

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 2 March 2005

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.S., J.P.

THE HONOURABLE FRED LI WAH-MING, 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 CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, J.P.

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

THE HONOURABLE WONG YUNG-KAN, J.P.

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

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

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE FREDERICK FUNG KIN-KEE, J.P.

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H.

DR THE HONOURABLE JOSEPH LEE KOK-LONG

THE HONOURABLE DANIEL LAM WAI-KEUNG, B.B.S., J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE MA LIK, J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, S.B.S., J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

THE HONOURABLE CHEUNG HOK-MING, S.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

MEMBERS ABSENT:

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

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

THE HONOURABLE TIMOTHY FOK TSUN-TING, 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 HENRY TANG YING-YEN, G.B.S., J.P.
THE FINANCIAL SECRETARY

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

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

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

THE HONOURABLE AMBROSE LEE SIU-KWONG, I.D.S.M., J.P.
SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, S.B.S., J.P.
SECRETARY FOR HEALTH, WELFARE AND FOOD

CLERKS IN ATTENDANCE:

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

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT 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>
Declaration of Markets Notice (Amendment) Declaration 2005.....	18/2005
Public Health and Municipal Services Ordinance (Designation of Public Markets) (Amendment of Tenth Schedule) Order 2005	19/2005

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. A supplementary should only contain one question and should be as concise as possible so that more supplementaries may be asked by Members. Members should not make statements when asking supplementaries, as this contravenes the Rules of Procedure.

PRESIDENT (in Cantonese): First question.

New Nature Conservation Policy

1. **MR CHEUNG HOK-MING** (in Cantonese): *Madam President, in November last year, the Government announced the implementation of a new nature conservation policy to enhance the conservation of ecologically important sites, particularly those under private ownership. Under the new policy, a pilot scheme will be implemented on 12 priority sites for enhanced conservation to assess the effectiveness of the two new conservation measures, viz. management agreements with landowners and public-private partnership (PPP). It has been reported that as the rights of landowners to use and develop the land under their*

ownership will be frozen as a result of the implementation of the new policy, some landowners have proposed to solve the problem by resumption, exchange or lease of the land concerned. In this connection, will the Government inform this Council:

- (a) of the percentages of the area of private land in the individual and the total areas of the priority sites; the percentage of the area of the land owned by individuals, with fragmented ownership and measuring less than 1 000 sq ft in area of each of the individual priority sites;*
- (b) of the estimated expenses incurred in resuming the private land in the priority sites; based on the maximum domestic plot ratios applicable to new towns and rural areas respectively under the Hong Kong Planning Standards and Guidelines, the estimated area of land that has to be provided for making land exchange arrangements with the landowners concerned and the estimated expenses on the annual rental for leasing the land from them; and*
- (c) how it can ensure the successful implementation of the pilot scheme for the above two measures; of the criteria for assessing if the scheme is successful or not; whether the government departments and participants of the pilot scheme concerned will be held accountable for failure of the scheme; if not, how the lack of accountability will affect the effectiveness of the measures, particularly PPP which allows participants to carry out development projects on the priority sites?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President,

- (a) As land is scarce in Hong Kong, there are always competing demands for land in meeting economic and social needs. Developments and their associated human activities unavoidably create adverse impacts on the natural environment and, in some cases, conflict with the nature conservation objectives. We need to

strike a balance between development and conservation needs. From time to time, there have been debates on whether a particular site deserves to be conserved, and also criticisms about the limitations of the old nature conservation policy and measures in conserving ecologically important sites that fall under private ownership. The new nature conservation policy announced in November last year is a direct response to the debates and criticisms.

The 12 priority sites identified for enhanced conservation vary in sizes. The Ramsar site is the largest, which covers an area of about 1 600 hectares. Cheung Sheung is the smallest site, which covers about 16 hectares. The total area of the 12 sites is about 3 300 hectares of which approximately 970 hectares (or 29%) is privately owned. Detailed information on the areas of government and private land within each site is listed at Annex. We have also uploaded the same information onto the website of the Agriculture, Fisheries and Conservation Department since November last year for reference by the public.

Regarding the ownership of individual lots within the 12 priority sites, we need to conduct extensive land search to obtain such information. Since conducting land search of this scale is a very complicated process, and will require much time and efforts, we are unable to provide such detailed information. Nevertheless, when proposing a management agreement or PPP pilot project, the project proponent is required to provide information on the ownership of the site concerned and specify the arrangements to be made with the land owner(s) concerned.

- (b) Under the new nature conservation policy, we have proposed two new conservation measures, namely management agreements and PPP, to enhance conservation of the 12 priority sites.

A landowner's rights are prescribed in the land lease. Since private land within ecologically important sites are usually held under agricultural leases, the landowners concerned do not have any

development rights to erect buildings or structures on their land. As they will not be deprived of any of their rights, the Government is not required to pay compensation to the landowners concerned. I would like to emphasize once again that the participation of landowners in these two new conservation measures is completely voluntary. As such, the question of compensation does not arise.

The application period for the pilot scheme on management agreements and PPP is from 1 December 2004 to 31 May this year. At this stage, it is not possible for us to predict what development projects and land arrangements (such as land exchange or leasing) will be proposed or to estimate the area of land to be exchanged and the leasing expenses involved.

- (c) Given the complexities and uncertainty involved in implementing the two new conservation measures (especially PPP), we will proceed with a few pilot projects first. We will formulate appropriate provisions according to the nature of individual agreements and PPP projects to ensure their enforceability. The Government has also drawn up a set of criteria to evaluate the effectiveness of the two measures.

First, we will assess the effectiveness of the proposed projects in enhancing the conservation of the sites concerned, and better achieving the nature conservation objectives. We will consider whether the projects may have any adverse effect on the environment. We will also evaluate the sustainability of the projects, taking into account factors such as the participation of landowners and local communities, as well as the reliability and enforceability of the agreements. In addition, we will also give due consideration to the project proponent's commitment to the long-term conservation of the site concerned, and the resource implications for the Government.

We will review the effectiveness of the implementation of management agreements and PPP in two to three years' time. We will take into account the review findings and the corresponding resource implications before deciding the way forward.

Areas of the 12 Priority Sites identified for Enhanced Conservation

<i>Site</i>	<i>Area of Government Land (hectares)</i>	<i>Area of Private Land (hectares)</i>	<i>Total Area (hectares)</i>	<i>Percentage of Private Land in Total Area of Site</i>
Ramsar Site	1 451.3	100.0	1 551.3	6.4%
Sha Lo Tung	29.1	25.5	54.6	46.7%
Tai Ho	220.0	35.5	255.5	13.9%
Fung Yuen	39.3	3.4	42.7	8.0%
Luk Keng Marsh	9.5	27.6	37.1	74.4%
Mui Tsz Lam and Mau Ping	32.9	13.9	46.8	29.7%
Wu Kau Tang	67.0	36.0	103.0	35.0%
Long Valley and Ho Sheung Heung	52.7	98.5	151.2	65.1%
Deep Bay Wetland outside Ramsar Site	413.9	597.7	1 011.6	59.1%
Cheung Sheung	11.1	4.4	15.5	28.4%
Yung Shue O	15.5	16.5	32.0	51.6%
Sham Chung	16.8	13.9	30.7	45.3%
Total	2 359.1	972.9	3 332.0	29.2% (in Total Area of the 12 Sites)

MR CHEUNG HOK-MING (in Cantonese): *Madam President, the Secretary said in her reply just now that the landowners concerned would not be deprived of any of their rights. May I ask the Government, in scrutinizing applications for change of land use, will agricultural lands and conservation sites be dealt with differently? If so, what are the differences; if not, is this the case at this stage?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): The Town Planning Board (TPB) considers information related

to the change of land use. The TPB prescribes certain requirements in considering applications in respect of agricultural land and conservation sites. However, the requirements prescribed for each lot may not necessarily be the same. Therefore, consideration will be given in accordance with section 16 of the relevant town planning legislation. In general, environmental impact assessments will be conducted and justifications from all aspects will be taken heed of in the process, with a view to applying the concept of sustainability in environmental protection, economic development and social development. Therefore, we will consider each case according to the merits of individual sites instead of applying a general set of requirements based on the provisions.

MR CHEUNG HOK-MING (in Cantonese): *Madam President, I think the Secretary has not answered my supplementary question. My question is: At the present stage, are there any differences between the scrutinizing process for agricultural land and that for conservation sites? Are the same process applied? Will the Secretary please give a clear answer to my supplementary question.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I have already answered it, that is, the process involves the assessment of cases on an individual basis.

MR LAU WONG-FAT (in Cantonese): *Madam President, Article 105 of the Basic Law stipulates clearly that individual ownership of property shall be protected. However, the conservation policy of the authorities has effectively frozen the landowners' right to use and develop their land without providing reasonable compensation. Will the Government inform this Council of the reasons that landowners being affected are not given compensations? How can the Government justify that this practice does not violate the provisions on the protection of private property stipulated by the Basic Law?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): At present, the rights of landowners mentioned by us are subject to the conditions set out in existing land leases. Since private land of ecological

value is usually held under agricultural leases, and that conditions set out in agricultural leases stipulate that the landowners concerned do not have any development rights to erect buildings or structures on their land, we have not deprived anyone of their rights. The new conservation policy now proposed offers development modes for voluntary participation. The adoption of the management agreement or PPP approach is voluntary not compulsory. The policy only provides a channel for achieving conservation purposes, and to allow landowners to develop certain part of their land.

MR LAU WONG-FAT (in Cantonese): *I asked the Secretary whether this policy violates Article 105 of the Basic Law, but the Secretary has not answered it. Is there any contravention?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): There is no contravention of the Basic Law.

MR DANIEL LAM (in Cantonese): *Madam President, though the Secretary said that the mechanism is voluntary in nature and no compensation for land resumption is involved, the Heung Yee Kuk and many landowners have put up strong opposition to the nature conservation policy and put forth their reasons upon the introduction of this mechanism. Will the Secretary inform this Council whether the relevant policy will be amended to cater for the needs of the residents concerned?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, the land issue is very complicated. The issue related to land owned by members of Heung Yee Kuk and indigenous residents is not purely and simply a problem of conservation, it is also related to the requirement of land, which is not within the purview of my Bureau. I have heard many objections stated on the ground that their land is being frozen, but we have not done so. The land concerned can continue to be used for its current purpose, for our policy has in no way prevented landowners from doing so. Therefore, it is virtually impossible for us to change our policy for the sake of accommodating land development.

MS AUDREY EU (in Cantonese): *Madam President, very often, the Government will resume land for public purposes, such as the construction of roads and flyovers, and owners are offered compensation in money terms according to the laws of Hong Kong. May I ask the Secretary whether conservation is a kind of public purposes? Could land be resumed for this reason and compensation be made to landowners basing on the agricultural use and conservation value of the land concerned? I notice from the Annex that the percentage of private land in some conservation sites is not high. According to the Secretary's reply, the two measures introduced, namely the management agreement and PPP, at present are filled with complexities and uncertainties, such that the Government cannot be sure of its success. The policy is subject to review in two to three years' time after implementation, and the way forward regarding the two conservation measures will only be set out upon the completion of the review. That is to say, the issue may be dragged on for a long time without knowing what the outcome will be. Landowners thus feel very much dissatisfied, for the processing of their private land will be delayed or frozen by the Government during this period. This is unfair to them. Therefore, will the Secretary consider regarding conservation as a kind of public purposes and to resume land on this ground, thus granting compensation to landowners basing on its nature of being agricultural land with conservation value?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): *Madam President, one to two years' time is quite a short period of time when we are considering land issues. I hope that Ms Audrey EU can be patient. As far as I know, the conservation issue has dragged on for more than 10 years. Now, we are only trying to introduce a new conservation policy, the internalization of an externality — sorry, I do not know how to express it in Chinese — which is a social value. The ecological value of agricultural land is its inherent value. It is not because of any changes made by me that the land gains its ecological value. If the interest in land is granted for agricultural purposes right at the beginning, landowners intending to apply for a change of land use have to give sufficient justification, for the right to change the use of land is not an inherent right held by landowners. Actually, land that continues to be used as agricultural land carries value. The land does not become valuable because the Government makes that lot of land public property. If the Government has to use public resources to purchase this inherent value, it is unreasonable.*

MR WONG YUNG-KAN (in Cantonese): *Madam President, since the issue was raised at a meeting of the Panel on Environmental Affairs last year, it has aroused much controversy in society. The Government has indicated that the PPP approach would be adopted as a matter of policy and that the situation would be monitored, and once violation of the regulatory legislation is identified, penalty will be imposed. However, I do not see what the penalty is and how the Government can monitor the situation. Since the penalty to be imposed is not known, the trade and landowners do not know how heavy the penalty will be. May I ask the Government, should any incident occur in future, how serious they will be affected?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): I am not sure what kind of penalty is Mr WONG referring to. This policy does not mention any penalty. It only ensures that provisions on fulfillment of undertakings will be made under the PPP approach, which certainly will be detailed in the relevant contract. If the PPP approach is adopted, we must ensure that resources will be injected for development, and that those resources can be used for conservation purpose in the long run. Certainly, express penalty clauses will be included in the contract for unsatisfactory performance in nature conservation, and the penalty imposed may be in money terms or by other means.

