expressed by some people, that mainland workers should be imported. It is impossible for us to compete with others in terms of wages. In the Mainland, one can never tell what is the lowest level of wages as the wages there can always be lower. So, it is impossible to compete with the Mainland on this front.

Furthermore, with regard to Mr LEE Cheuk-yan's view, that is, the CTU suggests that the impact of CEPA on the employment situation be assessed as soon as possible, so as to analyse in detail the impact of CEPA on the local employment market, I think this is very important. I very much hope that the Government can address this point squarely, because the Government has not taken any action to date.

Madam President, I am a new member of the Vocational Training Council (VTC) this year. The VTC has recently mentioned the 2007 manpower review which will include the development of a training programme for the next eight years. I had asked why CEPA, the individual visit scheme and various new factors were not taken into consideration. Regrettably, these factors had not been taken into account, and consideration was made only as originally planned. So, I was displeased at that time, as I think resolving the unemployment problem among youngsters is a very important area of work of the VTC. As there are new opportunities now, why are these factors not incorporated for consideration? So, I think the Government must consider the point raised by Mr LEE Cheuk-yan. The Government cannot allow organizations under its management to continue ignoring the need to resolve unemployment, ignoring the problem of serious unemployment among youngsters and doing only things that they wish to do. Among government officials present here in the Legislative Council, there are members of the VTC. I hope they can address these issues and consider our views.

Madam President, incidentally, I would like to respond to Mr LEE Cheuk-yan's comments on the Chairman of the FTU and on us. I will pass on Mr LEE Cheuk-yan's views to our Chairman. Nevertheless, I wish to emphasize that members of the FTU who sit on the Executive Council have all along expressed our views from the labour angle and they have also pressurized the Government to stand on the side of workers on labour issues.

Furthermore, I also wish to point out that while the FTU and the CTU are similarly concerned about workers, I reckon there are some differences between the FTU and the CTU. Apart from criticizing and monitoring the Government, we also suggest to the Government proposals that can practically help create jobs, such as proposals on the green industries, local community economy, and concrete employment programmes, including those relating to CEPA. I also wish to remind Mr LEE Cheuk-yan that the Legislative Council has its role to play. I trust that Mr LEE will not forget this, and I hope that he is well aware of this. Thank you.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, it is absolutely not easy to stand in for anybody. If Mr John TSANG asks me to stand in for him again, I believe I have to think it over. I left the Chamber for a minute or two earlier due to some urgent business. I must apologize for having kept Members waiting for a few minutes.

I would like to thank Ms CHAN Yuen-han for moving today's motion and also, on behalf of the Secretary for Commerce, Industry and Technology, thank Members who have spoken for their valuable input. The speeches delivered by a number of Members in the debate acknowledged the positive effects that the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) has brought to our economy. Since the signing of the principal CEPA and its Annexes in June and September respectively, both the local business sector and foreign investors have demonstrated a keen interest in the business opportunities brought about by CEPA. The Trade and Industry Department (TID) alone has received more than 2 500 enquiries concerning CEPA. Among the business enterprises with which we have come into contact, some have been considering concrete projects on investment or production.

We understand of course that we cannot rely on CEPA alone to solve our unemployment problem. We all realize this. However, just now a Member quoted me as having said that CEPA would go some way in tackling the unemployment problem. I think this is a fact, as it is what I have seen personally. Recently, I have visited some small-scale pharmaceutical firms manufacturing Chinese medicine. They told me that, even though the number of staff they employed is only a few dozens, they had, in anticipation of the business opportunities arising from CEPA, relocated their factories from the Mainland to Hong Kong. Apart from them, other larger manufacturers employing hundreds of employees are also planning to relocate from the Mainland to Hong Kong and set up plants in the Tai Po Industrial Estate. There are indeed opportunities arising from CEPA and some people are grasping them for development, leading to job creation. Of course, I am simply citing some examples to illustrate the fact. Other than the pharmaceutical industry, I believe other high value-added processes will be relocated here in consideration of the new business opportunities coming out of CEPA.

As CEPA is a brand new arrangement, we can hardly ascertain at this stage the actual size of new markets that Hong Kong can explore in the Mainland, and the direct and indirect benefits, including the improvement in our employment situation, to our economy. Before the main concessions of CEPA become effective, any assessment on the impact of CEPA will be too crude. We appreciate Members' request for the Government to conduct as soon as possible an assessment, analysing thoroughly the impact of CEPA on the local labour market. However, we believe that we should let CEPA run for a period

of time, so as to obtain more concrete statistics and information, before we can conduct a more accurate and comprehensive assessment on the impact of CEPA on our economy, including the employment situation. As regard Members' request the expeditious conduct of an impact assessment on the employment situation, we will consider and explore the best way for such an assessment and come back to the relevant panel in due course.

The Government always believes that the principle of "big market, small government" is the most appropriate mode of governance for Hong Kong. We believe that the ultimate economic benefit to be generated by CEPA will depend on how Hong Kong and overseas businesses and professionals make use of CEPA to expand their market on the Mainland, as well as the development and business strategies of individual enterprises and professionals.

Our policy objective is to encourage and assist as far as practicable various sectors to leverage on the opportunities brought about by CEPA, and to provide support through various policies relating to the industrial and commercial sectors. We have been striving to improve the local business environment, implement the policies flexibly, abolish unnecessary regulations and restrictions, and promote investment. At the same time, we have stepped up efforts in upgrading the quality of our workforce to meet the needs of the market. In a moment, I am going to elaborate on these efforts.

Here I would like to talk about the business opportunities brought about by CEPA. As we all know, CEPA covers three major areas: trade in goods, trade in services and trade and investment facilitation. Other than the liberalization measures of the telecommunications which have already come into effect since 1 October, other CEPA preferential measures for Hong Kong products and services will start on 1 January 2004. These preferential treatments for Hong Kong products and services and unique market access will be implemented earlier than the World Trade Organization (WTO) commitment given by the Mainland and in a wider scope. These concessions will allow the manufacturing and services industries of Hong Kong to access the Mainland market further to expand their business. They will also greatly enhance Hong Kong's appeal to overseas investors. Thus, we believe that CEPA will promote traditional industries in Hong Kong, drive emerging industries, facilitate our economic transformation and directly and indirectly lead to job creation.

Furthermore, under CEPA, residents of 10 cities, including Beijing, Shanghai and Guangzhou, can come to Hong Kong on individual basis and the scheme will be extended to the entire province of Guangdong not later than May next year. Since the implementation of the individual visit scheme, more than 360 000 mainland travellers have already visited Hong Kong under the scheme. The increase of inbound visitors helped to stimulate the economy of Hong Kong and boosted the employment situation in our tourism and related industries, such as food and catering, hotel and retail industries.

We will continue to provide support in various policies relating to the industrial and commercial sectors and manpower development, to encourage and help various sectors to make full use of the business opportunities brought about by CEPA, promote economic transformation and improve the employment situation.

On improving our business environment, as Members mentioned just now, the Government launched in 1996 the Helping Business Programme, for the purpose of improving the business environment and maintaining Hong Kong's status as the best place to do business in the world. We have been working hard to eliminate cumbersome, outdated and unnecessary restrictions and regulations by streamlining and expediting the licensing procedures, lowering the compliance costs, introducing new services and improving existing ones. So far, we have completed more than one hundred items of research and work plans and implemented about 400 business facilitating measures, many of them have enabled industries to benefit from CEPA, for examples:

- setting up a Business Licence Information Centre which provides convenient and effective one-stop service on business licence information;
- simplifying the business registration procedures and provide one-stop service, enabling any application lodged in person to be processed in 30 minutes time; and
- setting up an on-line resources centre at the Labour Department (LD) to provide information relating to employment and labour affairs and compiling model employment contracts for the reference of both employers and employees.

Besides, we have also launched the following business facilitation measures for industries in business and investment, including:

- streamlining the clearance requirements of Hong Kong Customs and upgrading the relevant services. To make available to industries the updated information and procedures on clearance requirements and application forms through the webpage on one-stop clearance information service;
- relaxing the requirement concerning the permit of 10 categories of goods by way of an omnibus bill;
- developing proactively the e-commerce, including the provision of electronic services in import and export declaration, cargo manifests and application for certificates of origin; and
- conducting an impact assessment study on the regulation of proprietary Chinese medicine, to facilitate the regularization of Chinese medicine and promote co-operation and long-term development in Chinese medicine trade between the Mainland and Hong Kong.