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

MR WONG YUNG-KAN (in Cantonese): *The Secretary has not answered my question. As the Secretary said, the authorities have not informed the trade clearly of the relevant penalty clauses at present. For landowners participating in PPP projects, what will happen to them if they fail to comply with the contract? What is the penalty? Will it be in money terms or others?*

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

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Yes, I have to add a few words. PPP projects are projects participated by landowners on a voluntary basis. These are not projects proposed by the Government that invite participation of other parties. Regarding these projects, landowners will co-operate with other partners and submit applications together. Therefore, these projects are initiated by landowners. It is not the case that landowners will participate in a certain project and be punished by the Government for any blunder made. If a landowner violates the contract he has entered into when he joined the project, the penalty for so doing will be the outcome of negotiations.

PRESIDENT (in Cantonese): We have spent more than 19 minutes on this question. Last supplementary question.

MR LEUNG KWOK-HUNG (in Cantonese): *Madam President, I would like to ask the Secretary a question via you. I have met many voters who indicated that no matter what policies the Government formulated, they would be abused by influential people. In fact, I have raised this in this Council before. Take the case of She Shan Tsuen of Lam Tsuen as an example. I have visited the site myself and invited the media to pay a visit. The condition of the site is very poor. It can neither be used for planting nor other agricultural purposes, not to mention conservation. The flow channel leading from Lam Tsuen River to She Shan Tsuen is closed and clogged, causing ecological pollution. Secretary, villagers complained that seven departments have sent officers to visit the site, and I believe many officers of the seven departments are under your command. May I ask the Secretary whether cases like She Shan Tsuen of Lam Tsuen can achieve the targets of the policy for conservation area and agricultural land which the Bureau have spent much effort to put forth?*

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, is the Lam Tsuen case mentioned by you just now part of the 12 conservation sites?

MR LEUNG KWOK-HUNG (in Cantonese): *I do not know, but*

PRESIDENT (in Cantonese): Please be seated first. You need not explain. I will direct the Secretary to answer it. Secretary, will you please give an answer in respect of the theme of this question. As to how this should be answered, it is certainly up to you.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, the Lam Tsuen case reflects exactly the laxity of the regulatory provisions of agricultural lease. Under the existing agricultural lease, activities other than developments involving the erection of buildings or structures are allowed. As for departments under my Bureau, they can only check whether the pollution of water quality has been caused by the relevant situation. In respect of the clogging of the river, we are certainly willing to investigate the case from the angle of water quality management. If the case is caused by waste disposal, we have to know clearly what kind of waste is involved before we can impose any control. If the case involves the piling of soil on agricultural land, we may probably ask some of the Members of the Legislative Council who may know better. Since these Members own the land right of such agricultural land, they know that these activities fall within the grey area of the coverage of the land right. Madam President, this is my reply.

MR LEUNG KWOK-HUNG (in Cantonese): *Follow-up question. Mrs FAN, follow-up.*

PRESIDENT (in Cantonese): You should address the President.

MR LEUNG KWOK-HUNG (in Cantonese): *I know. Madam President*

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, please stand up.

MR LEUNG KWOK-HUNG (in Cantonese): *It is just an address anyway.*

PRESIDENT (in Cantonese): Please state your question.

MR LEUNG KWOK-HUNG (in Cantonese): *Madam President, the Secretary said that there were grey areas in the existing ordinance. Does the Secretary thus consider it necessary to amend the existing ordinance to achieve effects of conservation and environmental protection? Moreover, will the Secretary follow up this issue?*

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, this is not part of the supplementary question raised by you earlier. Therefore, I instruct that the Secretary needs not reply. However, if the Secretary is willing to exchange views with you after the meeting, this is a matter between you and the Secretary.

PRESIDENT (in Cantonese): Second question.

Development Projects for Historical Buildings

2. **DR KWOK KA-KI** (in Cantonese): *Madam President, part of the structure on the former Explosives Magazine site at Justice Drive at Admiralty is a Grade I historical building. The Executive Council resolved in December 2002 to give its support in principle for a private treaty grant (PTG) of this site at a nominal premium to the Asia Society Hong Kong Centre (the Asia Society) for setting up an arts and cultural centre for multi-purpose uses. The estimated cost of this development project was \$200 million, to be wholly funded by the Asia Society itself. It is noted that the confirmed donation to the project so far is a contribution of \$102.5 million by the Hong Kong Jockey Club Charities Trust only, and all the contributions may eventually come from local donors. In this connection, will the Government inform this Council:*

- (a) *of the approaches the Asia Society said in 2002 it would adopt for raising funds for this project and whether the Asia Society undertook at that time to raise most of the funds from overseas; if the Asia Society gave such an undertaking, whether it has assessed if Asia Society's application to the Hong Kong Jockey Club Charities Trust for a donation of over \$100 million constitutes a promise broken; and the latest progress of the relevant fund-raising efforts of the Asia Society regarding the development project;*

- (b) *of the progress of the development project, and how the Government monitors the implementation of the project by the Asia Society;*
- (c) *whether the Government, when examining and approving the project for development and preservation of this historical building, provided all interested parties with equal opportunities for participation; whether it has reviewed the appropriateness of this arrangement; and whether it will adopt a fair and open approach instead of granting PTGs when handling, in future, development projects for other historical buildings?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, my reply is as follows:

- (a) The Asia Society is a non-profit-making organization that has been established in Hong Kong for almost 15 years. In applying for the use of the former Explosives Magazine site for setting up a multi-purpose arts and cultural centre, the Asia Society has indicated to the Government that they would raise funds for the project estimated to be about \$200 million. It has not stated in its application that funds for the project would be raised from overseas. In fact, in its presentation of the project to the Central and Western District Council (C&W DC) on 16 May 2002, the Asia Society advised that funds for the project would mainly come from local benevolent organizations and individuals interested in promoting the development of local culture. In a Legislative Council brief on the project issued on 20 December 2002, the Legislative Council was informed that the Asia Society would raise funds to implement the project. The Asia Society has not given any undertaking that it would raise most of the funds from overseas. Recently, the Asia Society indicated to the Government that they had received pledges from organizations and individuals exceeding \$205 million for the project. These include a grant of \$102.5 million from the Hong Kong Jockey Club Charities Trust, and donations amounting to about \$100 million from private trusts and foundations, private corporations as well as individuals, local and overseas.

- (b) The Asia Society has appointed professional consultants of various disciplines to undertake the work and completed the required impact assessment studies such as heritage impact assessment, ecological impact assessment, environmental assessment, tree assessment, traffic impact assessment and geotechnical impact assessment. It obtained planning permission from the Town Planning Board for the development and the Antiquities Advisory Board's endorsement of the heritage conservation plan in October 2002 and December 2004 respectively. At the request of the C&W DC, the Asia Society briefed the District Council (DC) on the latest development of the project in November 2004. It has also scheduled a site visit for the DC members later this month.

No land grant has yet been made. Should the land grant proceed, the Government's requirements for the project, such as opening the facilities to the public and the use of the facilities for the intended purposes, will all be included in the land grant document to ensure that the implementation of the project is in accordance with the agreed terms. As in the case of other development projects involving heritage sites, relevant government procedures will be in place to monitor the implementation of this project. Subject to the Executive Council's final approval of the proposed land grant, compliance with the requirements will be enforced in accordance with established practice.

- (c) It is common for non-profit-making organizations to apply to the Government for a PTG of land for the provision of facilities that facilitate the promotion of the policies of the bureaux concerned. We think that Hong Kong's built heritage is a testimony to our unique past and is irreplaceable. If a development proposal involves a historical building, the Government will, apart from considering whether the proposal is conducive to its policy, also examine in detail whether the proposal will respect and promote the historical building's architectural style, uphold its historical and cultural significance, give full play to its function of reviving the collective memory of the public, give an old building a new use, and adapt to modern life and the community for public enjoyment. We hope that through revitalization and re-use of historical buildings,

we can enhance Hong Kong's historical ambience, raise the public's awareness of our heritage and history, strengthen the public's sense of belonging and social cohesion, realize the peripheral benefits of historical buildings, promote cultural tourism, enhance Hong Kong's attraction as a world city and promote the sustainable development of the city's culture.

An application must have the policy support of the relevant bureau before it will be processed by the Lands Department. During the planning process, the community's views will be duly considered. The Lands Department will also consult relevant government departments to ensure that the relevant development proposal complies with their respective requirements.

As far as the former Explosives Magazine site is concerned, the Government has not received any other development proposals apart from the formal application from the Asia Society and a few enquiries from other organizations. We consider it worth supporting in view of the following four factors:

- (i) the development proposal can put the site to beneficial use without incurring public expenditure on the construction and operation costs;
- (ii) it can help bring a new cultural scene to the community;
- (iii) it is compatible with the cultural ambience of the surrounding area; and
- (iv) the project proponent is a non-profit-making organization.

The Government will continue to process future development proposals for other historical buildings in an open manner and on a fair basis, and each proposal will be considered on its own merits.

DR KWOK KA-KI (in Cantonese): *Madam President, I do not quite agree with the Secretary's reply on the initial undertaking. All of us know that the Asia*

Society is an American-based cultural organization. At that time, it gave the public a clear impression that it would raise funds, but it had never mentioned that the funds would be raised locally. Moreover, donations from the Hong Kong Jockey Club Charities Trust should be used for charity purpose, I do not quite agree that public expenditure would not be incurred, in fact

PRESIDENT (in Cantonese): Dr KWOK, please raise your supplementary direct.

DR KWOK KA-KI (in Cantonese): *My supplementary is that after the Hong Kong Jockey Club Charities Trust has made this contribution of \$100 million, will other local organizations which need the assistance of the Hong Kong Jockey Club (HKJC) be affected? The Secretary has not answered my question in this respect, I therefore hope he can give us a reply.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): According to the information at hand, no other projects which needed the HKJC's donation were affected as a result of the donation to this project.

DR KWOK KA-KI (in Cantonese): *Madam President, will the Secretary raise this question with the HKJC, that is, to ask the HKJC direct whether it will affect its provision of service in other areas.*

PRESIDENT (in Cantonese): Dr KWOK, I am sorry, this is not part of your earlier supplementary. Nevertheless, since few Members wish to raise supplementaries, you may wait for another turn to raise it.

MR ALAN LEONG (in Cantonese): *Madam President, may I ask the Secretary to clarify part (c) of the main reply. The Secretary explained that with regard to the former Explosives Magazine site, apart from the formal application from the Asia Society, there were also a few enquiries from other organizations. In*

this connection, may I ask whether the enquiries of these organizations were made before or after the Executive Council's decision in December 2002? Furthermore, whether organizations or individuals who intended to make use of this site were invited to submit their proposals before the Executive Council made the decision?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, according to the record, besides the Asia Society, the Government received a total of three enquires. These enquires were made before the application of the Asia Society was endorsed by the Executive Council, and they included the Hong Kong Ballet, the Hong Kong Arts Development Council and a wine seller. Nevertheless, after make the preliminary enquiry and a site visit, these organizations did not file any formal application; this is the first part of my reply. With regard to the second part of my reply, the Asia Society had proposed twice to the C&W DC before its application was submitted to and endorsed by the Executive Council. For that reason, the public should have some knowledge about this PTG project.

MR ALAN LEONG (in Cantonese): *Madam President, may I expound my understanding of the second part of the Secretary's reply, that is, the Government had not taken the initiative to make public of the fact that the Government would accept proposals from any organization on the use of the former Explosives Magazine site, that is, the Government had not taken the initiative to invite groups to make enquiries or proposals?*

PRESIDENT (in Cantonese): Mr LEONG, the follow-up question should be a part of the supplementary you have just now raised, for that reason, you only have to say which part of your supplementary has not been answered and you may just ask the Secretary to reply. Please repeat the last sentence you have just said.

MR ALAN LEONG (in Cantonese): *Madam President, may I ask the Secretary whether he can confirm that the Government had not made public invitations before the Executive Council's decision was made?*

PRESIDENT (in Cantonese): Mr LEONG, your supplementary is in fact self-explanatory. Please sit down first. Your supplementary is: Whether the Government has invited the public to submit such kind of proposal. Secretary, do you have anything to add?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the Government has not made a public invitation.