Also, we have simplified the requirements and procedures for the licensing of hotels and guesthouses.

As to Mr Kenneth TING's proposal made in his amendment which urged the Government to expeditiously set up a high-level task force to further improve the business environment, the Financial Secretary will take this as the focus of his work in the near future and to honour this pledge as soon as possible. The Government also recognizes that there should be participation of different sectors in society to ensure that the task force can do its best. The relevant arrangement will be announced in due course. In addition, we will continue to actively implement the Helping Business Programme, encouraging various departments to review the scope of regulation within their ambit, with a view to improving the business environment.

The main measures under CEPA involved zero tariff for Hong Kong products and the opening up of the services market of the Mainland to Hong Kong enterprises. The Government will continue to support and facilitate the

development of our manufacturing and service industries, promote the application of new knowledge and technology among enterprises, upgrade products and services and enhance continuously its competitiveness. In my speech delivered in relation to the last motion, I introduced to Members the support services provided by the Innovation and Technology Commission and the Hong Kong Productivity Council, as well as the Innovation and Technology Fund which encourages innovation and technology upgrading.

Just now I mentioned that there are four funding schemes targeted at the small and medium enterprises (SMEs). Following the signing of CEPA in June this year, the Government is happy to note that SMEs in Hong Kong are actively making use of the four funding schemes. Since the end of June, with the push of CEPA business opportunities, together with the series of improvement measures introduced under the funding schemes, the number of applications has soared drastically. For the Loan Guarantee Scheme, the number of applications has almost doubled, from 64 per week to 115 per week. For the Export Marketing Fund, the number of applications has also gone up from 209 per week to 336 per week. As for the Training Fund, we have seen an increase of 367 per week to 613 per week. From the increase in these numbers, it can thus be seen that the SMEs are prepared to enhance their investment both in terms of operation equipment procurement, upgrading human resources and marketing promotion, so as to better equip themselves for capitalizing on the opportunities brought about by CEPA.

Moreover, the TID has set up a Support and Consultation Center for SMEs, providing consultation and information services. Following the signing of CEPA, the Support and Consultation Center for SMEs has also enhanced its services in relation to CEPA. Other than general services, a special counter for CEPA has also been set up in the reference library, and seminars and workshops relating to the business opportunities under CEPA were also organized. Furthermore, the TID has also provided free commercial consultation services on mainland trade, as well as a one-stop CEPA enquiry centre.

Madam President, the Government is also committed to promoting the development of our service industries, so as to enhance the position of Hong Kong as the premier services centre in the region. With a funding of \$100 million for setting up a Professional Services Development Assistance Scheme, we provide financial support for the professional services sector to organize projects aimed at upgrading their professional standards and enhancing the external competitiveness of the sector as a whole or that of individual trades.

On manpower development, apart from striving to upgrade the overall education level of our workforce, various special measures have been implemented to enhance the competitiveness of local workers. For instance, the Continuing Education Fund was launched last year to encourage and subsidize local workers to take up courses on economic sectors with development potential and relevant continuing education programmes that are most needed by local workers. A Skills Upgrading Scheme was also launched in 2001 to provide sector-specific training packages that meet the needs of individual industries. As for long-term measures, we will set up a qualification framework. This framework seeks to set out ways to pursue learning in a clear and flexible manner, so as to help aspiring people to formulate their own plans to upgrade their skills and pursue lifelong learning. In anticipation of the setting up of the qualification framework, we will set up an advisory committee on industry training. The membership of the committee will comprise employers, employees and other stakeholders. The committee will formulate training specifications for individual industries. Through the participation of these people in the formulation of training specifications, we can ensure that the training needs of various industries are taken care of, and the qualification conferred by the training programmes are recognized by these industries. In addition, the committee will also conduct manpower survey for relevant industries, and to advise the Government on their manpower demands.

In terms of employment promotion, the LD has been making use of different channels to keep in touch with employers and collect information concerning vacancies in the job market to benefit job-seekers. In view of the positive impact on local employment brought about by CEPA, the LD is going to prepare a leaflet to introduce their placement service to employers who are benefited by CEPA, and to facilitate their grasping of the opportunities brought about by CEPA. In addition, to meet the recruitment needs of SME employers, the LD will send out publicity leaflets on their placement service to 80 000 SMEs this month, to encourage employers with greater recruitment needs to make use of the free service provided by the LD. In fact, during the last couple of months, there has been an increase in new vacancies registered at the LD.

On the topic of investment facilitation, we have got an excellent business environment in Hong Kong, and we have been able to attract many multinational corporations from overseas countries to set up regional headquarters and offices in Hong Kong.

On the basis of these existing advantages, we anticipate that the implementation of CEPA will attract more foreign corporations to invest and expand their business in Hong Kong, thereby creating more job opportunities. Under CEPA, the definition of "Hong Kong Service Suppliers" is objective and highly transparent. Irrespective of the sources of funding, as long as a company is incorporated or registered under the laws of the Hong Kong Special Administrative Region (SAR), and has been engaged in substantive business operations in Hong Kong, it will then be eligible to enjoy the concessions under CEPA. At the same time, mainland enterprises that would like to become multinational corporations are also encouraged under CEPA to use Hong Kong as a "springboard" to access the international market. Various departments in the SAR Government, including the Invest Hong Kong, our Economic and Trade Offices and other public bodies, such as the Hong Kong Trade Development Council, will continue to exert efforts on joint overseas promotion events.

Just now Dr YEUNG Sum proposed that the Government should study the establishment of a border industrial zone or a river-loop industrial zone. As regard the study in this area and the position of the Government, I in fact made it clear when I spoke on the last motion. I reiterate here that, when Mr John TSANG answered a question raised by Mrs Sophie LEUNG last week, he pointed out that the Government holds a open position concerning the idea, and that when considering the proposal of setting up a border industrial zone, we will certainly look into the characteristics of that area, taking into account seriously public opinions and bearing in mind the interest of the community as a whole. Stage three of the "Hong Kong 2030: Planning Vision and Strategy" study currently being undertaken by the Planning Department will take into account the use of land in the border areas. A public consultation exercise will be conducted before the end of this month.

Madam President, since the signing of the main parts and Annexes of CEPA in the end of June and end of September respectively, the Government has already launched a series of general and focused communication activities, to brief local and overseas business sectors on different occasions the details of CEPA. We are happy to see that there have been extensive discussions on CEPA in society, including the motion debate today in the Legislative Council. I believe it will certainly enable the public and the business sector to gain a better understanding of CEPA.

On the implementation of CEPA and the negotiations with the Mainland on further liberalization of the market, the Government will continue to proactively consult the industries, to listen to their views concerning the details of implementation and support measures, as well as their request on further liberalization in regard to trade in goods and trade in services. We understand that CEPA will become a platform for industries to enter the mainland market. Therefore, we will ensure that our arrangements will meet the needs of the industries and that both the business and labour sectors can be truly benefited. We will also promote the development of our industrial and service sectors, thereby improving the employment situation.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr Kenneth TING to move his amendment to the motion.

MR KENNETH TING (in Cantonese): Madam President, I move that Miss CHAN Yuen-han's motion be amended, as set out on the Agenda.

Mr Kenneth TING moved the following amendment: (Translation)

"To add "expeditiously honour the pledge in this year's policy address to set up a high-level task force to improve the business environment," after "the Government should"; and to add ", laws and regulations" after "reviewing and improving the existing policies"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Kenneth TING to Miss CHAN Yuen-han's motion, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, as Mr Kenneth TING's amendment has been passed, I have given you leave to revise the terms of your amendment, as set out in the paper which was circularized to Members on 18 November. In accordance with the House Committee's recommendation which I have also accepted, when you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech.

MR LEE CHEUK-YAN (in Cantonese): Madam President, I move that Miss CHAN Yuen-han's motion as amended by Mr Kenneth TING, be further amended by my revised amendment. To win the support of Members, I am not going to speak for a further three minutes. Thank you, Madam President.
(*Laughter*)

Mr LEE Cheuk-yan moved the following further amendment to the motion as amended by Mr Kenneth TING: (Translation)

"To delete "and" after "abolish unnecessary regulations and restrictions,"; and to add "and expeditiously conduct an impact assessment on the employment situation, thoroughly analyse the impact of the arrangement on the local labour market with a view to improving the existing manpower development policy," after "assist small and medium enterprises in grasping the opportunities brought about by CEPA,"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr LEE Cheuk-yan's amendment to Miss CHAN Yuen-han's motion as amended by Mr Kenneth TING, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Dr YEUNG Sum, as Mr Kenneth TING's and Mr LEE Cheuk-yan's amendments have been passed, I have given you leave to revise the terms of your amendment, and you also have up to three minutes to explain the revised terms of your amendment.