DR RAYMOND HO (in Cantonese): *Madam President, in view of the fact that the PTG is granted at a nominal premium, it is actually using public resources to support this project. What regulatory measures will the Government adopt when the site is granted in future, so as to bring the project in line with the four objectives mentioned in the main reply, such as bringing a new cultural scene to the community and making it compatible with the cultural ambience of the surrounding area? Will the Lands Department take charge of the project or will it be handled by some other departments?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as to what regulatory measure will be taken in future in order to make it fulfil its designated objectives, firstly, of course the project has to comply with the land lease conditions, but as no land grant has yet been made, conditions of the land lease have not been drawn up. Nevertheless, before making the land grant in principle, the proponent (that is, the Asia Society) has to meet certain requirements prescribed by the Town Planning Board (TPB). Provided that it meets the requirement in the financial aspect in addition to meeting the requirements of the TPB, the proposal will be submitted to the Executive Council. A land lease will then be executed when the Executive Council makes the final approval, and all the conditions will be listed in the land lease. As to regulation, it depends on the conditions of lease.

MR HOWARD YOUNG (in Cantonese): *Madam President, if an organization indicates its intention to carry out a certain project and the Government makes a grant for such project, will the Government require that the funds should come from Hong Kong or places outside Hong Kong? Is it the general practice?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, usually we would not require that a certain percentage of the funds should be raised within Hong Kong, or a certain percentage should be raised from overseas.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that a historical building should revive the collective memory of the public and enhance Hong Kong's historical ambience, and so forth, but it was only a former Explosives Magazine site. May I ask what the Secretary expects that collective memory of the public to be?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the Asia Society proposed to transform the site into an arts and cultural centre, part of which would display the history and the way it used to be in the old days, and exhibition in that way is free to public admission. Moreover, part of the facility would be used for other exhibitions and activities, and other activities would be conducted on that basis.

MISS TAM HEUNG-MAN (in Cantonese): *Madam President, I wish to ask about the application of the HKJC's donation. I am quite prudent about money matters. To the best of my understanding, the HKJC is lobbying the Government for amending the gambling-related legislation, in order to change the current practice of levying betting duty from its total revenue to its net earnings, which is a request for tax reduction in disguise. Now the Asia Society has applied for \$100 million donation from the HKJC, and after the HKJC has made this donation, will it ask for a backdoor refund from the Government by way of a tax cut in order to subsidize the project? Why did the Asia Society not ask for direct subsidy from the Government?*

PRESIDENT (in Cantonese): Miss TAM Heung-man, the way you have put your supplementary puts me into a difficult position, because it is difficult to associate your supplementary with the main question. Will you consider asking the Government about the subsidy the HKJC is prepared to make?

MISS TAM HEUNG-MAN (in Cantonese): *Madam President, thank you for your guidance. I shall raise the supplementary again. Has the Secretary asked the HKJC that if it really makes the \$100 donation, it will bring some financial difficulties to the HKJC?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, it is purely an independent decision the HKJC makes insofar as the use of its charities trust is concerned. The HKJC will decide on allocating the amount of donation, it is not a government decision. The Hong Kong Jockey Club Charities Trust has a committee to make its own decisions. I can inform the President that the Government had exchanged indirect correspondence with the HKJC and we learnt that it would not cause any implication to donations in other areas.

PRESIDENT (in Cantonese): We have spent more than 18 minutes on this question. Last supplementary question.

DR KWOK KA-KI (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that it was common for non-profit-making organizations to apply to the Government for a PTG of land for the provision of facilities that facilitate the promotion of policies. In the last part of the main reply, the Secretary said that an application must have the policy support of the relevant bureau. Nevertheless, the Secretary said that there was no public invitation in his answer to a supplementary earlier. How can the Secretary ensure that the authorities' policy would be observed on the one hand and equal opportunities of participation would be provided to other organizations on the other? Is the current practice of granting PTGs, that is, the practice supported by the Secretary in private, a form of transfer of benefits in reality?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, when the Government grants the PTGs, it has in fact enclosed the details of consultation with the relevant DC in the Legislative Council Brief. The Government gives its support to the grant of land this time around mainly because it is in line with the long-standing government policy; secondly, it is in the interest of the public; thirdly, it is a non-profit-making project; and fourthly, the Asia Society is a non-profit-making organization.

DR KWOK KA-KI (in Cantonese): *Madam President, the Secretary has not answered whether it was a transfer of benefits?*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, I wish to add that it does not involve any transfer of benefits at all, it is in fact a safeguard to the major and fundamental interests of the public.

PRESIDENT (in Cantonese): Third question.

Considerable Rise in Professional Indemnity Insurance Premium of Private Medical Practitioners

3. **MR LI KWOK-YING** (in Cantonese): *Madam President, it has been reported that the premiums paid by private medical practitioners for taking out professional indemnity insurance (PII) have risen considerably in recent months, with the premium payable by obstetric and gynaecology (O&G) doctors rising by up to 92%. Some private medical practitioners have indicated that they will consider ceasing the provision of the high-risk obstetric service in order to reduce insurance premium expenses. In this connection, will the Government inform this Council:*

- (a) *given that those medical practitioners who have turned to private practice soon after completing specialist training in public hospitals may not have a sizable income at the early stage of practice, whether it has assessed the impact of the increase in the insurance premiums on them, and whether it will offer assistance in this respect;*
- (b) *whether it has assessed the implications of some private medical practitioners' ceasing to provide obstetric service on the demand for that service in public hospitals, and whether there will be a shortfall in obstetric service in the future as a result; if so, of the assessment results; if not, the reasons for that; and*

- (c) *given that one of the factors contributing to the substantial increase in the insurance premiums has been the huge amounts of compensation awarded to several medical negligence claimants in recent years, whether it will consider legislative amendments to set a statutory ceiling on the amount of compensation for claims in medical negligence incidents, to curb the increase in the insurance premiums?*

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

Madam President, there are a few commercially operated PII schemes available for medical practitioners (MPs) in Hong Kong. They are arranged through various medical professional bodies, that is, the Hong Kong Medical Association (HKMA), the Hong Kong Public Doctors' Association and the Hong Kong Doctors' Union. The PII scheme managed by the Medical Protection Society (MPS)¹ through the HKMA is currently the only scheme available to MPs practising in high-risk specialties including O&G, neurosurgery, cosmetic surgery, and so on.

Operating solely by subscription of its members, MPS — I would like to declare that I am a member of the MPS — provides its members with indemnity against legal costs and damages in case of negligence claim or other medical-legal challenges arising from their professional practice. Claim frequency and claim size vary among different specialties owing to different inherent risks associated with the practice of the specialties. The specialists working in areas of higher risk therefore face higher premiums. The Administration is aware of the concern of the medical profession about the rise in the premium for the PII scheme provided by the MPS, especially for the high-risk specialties, and noted that the rise is mainly attributed to the increasing number of claims and the amount of compensation awarded.

MPs practising in the public sector are covered by a master policy arranged by their employer to cover liability arising in the course of their

¹ MPS is not an insurance company but a mutual medical protection society operating in over 40 countries by subscriptions. In case of a negligence claim, members of the MPS will be provided with complete indemnity against legal costs and damages awarded on a discretionary basis according to the track record of the members.

employment. Nevertheless, many of these MPs also choose to take out their own PII, and are offered standard rates by the MPS regardless of their specialties at a level much lower than that offered to those in the private sector.

(a) and (b)

In the past five years, the number of MPs turning to private practice after completion of specialist training in O&G at public hospitals ranges from one to four each year. The Administration has not made an assessment on the impact of high insurance premium on the practice of these specialists, and whether there is consequential impact on the demand for O&G services in the public sector.

It should be noted that at present, there are over 360 O&G specialists in Hong Kong and about two thirds of them are in private practice. Owing to the large number of O&G specialists in private practice, we do not consider that any cessation of service provision by individual O&G specialists because of high PII premium would necessarily lead to an increase in the demand for O&G service in the public sector.

The Administration noted that the Hong Kong College of Obstetric and Gynaecology of the Hong Kong Academy of Medicine is setting up a Task Force to assess the impact of the premium level on the practice of its members, including their willingness to continue to perform high-risk procedures, through an opinion survey to be conducted among the College members.

The Administration will keep in view closely the outcome of the study to be conducted by the College, and any change in the demand pattern for O&G service in the public sector.

(c) Any rise or fall in premium, claims and compensation for professional indemnities in the medical profession may be the result of a myriad of intertwining factors, such as inherent risk of medical practices, communication between the medical practitioners and the patients on the risk of medical practice, the changing litigation culture, and so on.

In Hong Kong, our law recognizes that the victims of personal injuries, including medical negligence, are entitled to be awarded by Courts full compensation for loss attributable to the fault of the tortfeasor. In assessing the award of claims under common law damages related to medical injury cases, the principle is to compensate the victim in such manner that his original position can be restored insofar as this can be done by the payment of money. Save in exceptional circumstances, the damages awarded are purely compensatory, instead of punitive. The common law also recognizes the sense of fairness that wrongdoer should be responsible for the consequence of his acts or omission. From a legal point of view, capping compensation therefore seems to be inconsistent with such common law principles. It will have read-across implications upon other compensation-seeking situations. Capping of compensation may also lower deterrence of medical malpractice and erode the responsibility for risk management by MPs. All these implications would need to be carefully and thoroughly studied before a decision on capping should be taken.

The PII scheme for MPs seeks to protect them from legal problems arising from their professional practice, and the service recipients against malpractice and negligence. The medical profession has a responsibility to bear the cost incurred by the risks associated with their practice. To lessen the frequency and severity of claims, and consequently lower the financial burden of MPs to subscribe insurance protection, controlling, managing and reducing the risk of medical practice through good medical practice, developing trusting doctor-patient relationship, and timely clarification, response and handling of unfavourable clinical outcome by MPs constitute a more pragmatic approach to address the issue.

MR LI KWOK-YING (in Cantonese): *Madam President, the Secretary said in part (c) of the main reply that any rise or fall in compensation may be the result of a myriad of intertwining factors. In recent years, there has been a surge in the number of lawsuits involving large amounts of claims for compensation. As we know, the greater the amount claimed, the longer will the lawsuit last. May I ask the Secretary if consideration has been made to set up a fund so that victims*

or their family will be given emergency assistance when their claims for compensation are being processed?

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, for the time being we have no plans to set up another mechanism to help those complainants or claimants. But we will look into the issue with the sector and the relevant bodies to see how best the system can be improved.

MR BERNARD CHAN (in Cantonese): *Madam President, the Secretary mentioned in part (c) of the main reply that any rise or fall in claims and compensation may be the result of a myriad of intertwining factors, such as the changing litigation culture. I have no idea what this "changing litigation culture" in fact refers to. I have heard about countries like the United States, Australia, and so on, the litigation culture of which makes it difficult for professionals like obstetricians and gynaecologists to take out insurance because the amounts of compensation involved are too large, even to the extent that they are out of proportion with the premiums paid. Is the Secretary worried about this kind of culture emerging in Hong Kong?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I would like to thank Mr Bernard CHAN for raising this supplementary question. Our figures show that over the past 10 years, there has been a 30% rise in the number of such litigation cases and the amount of compensations and legal costs paid by MPs has increased from some \$9 million in 1995 to some \$90 million in 2004. This is a 10-fold increase. Thus it is evident that the problem faced by the health care sector in Hong Kong is becoming more and more acute. Having said that, however, compared to countries like the United States, Australia, Canada and Britain, the number of claims lodged by patients against MPs in Hong Kong is quite small and the amounts of premiums paid by doctors here are a few times less than those paid by MPs in these countries. So I would think that we should keep a close watch of the problem. We need to encourage patients to maintain an amicable relationship with their doctors and we should not foster any conditions which will lead to such a surge in medical claims. I think we must pay special attention to that.

MR ANDREW CHENG (in Cantonese): *Madam President, I agree with the Secretary when he says in the second last paragraph of the main reply that capping compensation is inconsistent with common law principles. But the last sentence of the same paragraph leaves the point dangling, for the Secretary says that all these implications would need to be carefully and thoroughly studied before a decision on capping should be taken. In the last paragraph the Secretary mentions, however, that those who subscribe to insurance policies have a number of means which they can control the risk involved. If it is thought that legal principles should be maintained and that I agree, but given that the compensation awarded and litigation costs have risen 10 times over the past 10 years, may I ask the Secretary if serious thoughts would be given to setting up an arbitration mechanism to save on the huge amounts of litigation expenses which lengthy legal proceedings would incur?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): *Madam President, as far as I know, the Courts are using some better ways of handling the situation. They may try to handle some of these litigation cases by arbitration and other ways. Besides, negotiation between both parties is also used by the legal profession to solve some problems. Of course, we think it is worth considering if the Government can do something to help the medical profession or that some better measures can be devised with respect to the complaint mechanism. I undertake that I will look into this in the hope that first, the normal doctor-patient relationship will not be jeopardized; and second, if any injury or disability is resulted from any medical blunders, we can provide speedy assistance to the patients concerned so that they can be awarded compensation as soon as possible.*

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, as a matter of fact, I do not agree to what the Secretary said in his main reply. The Secretary also pointed out some problems in his main reply. He said in the main reply that the Government is aware of a study made by the Hong Kong Academy of Medicine, but the findings are not yet available and that the Administration will keep in view closely the outcome of the study. Madam President, I notice Mr LI Kwok-ying pointed out in the preamble of his main question that the premium payable by gynaecology specialists had risen by up to 92% this year. This market situation shows that the risks involved are immense and so the insurance*

companies have raised the premiums charged, putting MPs in a difficult position. May I ask the Secretary, since the market situation has been objectively reflected, if the Government would consider setting up a compensation fund for medical incidents so that when these happen, the patients or families of the deceased will be given some emergency relief? I hope very much that the Secretary can consider this as this is also the view of the health care sector.

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

Madam President, the current arrangement is that the health care sector would bear this liability and that is why the PII scheme is managed by the MPS. If Members suggest funds should be injected by the Government for this purpose, then we would have to think carefully if assistance should be given to the profession to help it bear some of the risk. I would think that this is worth considering. Perhaps let me give some figures to Members for their reference. In 2004, the premium payable by O&G specialists was \$99,950. The premium will be raised to \$192,165 in 2005. This is an increase by 92%. Though we can see a considerable increase in premium, in terms of the income of O&G specialists in private practice, and even if we do not know exactly how much their income is, the premium does not take up a very great amount of their income. As for other countries, as their premium takes up one third of the O&G specialists' income, so consideration has been made to impose a ceiling on the amount of compensation. Fortunately, here in Hong Kong we have not yet reached such a stage. Having said that, we will keep a close watch of the developments to see if assistance should be given, especially to the profession, or as Mr Bernard CHAN has said, whether or not we should bear the risk for the profession.

MISS TAM HEUNG-MAN (in Cantonese): *Madam President, I would like to ask whether or not the authorities have looked into the impact of this increase in premium on other kinds of health care services besides O&G. If so, how great would such an impact be? In addition, has the Government undertaken any review of the PII arrangements in other professions as well?*

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

Madam President, as we see it, the O&G specialists are those who are most

affected by the PII, followed by other specialist surgeons like those in cosmetic surgery or orthopaedics, especially surgeons who carry out operations on the spinal cord and the brain. Take the example of neurosurgeons, their premium has risen to \$158,000. The general practitioners pay from \$24,000 to \$140,000, with a rate of increase ranging from 19% to 92%, depending on the increase in the compensations awarded and the legal costs involved, and so on, in the various specialties over the past few years. We will keep a close look at the development. As I have said, the premiums are currently lower than those paid by MPs of the same specialties in other countries. This shows that though there has been a larger number of lawsuits in this regard here in Hong Kong, the amount of compensation awarded is not excessive. Another reason is that our health care services are maintained at a very high standard and so the number of claims for compensation is not too many.

PRESIDENT (in Cantonese): We have spent more than 18 minutes on this question. Last supplementary question.

MR HOWARD YOUNG (in Cantonese): *Madam President, this surge in PII premiums does not appear in this sector alone. The same thing happens in the sector which I represent. If there is a great surge in the premiums payable by a certain sector, is the Secretary aware of the concept of taking out collective insurance policies so as to reduce the premiums payable? Has the Government ever implemented such a measure?*

PRESIDENT (in Cantonese): Secretary, did you catch Mr YOUNG's supplementary question clearly? If so, please give a reply. This is because I do not hear the question so well. Secretary, would you please answer.

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam President, I will pretend that I have caught it. *(Laughter)* As far as I know, Mr Howard YOUNG asked about taking out collective insurance policies. As a matter of fact, the MPS have pooled funds for over 80% of the MPs in Hong Kong. The MPS is not an organization based in Hong Kong alone. It

has branches all over the world. Members of the MPS from Hong Kong only take up 4.5% of the total membership. It can be seen that MPS is a sizable organization. In our opinion, it is quite a sound one as well. One special point about MPS is that it does not set any cap on the protection given to MPs. That means not only the damages payable but also the legal costs are covered. The latter includes the legal costs involved in appearance before the Medical Council. That is why I think that this is quite a comprehensive coverage. If possible, this arrangement should continue.

PRESIDENT (in Cantonese): Fourth question.

Protection and Conservation of Trees

4. **MR WONG KWOK-HING** (in Cantonese): *Madam President, earlier, a branch of the Wishing Tree in Lam Tsuen, Tai Po snapped off because too many incense papers with tangerines were thrown onto the tree. It has been reported that the tree has only 30% of its vitality. Moreover, there are often reports that improper care, trimming and relocation have adversely affected the growth of trees and, in some cases, even led to their death. In this connection, will the Government inform this Council:*

- (a) *of the differences between the protection and conservation measures adopted for trees on the register of old and valuable trees and those for other trees, and the number of trees on the above register which have been felled since the compilation of the register and the reasons for their felling;*
- (b) *whether it will enact legislation for the protection of trees; if not, the reasons for that; and*
- (c) *whether it will set up a dedicated department to protect and conserve trees in the territory, as the work is currently shared among a number of government departments, with a view to stepping up efforts of greening promotion as well as carrying out the tree protection and conservation work and the relevant law enforcement actions more effectively?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President,

- (a) Planting of trees and vegetations not only improve the local living environment but also reduce greenhouse gas emissions, and hence global warming. In order to achieve this common objective, different government departments have all along been protecting and nurturing plants and trees within their respective purviews. The Register of Old and Valuable Trees compiled by the Government currently lists 527 trees on government land for priority protection. Details of the species, and locations and the maintenance parties of the trees are available on the website of the Leisure and Cultural Services Department (LCSD). These trees are mainly located in the metro and new town areas. About 60% of them are Fig, while other major species include Camphor and Paper Bark.

The Government has already put in place a series of administrative and legislative measures to protect the trees in Hong Kong. Under normal circumstances, tree felling or transplanting are not allowed unless with the prior approval of the Lands Department (LandsD). However, felling or transplanting a tree on the Register (or "registered tree") is strictly prohibited under normal circumstances unless with special reasons and the approval from both the LandsD and the Environment, Transport and Works Bureau. In addition, the area surrounding a registered tree is designated as a tree protection zone, in which construction works cannot be carried out without the prior approval of the LandsD. If a registered tree exists on a piece of government land to be leased to a private developer, the LandsD will include appropriate clauses in the lease to stipulate that the tree protection zone is reserved for the preservation and growth of the registered tree and should not be used for any other purposes without the prior approval of the LandsD.

The tree maintenance departments conduct regular inspections to monitor the condition of the registered trees for which they are responsible. Moreover, the LCSD and the Agriculture, Fisheries and Conservation Department (AFCD) conduct regular audit inspections to appraise the condition of the registered trees and

advise the tree maintenance departments on any follow-up action as required.

Since the compilation of the Register, all registered trees are in good condition and none have been felled.

- (b) There are a number of ordinances providing for the protection of trees on government land, including the Forests and Countryside Ordinance, Country Parks Ordinance, Crimes Ordinance and Public Health and Municipal Services Ordinance. These Ordinances can protect the trees in public places and country parks from being damaged or felled.

In addition, the Government has implemented a host of administrative measures to protect the trees on government land. For instance, both the Environment, Transport and Works Bureau and the LandsD have issued technical circulars and guidelines which set out clearly the regulations and codes of practice to be followed in order to ensure that trees will not be unnecessarily felled. If felling or transplanting of trees in public works projects are involved, the works department concerned is required to provide information on tree protection in its submission to the Public Works Subcommittee when seeking funding approval from the Legislative Council. We have also introduced more stringent contract terms since June last year on protection of trees within the sites of public works projects. For example, before the commencement of construction works, the contractor of a project is required to carry out a tree survey to identify the number, condition and species of existing trees, and implement protective fencing measures. The contractor is also required to submit monitoring reports regularly on the condition of the trees.

Regarding private land, tree preservation clauses have already been included in all land leases since the 1970s. In general, felling of trees on private land requires the approval of the LandsD, which will not be given in the absence of full justification. For land leased before the 1970s, the LandsD will incorporate tree preservation clauses into the modified leases when the landowners apply for redevelopment.

Since the Government has already adopted a package of administrative and legislative measures to protect trees and these measures have proved to be effective, enacting new legislation on the protection of trees is not one of our priorities.

- (c) The Government adopts an integrated approach in assigning the responsibility for the maintenance of vegetation (including plants and trees) on government land. Under this approach, the department responsible for the maintenance of a facility (such as a park, open space, government building or slope) is also responsible for the maintenance of vegetation there. In order to clearly define the responsibility of various departments, the Environment, Transport and Works Bureau has issued a set of technical guidelines, stipulating that vegetation in different areas should be managed and protected by the relevant departments. Over the years, the integrated approach has been successful and cost-effective in protecting vegetation and the Government has no plan to assign a single department to be solely responsible for the management of vegetation.

In December 2002, the Government established a high-level Steering Committee on Greening to provide steer to our greening policy and co-ordinate the efforts of the relevant departments in tree protection and greening. The Steering Committee is chaired by the Permanent Secretary for the Environment, Transport and Works (Works) with members at directorate grade drawn from 16 bureaux and departments.

MR WONG KWOK-HING (in Cantonese): *Madam President, in the main reply, the Secretary said that during her term of office, four pieces of legislation and a host of administrative measures have been implemented to protect trees. But the Secretary has evaded my main question. In fact, during her term of office, the Wishing Tree in Lam Tsuen fell sick and a 10-storey-high tree in North Point Estate was severely trimmed. There is a Chinese saying to this effect: Though I did not kill my neighbour, it was because of me that he died. So, I would like to ask the Secretary through you, Madam President, this question: Has she failed to protect trees during her term of office? Is this a serious failure and a dereliction of duty on her part? Otherwise, why has the Wishing Tree in*

Lam Tsuen fallen sick? And why was the tree in North Point Estate severely trimmed?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): The Wishing Tree in Lam Tsuen was damaged by human activity. But some people consider it quite acceptable in terms of custom. I do not think the Government's management should reach that level. The Rural Committee considers that such activity is beneficial to the villages and the local tourism, although in my opinion, it will harm the tree instead of protecting it. So, we need time to carry out mediation because of the custom. As such an incident has happened, I think it is a good lesson to be learnt as many old trees have also suffered because the areas providing air for their breathing have been adversely affected by incenses offered by worshippers. We, as government officials, have to be very careful in handling these matters because all these involve custom. Apart from tree preservation, we have to examine what role the Government should play. Should the Government assume the role of advising people or enforcing the law? This is a rather sensitive area. I do not believe it is a dereliction on my part just because of one tree.

Regarding the fact that three trees at North Point Estate have been severely trimmed by the Housing Department (HD), it is because after the demolition of buildings, the trees are affected by the natural environment. Before that, the trees, under the protection of the buildings, were not exposed to severe damage by weather. But now, the natural environment has changed after the demolition of the buildings and the trees are subject to damage by squalls and typhoons. The Chinese banyan there is damaged because it has to face more adverse elements. Some experts advised that in order to save the Chinese banyan, the other two trees should be trimmed so that they could survive in the new environment where the buildings have been demolished. This is an expert opinion. As regards the extent of trimming, and whether the trees can be saved after trimming, I believe the experts must have their justifications in deciding the extent of trimming and what they have done to the trees is not damage on purpose.

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

MR WONG KWOK-HING (in Cantonese): *No, Madam President. I said it was necessary to enact legislation but the Government has evaded this point. Just now the Secretary said that it was because of the custom*

PRESIDENT (in Cantonese): Mr WONG, which part of your supplementary question has not been answered? You need only state the part of your question which has not been answered direct.