DR YEUNG SUM (in Cantonese): Madam President, I move that Miss CHAN Yuen-han's motion as amended by Mr Kenneth TING and Mr LEE Cheuk-yan, be further amended by my revised amendment.

Madam President, the Democratic Party considers that through the establishment of a border industrial zone and a river-loop industrial zone, the policy on industrial development in Hong Kong can be reshaped to dovetail with CEPA, thereby attracting manufacturers to invest in Hong Kong and hence alleviating the problem of serious unemployment among low-skilled workers. Thank you, Madam President.

Dr YEUNG Sum moved the following further amendment to the motion as amended by Mr Kenneth TING and Mr LEE Cheuk-yan: (Translation)

"To add "; this Council also urges that the Government should, having regard to the arrangement, study the establishment of a border industrial zone or a river-loop industrial zone" after "thereby creating more employment opportunities and improving the acute unemployment situation"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Dr YEUNG Sum's amendment to Miss CHAN Yuen-han's motion as amended by Mr Kenneth TING and Mr LEE Cheuk-yan, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Miss CHAN Yuen-han, you may now reply and you have three minutes five seconds.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, tonight, a dozen or so Members have spoken on this motion. I believe they have put forward views from all angles. I hope the Government can take on board these views and implement them as soon as possible, because we have already been dragging our feet for six to seven years.

Such places as South Korea, Taiwan and Singapore, which were also hard hit by the financial turmoil then, have long ridden out the storm. Only Hong Kong has been lagging behind. The reason is that Hong Kong has rigidly upheld the non-intervention policy and failed to act proactively to attract investments. This strategy, which is tantamount to sitting still waiting for death to come, is indeed out of place under the present environment of competition in the global market. I hope the Government can make changes.

Madam President, in this debate, there is an issue which has not been discussed thoroughly enough, that is, how to combat illegal transshipment of goods, and I would like to talk about this. According to the Annexes to CEPA, a 30% value-added requirement or processing content is adopted as the origin rule for local products, the purpose of which is to bring employment opportunities to Hong Kong. But if the control measures adopted are inappropriate or ineffective, the manufacturing or processing operations would eventually flow out of Hong Kong, and this will defeat the original intent of CEPA. This is like the situation of the garment industry. If there is no illegal transshipment of goods, local workers can then be provided with tens of thousands of jobs. But very often, we do see many cases of illegal transshipment in the manufacturing industry.

In fact, on this issue, if the Government is genuinely committed to combating illegal transshipment of goods, the Government of the Hong Kong Special Administrative Region (SAR) should be able to accomplish the task. The number of workers to be hired by an employer for producing a certain quantity of goods is calculable, particularly as the Mandatory Provident Fund (MPF) Scheme has already been implemented now. The Government has to take measures, so that when inspections are conducted to check whether local workers are engaged in 30% of the manufacturing processes, the contributory MPF Scheme can be used to ascertain whether an employer has taken on local workers. I think this is a very simple measure and the Government should be able to do it.

Finally, I hope that the Government can expeditiously give an undertaking to all Hong Kong people. Although the Secretary said earlier that this could be done only after the implementation of CEPA next year, I think the lead work is also very important. I hope that the Government will give an undertaking as soon as possible on how it will endeavour to increase employment opportunities through CEPA and hence lower the unemployment rate to 4% to 5% or to an even lower level. How long will it take to achieve full employment? If the Government can do this, then it is a committed government, and only in this way can the Government lead Hong Kong to make continuous improvement in response to the aspirations of the community. The Government should not only say all the time that it is very concerned about unemployment but takes no action when there is the opportunity. I think this would render us unworthy of the support given to Hong Kong by the State, unworthy of the inherent strengths of Hong Kong and unworthy of the views of the community.

Madam President, I very much hope that the Government can change the attitude adopted by it even up to this moment tonight of being stubborn, upholding a high degree of non-intervention and the so-called "big market, small government" principle. I hope the Government can thoroughly change this attitude. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHAN Yuen-han, as amended by Mr Kenneth TING, Mr LEE Cheuk-yan and Dr YEUNG Sum, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 26 November 2003.