MR WONG KWOK-HING (in Cantonese): *The Secretary has not answered the part of my question concerning legislation and the lack of protection for trees. I hope the Secretary can give a direct answer to my question concerning enactment of legislation. Without the protection of legislation, the Wishing Tree in Lam Tsuen fell sick because of the custom.*

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

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): I have already said that there are four pieces of legislation which provide for the protection of trees. In addition, we have other legislation. Should any large-scale projects be undertaken, the Town Planning Ordinance and Environmental Impact Assessment Ordinance will also provide for the protection of trees, including trees in public places on both government and private lands. Any tree with a circumference over 95 mm on private land will be registered and protected from arbitrary felling or damage. So, the law is sufficient. It is a question of enforcement rather than legislation. Members can imagine that I cannot send inspectors or investigators to inspect the trees every day. We need public participation in monitoring the situation. Public monitoring is more important than any other measures. Since people are so concerned about trees, I believe these ordinances can be enforced. Should anyone see that trees are being damaged, please inform the relevant departments and we will certainly take actions.

PRESIDENT (in Cantonese): Members, we have spent more than 14 minutes on the questions and answers between Mr WONG Kwok-hing and the Secretary. (*Laughter*) Since a total of seven Members are still waiting for their turns, please be precise and brief in asking your supplementary questions.

MISS CHOY SO-YUK (in Cantonese): *Madam President, regarding the Wishing Tree and the trees in North Point Estate just mentioned, I have inspected the two locations with some Australian experts and Senior Landscape Architects of the HD. They informed me that the Wishing Tree died not because of the incense papers with tangerines thrown onto it. The trees at both locations fell sick because of the same reasons, and that is, the ground surrounding the trees has been covered with concrete. As a result, the roots of the trees have decayed because they cannot breathe and the trees in North Point Estate were blown down by wind*

PRESIDENT (in Cantonese): Miss CHOY, please ask your question.

MISS CHOY SO-YUK (in Cantonese): *.....in respect of legislation, the Secretary has just mentioned a number of ordinances. But none of them has stipulated how large the surrounding area of a tree should not be covered with concrete*

PRESIDENT (in Cantonese): Miss CHOY, can you ask your supplementary question direct?

MISS CHOY SO-YUK (in Cantonese): *..... this is what I wish to ask in my supplementary question. The Secretary has just mentioned a number of ordinances which only prohibit felling of trees. But the legislation concerned do not stipulate how big an area surrounding the trees should be reserved so that the roots can breathe and absorb water. Many trees in Hong Kong are subject to the same threat. May I ask the Secretary whether she will set up a tree rescue team to inspect how many trees are in the same condition as the Wishing Tree and the trees in North Point Estate?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Land use surrounding the trees cannot be changed arbitrarily in order to protect them. According to the regulations of the LandsD, the original land use within the 5 m radius of trees cannot be changed. So, the law is there but Members are probably not aware of that. Besides, it is impossible to protect trees from being trampled on by people.

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

MISS CHOY SO-YUK (in Cantonese): *No, Madam President. I did not talk about land use, rather, I referred to covering the ground with concrete. The LandsD only prohibits construction of buildings or other structures within 5 m of a tree. But now even the roads under the LCSD are covered with*

PRESIDENT (in Cantonese): I understand your question. Miss CHOY So-yuk, I also appreciate that you are very concerned about this issue. But now it is question time. Perhaps you should move a motion debate to deal with it. Secretary, do you have any additional comments?

MISS CHOY SO-YUK (in Cantonese): *No, Madam President, the Secretary has misunderstood my supplementary question.*

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

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): I will reflect the view to the LandsD.

MR ALBERT CHENG (in Cantonese): *Madam President, the Secretary said that the legislation on protection of trees was adequate and it was only a matter of enforcement. And the incidents concerning the trees in North Point Estate*

and the Wishing Tree in Lam Tsuen were natural and man-made calamities which should be considered as individual cases. As the laws are sound and adequate, may I ask the Secretary why the Government did not prevent the developer of the former Marine Police Headquarters at Tsim Sha Tsui from felling the precious trees by enforcing the laws? Does this reflect that the tree protection legislation is inadequate? Should the Secretary be responsible?

PRESIDENT (in Cantonese): Secretary, I am considering whether Mr Albert CHENG's supplementary question is related to Mr WONG Kwok-hing's main question.

MR ALBERT CHENG (in Cantonese): *Madam President, it is related. Regarding tree protection, the Government replied that legislation for tree protection is adequate. But the developer of the former Marine Police Headquarters has felled all the trees out of greed. This is not in line with the law and the law enforcement actions.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, Mr Albert CHENG's supplementary question should have been answered by the LandsD instead of me. But I will answer this question because we are discussing this issue today. But please do not hold me responsible for that.

The project contract of the former Marine Police Headquarters includes a general clause for tree protection. The developer should seek prior approval from the LandsD and the Antiquities and Monuments Office for felling any trees. Besides, the lease also contains a special clause stipulating that the developer is required to protect and conserve the old banyan trees at the junction of the Salisbury Road and Canton Road. On the worksite, there are 192 trees and 43 of them are very precious and will be conserved and relocated. 149 trees will be felled so that the redevelopment project can be carried out. These 149 trees are common species and the developer is required to replant 92 trees of designated species of different sizes as compensation. Applications for felling and replanting trees as compensation have been approved by the LandsD and the final loss of trees will be around 57. All relevant departments, including the

LandsD, the LCSD and the Environmental Protection Department will closely monitor the situation.

PRESIDENT (in Cantonese): We have spent more than 19 minutes on this question. Last supplementary question.

MR LEE WING-TAT (in Cantonese): *Madam President, I would like to ask a supplementary question concerning tree protection. As we all know, some works departments will assign the responsibility of managing some dangerous slopes to different departments. For instance, the slopes under the Hospital Authority (HA) and the slopes at reservoirs have been assigned to the Water Supplies Department. Since the Government does not have sufficient manpower to carry out inspections, have the Bureau and Secretary Michael SUEN considered assigning the tree monitoring areas to different departments so that they will report to the Bureau when necessary in order to enhance the effectiveness of inspecting, monitoring and protecting the trees? In so doing, complaints will not be lodged only after the trees have been felled. It will be too late because the trees have already died. Does the Secretary consider it a more effective way to inspect trees and monitor the preservation of trees?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I very much agree with Mr LEE Wing-tat's point. Although we have so many ordinances, we have even more departments responsible for the matter. For each department, no matter it is the Highways Department or the LCSD, if trees are growing within their respective purviews, they will be responsible for protecting them. As Mr LEE Wing-tat has just said, the existing practice will be more cost-effective. Concerning trees growing on the slopes within the purviews of the HA, HD, and so on, we also hope that each department can take care of their own vegetation. We have particularly set up a Steering Committee on Greening because sometimes the departments may tell us that they do not know how to protect trees. Should they have any problems, we cannot have so many experts that each department can be provided with one. In view of this, we have particularly set up this inter-departmental steering committee. It comprises some landscape experts, namely the landscape architects from the Architectural Services Department,

who will offer professional advice to various departments which can then take actions on their own. This is our general direction.

PRESIDENT (in Cantonese): Fifth question.

Promotion of Liquefied Petroleum Gas Vehicles

5. **MR ALBERT CHENG** (in Cantonese): *Madam President, to improve air quality in Hong Kong, the Government has introduced liquefied petroleum gas (LPG) as fuel for vehicles for a number of years. However, the use of LPG vehicles is not popular and the Government's vehicle fleet does not use LPG vehicles. LPG taxis often have to take a long time, sometimes up to an hour, waiting at LPG filling stations for gas refilling. The inadequacy of ancillary facilities for LPG vehicles has also discouraged vehicle owners who wish to switch to LPG vehicles from doing so. In this connection, will the Government inform this Council:*

- (a) *how the ratio between LPG vehicles and LPG filling stations compares to that between petrol and diesel vehicles and petrol filling stations, as well as the number of additional LPG filling stations planned and the timetable for providing them;*
- (b) *whether the use of LPG as fuel for vehicles is more environmentally-friendly and more cost-effective; and*
- (c) *whether the authorities will, in addition to subsidizing taxi and light bus owners who use LPG vehicles, organize promotional and educational activities as well as offer concessions in duty or other subsidies to attract more vehicle owners to switch to using LPG vehicles; and whether the Administration will take the lead in replacing all vehicles in its fleet with LPG vehicles?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, compared with diesel vehicles, LPG vehicles have no problem with smoke emission and hardly have any particulates. Their nitrogen oxide emission level is only 30% of that of diesel vehicles. As far as

air pollution is concerned, the switch from diesel vehicles to LPG ones will certainly help improve the air quality of Hong Kong. However, as the emission levels of LPG vehicles and petrol vehicles meeting the Euro III standards or above, that is, vehicles using gasoline, are more or less the same and neither emit any smoke, the switch from petrol vehicles to LPG ones is not expected to result in a significant improvement in air quality. Therefore, the strategy of the Government is, first, to encourage the replacement of the highly polluting diesel vehicles with LPG ones.

Apart from subsidizing the owners of diesel taxis and light buses for switching to LPG vehicles, the Government has, through offering duty concession on environmental ground, exempted auto-LPG from duty in order to facilitate the introduction of LPG taxis and light buses. Besides, the Government has been purchasing LPG light buses to replace diesel ones since 2002. Currently, 119, or 35%, of the 339 light buses in the Government's vehicle fleet use LPG. When the remaining diesel light buses are due for replacement, the Government will also replace them with LPG ones.

At present, there are only 50 LPG filling stations while there are 19 500 LPG vehicles in Hong Kong, including about 18 000 taxis and 1 500 light buses. These figures translate into a ratio of one filling station to 390 LPG vehicles. For diesel vehicles, there are 181 petrol filling stations in Hong Kong catering for a total of 127 000 diesel vehicles, representing a ratio of one filling station to 700 diesel vehicles.

The Government is always on the look out for suitable sites for LPG filling stations for the convenience of LPG vehicle users. Six LPG filling stations are being designed or constructed and scheduled for completion between mid-2005 and early 2006. For the sake of meeting safety requirements, the Government will require all newly-constructed petrol filling stations to provide LPG filling service through land lease conditions.

Based on the current fuel costs, it is more cost-effective to use LPG than diesel as vehicle fuel. The fuel cost per km is about \$1.46 for a diesel light bus and about \$1.0 for an LPG one, while the fuel cost per km is \$0.77 for a diesel taxi and about \$0.37 for an LPG one.

The Government has studied the feasibility of introducing other types of LPG vehicles to Hong Kong in order to further reduce vehicle emissions. We

briefed the Panel on Environmental Affairs and the Panel on Transport of the Legislative Council on the findings of the study on 6 February 2003. The study concluded that the availability of land in Hong Kong and safety considerations constrained the development of LPG filling stations and ancillary storage facilities and, as such, the LPG infrastructure could only support LPG taxis and light buses in Hong Kong. It is not yet feasible to extend the use of LPG vehicles to other vehicle types at this stage.

MR ALBERT CHENG (in Cantonese): *Madam President, I wish to further ask the Secretary whether the Government, apart from giving priority to switching its light buses to LPG, has any plans to take the lead in switching to LPG vehicles since other government vehicles, I have actually asked about them in the main question, particularly BMWs used by directorate grade officers, are absolutely not environmentally-friendly?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): As I mentioned earlier, in terms of policy, we will, as the prerequisite, start by replacing diesel vehicles, whether they are government or private vehicles, with LPG ones. Why? Of course, to a certain extent, it helps if gasoline vehicles can be replaced with LPG ones too. However, owing to the limited number of gas filling stations, there are only 50 such stations at the moment, long queues of vehicles can very often be seen at certain LPG filling stations every day. This is because those stations were not built at the most suitable sites. Moreover, there is a difference in price among the LPG stations, which are indeed competing in a fair and open manner. Owing to different prices, there are different LPG filling demands too. It can be seen that LPG filling stations remain one of the bottlenecks of our infrastructure. As such, we have to proceed step by step in the hope of replacing all diesel vehicles first.

The proposal raised by Mr CHENG is very constructive. Actually, I once raised a similar proposal too.

PRESIDENT (in Cantonese): Honourable Members, there are a total of eight Members who are waiting to raise their supplementary questions. So, please be concise as far as possible.

MR JEFFREY LAM (in Cantonese): *Madam President, in the third paragraph of the main reply, the Secretary mentioned that the ratio between LPG vehicles and LPG filling stations indeed compares better than that between diesel vehicles and petrol filling stations, though the distribution of LPG filling stations is actually not so good or extensive. Both the light bus and taxi industries share the view that the Government should speed up the construction of more LPG filling stations as far as possible. May I ask the Secretary why the progress of building LPG filling stations is so slow? Is it mainly because the safety standards of LPG filling stations are higher than those of petrol filling stations?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Mr Jeffrey LAM is right. This is because, according to our requirement, these petrol or LPG filling stations must be built on convenient sites or densely-populated areas, where taxi and light bus drivers can refill their vehicles on their way. Actually, safety is a crucial factor. The safety standard of LPG depots is higher than that of diesel depots. Therefore, although there are petrol filling stations in certain places, we cannot build LPG tanks there. This is because we have learned from risk assessment that it is inadvisable for LPG tanks to be built in places so close to residential premises. Therefore, we are indeed subject to tremendous constraint. We can definitely speed up the switch to LPG vehicles if more LPG filling stations can be built.

MR WONG TING-KWONG (in Cantonese): *Madam President, according to my knowledge, motor traders failed, some time ago, to supply an adequate number of LPG engines when many light buses and taxies switched to LPG engines. As a result, many owners could not switch to LPG taxis even when their taxis were due for replacement. Has the situation been improved? And what is the plan for the future?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I believe this problem no longer exists. This is because, at the moment, 99% of the taxis can switch to LPG ones. The grace period has also been extended to enable all taxis to be replaced.

MS MIRIAM LAU (in Cantonese): *Madam President, tens of thousands of owners of light goods vehicles or van-type light goods vehicles very much want to support the Government's green policy and switch to LPG vehicles. However, the Government has not allowed them to do so on the ground that no LPG filling stations can be built. According to the main question, there are at present 50 LPG filling stations, with six new ones being designed or constructed. From these figures, we can see that one LPG filling station can serve 390 LPG vehicles. In comparison, one petrol filling station can serve 700 diesel vehicles. It thus appears that there is scope for each LPG filling station to serve more LPG vehicles. Owing to the limited number of LPG light buses, and only thousands of light buses are involved even if all of them are replaced, will the Government consider allowing a portion of light goods vehicles or van-type light goods vehicles to switch to LPG ones? It is most important to ensure that these vehicles and LPG taxis do not refill at the same time and there are no clashes in their refilling schedules. Can this be done? Further consideration might be required if all light goods vehicles or van-type light goods vehicles are replaced with LPG ones. Yet, the abovementioned arrangements can at least allow a portion of these vehicles to support the Government's green policy.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, actually we have been studying Ms LAU's proposal. Of course, we also hope more vehicle fleets, including van-type light goods vehicles, can switch to LPG. However, the number of these vehicles is huge and, as I pointed out earlier, in the case of our LPG filling stations, inequality rather than scarcity is the cause of trouble because of price differences. Many will complain if certain stations are especially crowded. In particular, drivers of commercial vehicles will think that they are wasting a lot of time at these stations. Therefore, we have to, on the one hand, open up the market for fair competition and avoid collaborative fixing of prices but, on the other, the utilization of LPG filling stations is really not yet perfect. We are now conducting some feasibility studies to carefully examine, on the basis of different districts, if it is possible for us to, in the distribution of LPG filling stations in the future, allow several types of commercial vehicles to use the stations during different time slots. I am afraid we have to come up with a good reason for allowing a portion of van-type light goods vehicles to switch to LPG and explain why some are allowed to do so but some not. Insofar as these issues are concerned, I hope to discuss with Ms LAU to examine ways to foster acceptance by the industry.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I suppose the Secretary also knows that we have been campaigning for switching van-type light goods vehicles to LPG for a long time. So far, the Secretary's answer has not changed at all. It is exactly the same as the one she gave in reply to Ms Miriam LAU's supplementary question just now. Even though LPG is considered very good by the Secretary in terms of environmental protection and cost-effectiveness, the Government has still not come up with any proposal, timetable or strategy to bring improvements to van-type light goods vehicles. May I ask the Secretary how she will face the health hazard to Hong Kong people caused by the constant pollution as well as pollution of our city by these van-type light goods vehicles? Is it the case that the Secretary has washed her hands completely off the matter? If not, can the Secretary provide us with the timetable and strategy and tell us how she will resolve this problem?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Actually, I have answered this question earlier. Perhaps I should provide some figures for Members' reference. At present, there are 18 000 taxis and 38 000 van-type light goods vehicles. It is not true that we are turning a blind eye to this group of vehicles. It is only that if we cannot provide adequate ancillary infrastructure facilities when approving van-type light goods vehicles to switch to LPG, it will, on the contrary, lead to confusion. Therefore, the problem with LPG filling stations must be resolved first. We definitely hope that van-type light goods vehicles can switch to LPG too.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary has not answered whether it is fair for the matter to be handled in this way. Is it the case that the Government has no strategy or plan for this even when the health of the general public is probably under serious threat? Is it the case that the Government has washed its hands completely off the matter? The Secretary did not answer this point.*

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

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): No.

MR ANDREW CHENG (in Cantonese): *Madam President, I would like to follow up the supplementary question raised by Mr LEUNG Yiu-chung. However, I would like to rephrase it to see if the Secretary has anything to add. The Secretary mentioned earlier that there are 38 000 van-type light goods vehicles in Hong Kong, and 127 000 diesel vehicles are still running. Actually, our air quality is being affected by these vehicles. The ratio between LPG vehicles and LPG filling stations looks even better than that between diesel vehicles and petrol filling stations. It is only that the service provided by LPG filling stations time is seriously inadequate owing to such factors as the time for refilling, the shift-changing hours of taxis, and so on. May I ask if the Government has any data in this respect? If the Government really wants to encourage more vehicles to switch to LPG, will it do more than requiring newly constructed petrol filling stations to provide LPG filling service in the future? Many existing petrol filling stations possibly have spare capacity and they are able to meet the safety standards too. Can the Government, in renewing their leases, require these petrol filling stations to provide additional LPG filling service so as to enable 30 000-odd van-type light goods vehicles and 100 000-odd diesel vehicles to gradually switch to LPG?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I have actually answered Mr Andrew CHENG's supplementary question earlier. Provided that the safety requirements are met, the Government will require all newly constructed petrol filling stations to provide LPG filling service through land lease conditions. We have implemented this to the best of our ability. All existing petrol filling stations have been examined by our experts to determine if they meet the safety standards. If they do, they will have to provide LPG filling service. If not, we cannot possibly implement this measure at the expense of safety. However, we have a strategy of looking for solutions with respect to LPG filling stations as far as possible. Moreover, we have been paying attention to technological developments to examine if new safety measures, such as by enhancing the design of oil tanks, are available, though the relevant cost might be more expensive. We have been keeping an eye on these technological developments to see if we can make use of them. At the same time, we have to take into account safety standards and consider such matters as the distance from residential areas, and so on.

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

DR RAYMOND HO (in Cantonese): *Madam President, in the first paragraph of the main reply, the Secretary mentioned that the emission levels of LPG vehicles and petrol vehicles meeting the Euro III standards or above are more or less the same. But, actually, there are still 127 000 diesel vehicles in Hong Kong. In renewing licences, all vehicles in Hong Kong having been in use for more than a certain number of years, for instance, six years in the case of private vehicles, are required to be examined. However, the examination seems to be restricted to smoke emission while other emissions are not included. Will the Government consider requiring old vehicles to be tested to determine if their gaseous emissions are up to standard? And, will standards be formulated?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Insofar as vehicle examination is concerned, it is true that we are merely examining smoke emission at the moment. It is possible to examine other emissions too. However, owing to cost problems, studies and public consultation have to be conducted because this is a relatively costly test.

PRESIDENT (in Cantonese): Last oral question.

Smart Hong Kong Identity Cards

6. **MR LAU KONG-WAH** (in Cantonese): *Madam President, with respect to smart Hong Kong identity cards (ID cards), will the Government inform this Council of:*

- (a) *the total number of forged smart ID cards seized so far and, among the illegal workers arrested last year, the percentage of those who held forged smart ID cards;*
- (b) *the respective numbers of persons who have reported loss of non-smart ID cards and those of smart ID cards since the issuance*

of the smart ID cards, and whether such cases have been on the rise, as well as the number of persons who more than once reported loss of ID cards last year; and

- (c) *the measures in place to teach the public, especially employers, how to distinguish authentic smart ID cards from forged ones?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) Since 23 June 2003 when smart ID cards were introduced until 31 January 2005, the Immigration Department (ImmD) and the Hong Kong Police Force had seized 85 forged smart ID cards. Last year, 28 illegal workers who were arrested held forged smart ID cards. This accounts for 0.5% of the total of 5 635 illegal workers arrested last year.
- (b) From June 2003 to the end of January 2005, the ImmD had issued a total of 2 757 100 smart ID cards. During this period, the ImmD had received 199 720 reports on loss of ID cards, with 167 920 cases involving non-smart ID cards (the old form of ID cards) and 31 800 cases involving smart ID cards. Last year, there were 2 895 cases which involved an ID card holder who had reported loss of his ID card on more than one occasion.

Prior to the introduction of smart ID cards, there were on average 10 780 reports on loss of ID cards every month. Since the issuance of smart ID cards, the monthly average has stood at 9 990 reports, reflecting a slight decline.

- (c) In order to help employment agencies and employers distinguish authentic smart ID cards from forged ones, the ImmD organizes seminars and workshops to introduce the security features of smart ID cards to organizations including airlines, consulates, financial institutions, telecommunication companies, construction companies, the Hong Kong Police Force and the Independent Commission Against Corruption, and so on. If employers have any doubt concerning the authenticity of smart ID cards presented by job applicants, they may call the enquiry hotline (2824 1551) of the

ImmD for assistance. Members of the public may also visit the webpage of the ImmD for information about the security features incorporated in smart ID cards.

MR LAU KONG-WAH (in Cantonese): *Madam President, which among the 85 forged smart ID cards seized as mentioned by the Secretary accounted a greater proportion, the self-produced ones or the converted ones? Did the Secretary notice there were news reports claiming that a considerable number of people in the Mainland had been touting the sale of forged ID cards at a very low price? In this connection, what joint operations are there between the Hong Kong Police Force and the Mainland to curb this crime?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the 85 ID cards seized were all forged by syndicates rather than converted from existing ID cards. Their quality is very poor and can be distinguished as forged by people with a general knowledge of ID cards. We also noticed the news reports on card-forging syndicates in Shenzhen and the Mainland touting sale of smart ID cards. The police and the ImmD have already contacted the mainland authorities concerned. Thorough investigation is in progress.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, what the Secretary just said was there were people touting sale of smart ID cards, but what Mr LAU Kong-wah just asked was whether there were people buying these ID cards, who could be buying some authentic ID cards and converting them into forged ID cards. The Secretary mentioned in the main reply there had been some 2 800 cases involving loss of ID cards on more than one occasion. Among them, are there cases which need issuance of ID cards for three to four or even more times? In this connection, are there any breakdown figures for our reference?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I do not have such detailed breakdown figures for the time being. If Members wish to have this information, I will go back and see if there is such information available. We may need to run certain computer programs before we can obtain the answer. (Appendix I) To answer Mr TAM's first question on whether we have taken heed of the situation of people touting sale of ID cards,

we are, in fact, very concerned about any situation involving unruly elements buying others' ID cards. We also noticed some time earlier there were small advertisements soliciting ID cards in some newspapers and enforcement actions were taken indeed. At present, we do not consider these activities very common. Just as I said earlier, the 85 forged ID cards we seized were all made by printing technology rather than conversion from existing ID cards. This is because the security measures of the smart ID cards now are very good.

MR WONG TING-KWONG (in Cantonese): *Madam President, I noted in the second paragraph of part (b) of the main reply that the Secretary mention that prior to the introduction of smart ID cards, there were 10 780 reports on loss of ID cards every month; while since the issuance of smart ID cards, the monthly average has stood at 9 990. How many of these cases involve smart ID cards and how many involve the old form of ID cards? Why has there been a declining trend after the issuance of smart ID cards? And what is the relation of this trend to the issuance of smart ID cards?*

SECRETARY FOR SECURITY (in Cantonese): I do not see any relation between them. As to the question on how many of the 9 990 monthly reports on loss of ID cards since the issuance of smart ID cards involve the old form of ID cards and how many involve smart ID cards, we do not have this classification in our statistics. If Mr WONG wishes to have this information, we can go back and carry out a computer procedure to make a more detailed classification and give a written reply later. (Appendix II)

MR HOWARD YOUNG (in Cantonese): *Madam President, in his reply, the Secretary only said the number of reports on loss of ID cards had declined, but this figure only represents the number of forged ID cards. May I ask the Government whether the issuance of this new ID cards has significantly lowered the number of forged ID cards seized?*

SECRETARY FOR SECURITY (in Cantonese): The majority of the forged ID cards seized by us are the old form of ID cards, and only a very small proportion is smart ID cards. Judging from this, the security measures of the smart ID card are significantly strengthened as compared to those of the old-form ID card.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary just said the security measures are very good, but the forged ID card I saw in the newspaper seems not much different from the authentic ID card. Of course, the chip may be different. Although the Secretary said people with a general knowledge of ID cards can distinguish between the two, I am not sure if I belong to this type of people. I have an ID card. Is it true that anyone holding this ID card will know just by one look and tell at any time whether this is a forged ID card? How can distinction be made?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I believe when Mr LAU said there was no difference between the forged and the authentic ID cards, he said so by looking at the photographs in the newspaper report. Right? I believe he has never laid hands on any forged ID cards.