Adjourned accordingly at twenty-eight minutes to Nine o'clock.

Appendix I

WRITTEN ANSWER

Written answer by the Secretary for Security to Mr Henry WU's supplementary question to Question 5

As regards the amount of money involved in extortion cases which were successfully detected and those which have yet to be solved, according to the information provided by the police, the number of reported cases relating to extortion for protection money in 2002 and the first 10 months in 2003, the number of cases detected and the amount of money (in HK\$) involved are listed in the table below:

<i>Amount of money successfully obtained</i>	<i>2002</i>		<i>2003 (January to October)</i>	
	<i>Number of cases yet to be detected</i>	<i>Number of cases detected</i>	<i>Number of cases yet to be detected</i>	<i>Number of cases detected</i>
\$0 (No money was successfully obtained)	48 (36.9%)	82 (63.1%)	49 (40.8%)	71 (59.2%)
Less than \$1,000	7 (33.3%)	14 (66.7%)	7 (50.0%)	7 (50.0%)
\$1,000 more	4 (25.0%)	12 (75.0%)	5 (45.5%)	6 (54.5%)
Total number of reported case	167		145	

() Figures in the brackets represent the percentage of cases in which the relevant amount of money was obtained.

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for Security to Mrs Selina CHOW's supplementary question to Question 5**

As regards how many of the persons involved in extortion for protection money were recidivists, for statistical purpose, a "recidivist" is defined as a person convicted of an offence and is convicted again of the same offence within two years. Since our statistical system does not have statistics on the number of persons convicted before 2002 for having sought protection money, the number of recidivists who have been convicted of extortion for protection money is not available.

Appendix III**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr James TO's supplementary question to Question 5**

As regards the number of cases relating to extortion for protection money that have not been reported to the police, as shown in the last Crime Victimization Survey, the last Crime Victimization Survey was conducted in early 1999 in respect of the situation 1998. The survey included information on victimization for blackmail with the cases relating to extortion for protection money being grouped under this type of crime. However, no separate figure on extortion for protection money was available.

The survey showed that the number of victimizations for blackmail in 1998 was 1 700. Since the estimate for this type of crime was based on a very small number of sampled observations, further breakdowns into whether such victimizations were reported to the police were subject to large sampling errors and were not released in the survey report.

Appendix IV**WRITTEN ANSWER****Written answer by the Secretary for Health, Welfare and Food to Mr LAU Kong-wah's supplementary question to Question 6**

Regarding details of the two SARS cases detected through health declaration, the first patient was a 38 year-old man who was a Hong Kong resident. He returned to Hong Kong from Dongguan on 30 March 2003. He declared sick and was assessed by health staff at the Lo Wu Border Control Point. He was found to have fever and was referred to the Princess Margaret Hospital (PWH) for further management. Subsequently, he was confirmed as a SARS case.

The other patient was a 34 year-old lady who was also a Hong Kong resident. She returned to Hong Kong from Zhongshan on 8 April 2003 and declared to have fever, cough and shortness of breath on arriving at Lo WU. She was assessed by health staff and referred to the PWH for further management. Subsequently, she was confirmed as a SARS case.

Appendix V**WRITTEN ANSWER****Written answer by the Secretary for Health, Welfare and Food to Mr Bernard CHAN's supplementary question to Question 6**

Regarding distribution of travellers who declared sick at border control points, among the 5 311 persons reported sick on Health Declaration Form, 3 900 were inbound travellers and 1 411 outbound travellers. Cases of all the 1 411 outbound travellers were reported at the Hong Kong International Airport. Of the 3 900 inbound travellers who declared sick, 1 314 declarations were made at the Hong Kong International Airport, 2 137 at land border control points and 449 at the seaports.

Appendix VI**WRITTEN ANSWER****Written answer by the Secretary for Health, Welfare and Food to Dr LAW Chi-kwong's supplementary question to Question 6**

Regarding details of the consequences of those who were found to have fever by infrared temperature scanning devices, as at 16 November 2003, about 59 million people had been screened by infrared temperature scanning devices and 3 230 of them were found to have fever. Among these 3 230 travellers, 329 were referred to hospital. Of these 329 travellers, 48 were admitted but none of them were SARS cases.

We do not have data on the number of people who were found to have fever but did not declare so.