The existing smart ID card is made with a very durable and reliable material (called polycarbonate unbreakable plastic) which cannot be purchased by the ordinary public. The data on the card is added by using laser engraving technology, while the data on the forged ID card is made by printing technique. Moreover, sophisticated security features are applied to every ID card, such as the rainbow printing, microprinting, the soften photograph area and the guilloche pattern, all of which cannot be done by forging syndicates. The colour of the ink changes if we view the ID card at different angles. If Mr LAU has this ID card in hand now, the simplest way is to see whether the colour of the golden triangle, I mean the golden triangle on the left-hand side of the ID card changes when the card is tilted. This is because the smart ID card is made with optical variable ink and kineprinting technology, so that the general public can see this colour-changing effect at different angles as they tilt the ID card. At present, the forging syndicates cannot yet forge this security feature.

Moreover, when we tilt the ID card, the letter H and K at the side of the photographs will sometimes change from H to K and from K back to H. So these features can all be viewed by the general public with their naked eyes. By so doing, they shall be able to distinguish whether this is an authentic smart ID card issued by us, or a forged smart ID card produced by common reprography techniques.

MR ALBERT HO (in Cantonese): *Madam President, the Secretary has just explained to us in detail how to distinguish an authentic smart ID card from a forged ID card. I believe many Members have not heard about this until today. We may, at any time, be holding a forged ID card without knowing it. The biggest problem now is whether the general public can distinguish smart ID cards from the forged ones on the market. This is the biggest problem.*

The Secretary stated in part (a) of the main reply that 85 forged smart ID cards had been seized and 28 illegal workers arrested holding forged smart ID cards last year. I take these 28 people as example. These 28 people worked at construction sites by using their forged ID cards. Among these cases, were all of the construction site supervisors deceived by these forged ID cards? If this is the case, it is possible that the same thing is happening in many other construction sites. Could the Secretary tell us how this knowledge can be promoted among the public so that they can also tell the difference?

SECRETARY FOR SECURITY (in Cantonese): In part (c) of my main reply, I have already replied in respect of the measures in place to promote this knowledge among the public. We organize talks to employers and the relevant institutions on how to distinguish the authenticity of smart ID cards. Of course, we cannot provide training to every employer. Thus, we have a hotline for employers to contact the staff of the ImmD whenever they find problems with the behaviour and conduct or the ID card of applicants. As to the 28 illegal workers arrested whom I mentioned earlier, they all held forged ID cards. Actually, this is not the full story. It is often the case that before we arrest these illegal workers, it is their employer, who has doubts about their identity, calls us in the first place. Thus our hotline is very effective.

MR HOWARD YOUNG (in Cantonese): *Madam President, I notice the Secretary mention in part (c) of the main reply that some talks are held for the purpose of teaching the public, including airlines, consulates and telecommunication companies, and so on, to distinguish forged ID cards. I understand why they are included because they have many opportunities to come in touch with ID cards. But in the English version, it also mentioned construction companies. Does it mean that people looking for jobs with their forged ID cards are only restricted to those in this industry, and thus there is no need to hold talks for other industries such as domestic helper agencies?*

SECRETARY FOR SECURITY (in Cantonese): I do not believe illegal workers are restricted to these industries only, nor do I believe only these industries need to distinguish the authenticity of ID cards. But from our past experience, sometimes we might find a considerable number of workers who held forged ID cards in construction sites. As we do not wish to see construction companies undertaking large infrastructure projects employing illegal workers, we hold talks for these construction companies or sub-contractors to help them get a better understanding of this ID card, so that in future when they employ workers, they will be able to examine carefully the authenticity of the ID cards and will not involve themselves in lawsuits by employing illegal workers. As to whether we will extend these talks to other industries, we will definitely do so.

PRESIDENT (in Cantonese): We have spent more than 15 minutes on this question. Last supplementary question.

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary taught me earlier to look at the letter K and H and said when I tilted the ID card, the letter H would change to K. But no matter how I look at my ID card, I can only see the letter K. Are there any problems with it? Honestly, it is difficult for a layman to tell the difference. Thus, I would like to ask the Secretary a question. These several dozens of forged ID cards should have raised the alarm. If the syndicates concerned had one machine, they would not just produce as few as the eighty-odd forged ID cards. Did the Government conduct any analyses on these eighty-odd forged ID cards, so as to obtain useful information like their source and usage? Or has it requested such information from the Mainland? Are there any detailed analyses showing these ID cards were imported from the Mainland?*

SECRETARY FOR SECURITY (in Cantonese): In a moment, after this question, perhaps Mr LAU may wish to see how to distinguish the letter H and K on the ID cards with me in the Ante-Chamber.

We have conducted analyses on the ID cards seized and also received intelligence on these forging syndicates. Of course, it is inappropriate to disclose in detail here the investigation and the operation taken. We believe

these forged ID cards were produced in areas outside Hong Kong and we are currently joining force with the local police or the public security officials in the areas concerned.

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS

Installation of Closed Circuit Television Cameras in Custodial Wards in Penal Institutions

7. **DR FERNANDO CHEUNG** (in Chinese): *Madam President, I have received a letter from a prisoner complaining that the Correctional Services Department (CSD) has recently installed closed circuit television (CCTV) cameras in all custodial ward of the prison in which he is detained. As a paraplegic, he has to clean his private parts under the surveillance of CCTV, and he feels that this hurts his dignity. Regarding the installation of CCTV cameras in the custodial wards in penal institutions by the CSD, will the Government inform this Council:*

- (a) *of the functions of the CCTV systems installed, the penal institutions in which such systems have been installed in their custodial wards, and the respective commencement and completion dates of the relevant installation works;*
- (b) *whether prisoners and relevant organizations have been consulted before the decision was made to install the systems; if so, of the results of the consultations; if not, the reasons for that;*
- (c) *whether it has assessed if the installations constitute an intrusion into the privacy of prisoners; if it has, of the assessment results; if the assessment result is in the negative, of the justifications for that; and*
- (d) *of the number of complaints received by the CSD in the past three years about the intrusion into the privacy of prisoners by such installations and how the CSD has dealt with the complaints?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) Arising from the recommendations made by the Coroners' Court in a number of cases of death of prisoners and an incident in which a prisoner died during his detention at the Siu Lam Psychiatric Centre, the CSD has put in place a programme to install CCTVs in hospital wards and other public areas of prisons, such as workshops and dormitories, to enhance the supervision of prisoners for safety and security reasons.

As at end February 2005, CCTVs have been installed in the hospital wards in nine penal institutions and the two custodial wards at Queen Mary Hospital and Queen Elizabeth Hospital. Installation works are in progress in the hospital wards of another five penal institutions. The list of these penal institutions and the commencement and completion dates (where available) of their respective CCTV installation works are at Annex.

- (b) The CSD has the statutory obligation to ensure safe custody of all persons entrusted to them for detention under the law. Installation of appropriate and effective security devices, including CCTVs, is one of the measures commonly adopted in penal institutions in other parts of the world. In installing these security devices, the CSD has taken into account privacy considerations in the context of prison management. The CSD does not consider it appropriate to consult prisoners or external organizations on the installation of CCTVs in prisons.
- (c) As stated above, the CSD takes careful account of privacy considerations in the context of prison management. According to the "Privacy Guidelines: Monitoring and Personal Data Privacy at Work" issued by the Office of the Privacy Commissioner for Personal Data, continuous CCTV monitoring may be considered in areas where the safety of persons and protection of property is paramount, such as in correctional institutions. All CCTVs in prisons are positioned at points where a balance is struck between prison security/safety and prisoners' privacy.

- (d) There were two such complaints made by the same prisoner in the past three years. For physical and medical reasons, that prisoner has to be detained in hospital wards on a regular basis. To protect his privacy at such times as body cleansing, he is provided with portable decency screens.

The prisoner lodged the first complaint in late 2002 to the Privacy Commissioner for Personal Data against the installation of CCTV inside the custodial ward of Queen Mary Hospital where he was then hospitalized. The Privacy Commissioner for Personal Data found no impropriety in this incident and replied direct to the prisoner in early 2003.

The prisoner lodged a similar complaint in February 2005 during the visit of a Justice of Peace to Stanley Prison. The visiting Justice of Peace was satisfied with the CSD's arrangements.

Recently, the CSD also received enquiries from two Legislative Council Members regarding similar complaints, but the Department has not been provided with the identity of the complainant(s). The CSD has responded to these enquiries separately.

Annex

List of penal institutions
where CCTVs have been/are being installed in hospital wards

<i>Institution</i>	<i>Date of Commencement of Installation Works</i>	<i>Date/Expected Date of Completion of Installation Works</i>
Siu Lam Psychiatric Centre	CCTVs installed over 10 years. Exact dates cannot be traced.	
Lai Chi Kok Reception Centre	CCTVs installed over 10 years. Exact dates cannot be traced.	
Tai Lam Centre for Women	CCTVs installed over 10 years. Exact dates cannot be traced.	
Stanley Prison	March 1996	August 1999
Sha Tsui Detention Centre	September 2002	March 2003
Pik Uk Correctional Institution	July 2003	September 2003

<i>Institution</i>	<i>Date of Commencement of Installation Works</i>	<i>Date/Expected Date of Completion of Installation Works</i>
Lo Wu Correctional Institution	July 2003	November 2003
Ma Po Ping Prison and Tong Fuk Centre	February 2004	April 2004
Pak Sha Wan Correctional Institution	October 2003	April 2004
Cape Collinson Correctional Institution	December 2002	March 2005
Tung Tau Correctional Institution	September 2003	March 2005
Pik Uk Prison	October 2004	April 2005
Hei Ling Correctional Institution	October 2004	April 2005
Tai Tam Gap Correctional Institution	February 2003	July 2005

Genetically-modified Food Labelling System

8. **MR FRED LI** (in Chinese): *Madam President, according to the findings of a test on pre-packed vegetarian food products, published by the Consumer Council in mid-January this year, 14 out of the 18 test samples were found to contain one or two species of animal genes. In this connection, will the Government inform this Council:*

- (a) *whether it has studied the sources of animal genes in such vegetarian food samples;*
- (b) *of the measures in place to protect vegetarians from unknowingly purchasing vegetarian food products carrying animal genes; and*
- (c) *whether it will expedite the implementation of a genetically-modified (GM) food labelling system, so as to protect consumers' right to information?*

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

- (a) According to the test conducted by the Consumer Council, the main ingredient of vegetarian products is texturized soy proteins.

During the manufacturing process of the vegetarian products, other ingredients are added to function as binder. Some of the binders, such as egg white, milk proteins and gelatin, may be derived from ingredients of animal origin. This would result in animal genes being found in the vegetarian products.

- (b) The Food and Drugs (Composition and Labelling) Regulations stipulate that prepackaged food shall be legibly marked or labelled with a list of ingredients. The Food and Environmental Hygiene Department (FEHD) will remind the trade to follow the requirement of the relevant regulations. In addition, the FEHD will enhance public education on ingredients of animal origins through publication and upload relevant information on to its website. Consumers who would like to avoid purchasing vegetarian products containing ingredients of animal origin should also study the ingredient list before purchase.
- (c) There is at present no international consensus on the labelling of GM foods. The Government will follow closely discussions and development in this aspect for appropriate follow-up action to be taken. In response to consumers' increasing demand for more product information, in addition to encouraging the trade to label the GM food on a voluntary basis, we will develop a set of guidelines to facilitate the trade to make truthful claims of GM foods. We are currently considering the draft text of the guidelines.

Rent Concession Policies of The Link Management

9. **DR FERNANDO CHEUNG** (in Chinese): *Madam President, in reply to my question on 26 January, the Government indicated that The Link Management Limited (The Link Management), responsible for managing the commercial and car-parking facilities to be divested by the Housing Authority (HA), had agreed with the HA that rent concessions would continue to be given to social welfare agencies and kindergartens who are sitting tenants. In this connection, will the Government inform this Council whether:*

- (a) *the above rent concessions apply only to such sitting tenants when they renew the tenancy immediately upon the expiry of the leases concerned;*
- (b) *The Link Management has plans to provide rent concessions in the following cases:*
- (i) *social welfare agencies and educational organizations who are not sitting tenants when renting units under its management; and*
 - (ii) *sitting agencies and organizations who are sitting tenants signing new leases for other units under its management;*
- if it has, of the details of such plans; if not, the reasons for that;*
- (c) *The Link Management will set aside a certain proportion of its commercial facilities for application by social welfare agencies and educational organizations to lease at concessionary rents; if it will, of the details; if not, the reasons for that; and*
- (d) *the Government will propose to The Link Management the formulation of rent concession policies; if so, of the details of its proposal; if not, the reasons for that?*

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

Madam President, my reply to the four-part question is as follows:

- (a) As I pointed out in my reply to the question raised by Dr Fernando CHEUNG on 26 January this year, the HA had agreed with The Link Management that, upon divestment, non-profit-making welfare agencies and kindergartens currently enjoying rent concessions could continue to lease the premises at concessionary levels. These agencies and kindergartens would still be given rent concessions when renewing their tenancy.
- (b) According to the agreement between the HA and The Link Management, the rent concession measure mentioned in part (a)

above applies to the premises currently being leased to eligible non-profit-making welfare agencies and kindergartens, or alternate premises of similar sizes within the commercial facilities (generally referred to as "agreed premises"). All eligible non-profit-making welfare agencies and kindergartens, including those that are not sitting tenants, will be given rent concessions when they lease the "agreed premises" from The Link Management in the future.

- (c) According to the agreement between the HA and The Link Management, The Link Management is required to give rent concessions to any eligible non-profit-making welfare agencies and kindergartens which rent any of the "agreed premises".
- (d) As mentioned above, The Link Management and the HA have agreed that, upon divestment, all eligible non-profit-making welfare agencies and kindergartens will be able to enjoy rent concessions when leasing "agreed premises" in the divested properties. Such an arrangement is sufficient to ensure that, upon divestment, non-profit-making welfare agencies and kindergartens can still enjoy rent concessions in providing services for the local community to meet residents' needs. The Government has not proposed to The Link Management to formulate any other rent concession policies in this respect.

Facilitating Development of Manufacturing Industry

10. **MR FREDERICK FUNG** (in Chinese): *Madam President, it has been reported that the Government estimates that the economic growth in the current financial year would reach the target of 7.5%, and has pointed out that the acquisition of additional machinery and equipment for manufacturing production in the third quarter of that year grew by 33%, registering growth for three quarters in a row. In this connection, will the Government inform this Council:*

- (a) *of the sectors of the manufacturing industry contributing to the above rate of growth in the acquisition of production machinery and equipment, the categories of the machinery and equipment involved, as well as the respective contributions as a percentage from the*

creative industry, the environmental industry and traditional industries such as textiles and watches and clocks;

- (b) whether it has assessed the effects of the above growth on the local labour market, including whether this growth has helped low-skilled workers in obtaining employment, and whether the contribution of the manufacturing industry as a percentage of Gross Domestic Product (GDP) will rebound; if assessment has been made, of the results;*
- (c) whether incentive measures will be adopted to facilitate the development of the manufacturing industry in Hong Kong and progressively attract relocated industries to return to Hong Kong, so as to facilitate diversified development of the local economy and avoid an economic policy with too much emphasis on the financial services sector and the service industries; and*
- (d) whether the authorities will, apart from currently providing land under short-term tenancies, offer other concessions in areas such as taxation and land leases or set up loan funds to foster the development of the environmental and recycling industries in Hong Kong?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in the absence of Secretary for Commerce, Industry and Technology) (in Chinese):
Madam President, my reply to the various parts of the question is set out below:

- (a) From the first to the third quarters of 2004, retained imports of machinery for manufacturing use grew by 18%, 12% and 33% respectively in real terms over the corresponding periods in 2003.

The surge in the third quarter of 2004 mainly involved such equipment as electric generating sets with internal combustion piston engines; other electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits; printed circuits; static converters; metalworking machinery and parts thereof; knitting machines and stitch-bonding machines;

injection or compression types of moulds for rubber or plastics; discharge lamps, and so on.

As the relevant statistics were classified by commodity groups rather than industries, it is not possible to estimate the percentage contribution of the creative industry, environmental industry, textile industry, or watches and clocks industry in the increase of retained imports of machinery for manufacturing use.

- (b) The effect of acquisition of additional manufacturing equipment on the labour market, particularly on employment of low-skilled workers, hinges on the nature and use of the equipment concerned. For instance, it depends on whether the additional machinery is used to replace manual labour in the production process, or to produce new products or semi-manufactures, or to raise productivity, and so on. As the Government has not conducted any statistical survey on this aspect, it is difficult to assess the effect of the increase in manufacturing equipment on the local labour market and on the percentage share of the manufacturing sector in the GDP. Notwithstanding this, it is observed that along with the upturn of the overall economy, the unemployment rate in the manufacturing sector improved in tandem in 2004.
- (c) The Government has been supporting diversification of the local economy. Under the free market principle, the Government does not specifically protect or directly subsidize particular industries. However, we are committed to providing support to and creating favourable business environment for the industrial sector. We will also strive to, in conjunction with the industries, enhance the competitiveness of the industries in response to market trends.

The second phase of the Mainland/Hong Kong Closer Economic Partnership Arrangement came into full effect starting from 1 January 2005. As a result, over 1 000 Hong Kong products under mainland tariff codes can be imported tariff free to the Mainland. The zero-tariff concession is unprecedented for local industries, and is believed to be able to encourage and attract local and overseas investors to actively consider engaging in Hong Kong

industrial production with higher skills, value adding and intellectual property content.

Since the competitive edge of our manufacturing industries has shifted from low-skill, labour-intensive modes of production to high value-added and knowledge-based activities, the Government is committed to promoting the application of innovation and technology, upgrading the quality of the labour force, as well as ensuring free flow of information in order to maintain the competitiveness of our industries in the international market. The specific measures include:

- (i) providing one-stop infrastructure support services to technology-based companies through the Hong Kong Science and Technology Parks Corporation, including the provision of developed land at near cost for production purposes;
- (ii) encouraging the development of innovative, technology-based and high value-added industries by setting up various technology funding schemes (for example the Innovation and Technology Fund);
- (iii) implementing the DesignSmart Initiative to strengthen our support to design and innovation;
- (iv) providing manpower training and promoting technological enhancement through the eight University Grants Committee-funded institutions, Vocational Training Council, Clothing Industry Training Authority and Employees Retraining Scheme;
- (v) facilitating technology transfer through the services provided by the Hong Kong Applied Science and Technology Research Institute Company Limited and Hong Kong Science and Technology Parks Corporation;
- (vi) providing industry support services in the areas of manufacturing, management, information technology and

environmental technology by the Hong Kong Productivity Council;

- (vii) providing accreditation services and product standards information through the Innovation and Technology Commission; and
 - (viii) providing information and support to small and medium enterprises (SMEs) through the Support and Consultation Centre for SMEs under the Trade and Industry Department, SME funding schemes and various subvented organizations.
- (d) The Government will continue to lease land under short-term tenancies to recyclers. At present, 29 sites with a total area of about 5.6 hectares have been let under this arrangement, helping recyclers who cannot afford or who do not choose to purchase private land to start up business. This measure has been well-received by the industry. The Government will continue to identify more sites suitable for this purpose. The Government is now making plans for the establishment of the EcoPark at Tuen Mun Area 38 to provide long-term land for environmental and recycling operations and promote the long-term development of and investment in the recycling industry. The 20-hectare EcoPark will be developed in two phases, with the first phase expected to be commissioned in 2006. The establishment of the EcoPark will give momentum to the development of the environmental and recycling industries and create employment opportunities.

The Government injected \$100 million in the Environment and Conservation Fund (ECF) in 2002 to provide funding support for community groups and green groups to implement recycling projects at the community level. The ECF also provides funding for research and development projects on waste reduction and recycling technologies, such as the use of recycled aggregate, the development of a plastic bottle shredder and the production of cement from recycled glass. Moreover, people who wish to develop innovative ideas or upgrade the technological level of their companies can apply for funding from the Innovation and Technology Fund. Recyclers can also seek assistance from the

SME funding schemes under the Trade and Industry Department for business development.

Dissemination of Information on Particular Incidents to Media by Police

11. **MR LAU KONG-WAH** (in Chinese): *Madam President, it is learnt that the police's Third Generation Command and Control Communications System (CC3) has come into operation by phases since the end of last year. As the CC3 is an encrypted system, journalists can no longer monitor the internal communications of the police to obtain information on incidents which have occurred suddenly and rush to the scene for timely coverage of the incidents. In view of this, starting from 10 December last year, the Police Public Relations Branch (PPRB) has been disseminating from time to time, through the information system of the Information Services Department, to media organizations information on such incidents that may be of interest to the media. In this connection, will the Government inform this Council of:*

- (a) *the total number of times the police have disseminated information on such incidents from 1 to 7 February this year, together with a breakdown by the time taken from the receipt of a report of an incident to the dissemination of information on it (less than 15 minutes, 15 to 30 minutes, 31 to 60 minutes and more than one hour), as well as the reasons for taking longer time to disseminate information on some of the incidents;*
- (b) *the basis on which the police decide whether information on individual incidents should be disseminated; and*
- (c) *the number of complaints received so far by the police from journalists about any failure or delay in disseminating information on particular incidents?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) From 1 to 7 February this year, the police disseminated in the form of press releases information on a total of 57 cases occurring in the

New Territories which might be of interest to the media or were of significance to the media. As regards the time taken from the receipt of a report to the dissemination of relevant information, 46 cases took less than an hour while the remaining 11 cases took more than an hour.

The 999 Control Centre, upon receiving calls of emergency, has to take actions according to priority commensurate with circumstances. The time taken will therefore vary.

Specifically, when an emergency call is received by the 999 Control Centre, it is necessary for the police to deploy officers to the scene to ascertain the nature of the incident reported, which inevitably takes some time. On arrival at the scene, the officers, depending on the circumstances, will take immediate measures to protect life and property. After the officers have completed the preliminary actions required and reported back that the case reported is confirmed, the 999 Control Centre will pass the relevant information to the PPRB. The PPRB will then disseminate the information in the form of "Attention News Editors" through the Government News Information System of the Information Services Department.

- (b) In deciding what information should be disseminated, consideration is given to the nature of the incident and whether the case may be of any public interest. For instance, crimes of more serious nature (for example, robbery and wounding), accidents involving public transport, industrial accidents, and some specific cases such as involving the discovery of dead bodies or persons falling from a height, are generally disseminated through the "Attention News Editors" channel.
- (c) The police have not kept statistics in this regard. Since the Third Generation Command and Control Communications System came into operation, the police have been taking heed of the views of media organizations. The police will continue to try their best to facilitate the coverage of news by and to provide information to the media.

Shortage of Hotel Rooms

12. **MR HOWARD YOUNG** (in Chinese): *Madam President, owing to a shortage of hotel rooms, arrangements were made for some visitors to Hong Kong to stay in resort houses and hourly hotels during last year's peak inbound tourism season. In this connection, will the Government inform this Council:*

- (a) *of the numbers of hotels of various star ratings to be completed and opened in each of the next five years, and the number of rooms to be provided each year by the hotels of each star rating;*
- (b) *of the measures to encourage developers to build more five-star hotels for receiving business travellers, the number of which has been increasing as a result of the implementation of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA);*
- (c) *whether it will consider switching the mode of sale of hotel sites on the List of Sites for Sale by Application to sale by tender or regular auctions; if not, of the reasons for that; and*
- (d) *whether it will consider adjusting downwards the premium on the land concerned to encourage developers to apply for changing the land use to hotel purposes?*

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

Madam President, concerning the report last year on the incident involving visitors staying in holiday camps, I wish to clarify at the outset that according to our understanding, the travel agent concerned had not arranged proper accommodation for tour groups before their arrivals. According to the directives of the Travel Industry Council (TIC), a travel agent must confirm booking of hotel rooms before receiving tour groups in Hong Kong. The TIC has already reminded travel agents to conform to the requirement.

My reply to the four-part question is as follows:

- (a) According to the Hong Kong Tourism Board's (HKTB) "Hotel Supply Situation as at September 2004", the number of hotels (and rooms) to be completed in the coming five years is set out below:

<i>Year</i>	<i>Number of Hotels</i>	<i>Number of Hotel Rooms</i>
2005	20	8 697
2006	6	3 289
2007	7	2 533
2008	2	454
2009	cannot be estimated	cannot be estimated
Total	35	14 973

The HKTB classifies the hotels in Hong Kong into "high tariff A", "high tariff B" and "medium tariff" based on their facilities, location, staff to room ratio, achieved room rate and business mix. As these factors cannot be fully evaluated before a hotel comes into operation, the HKTB cannot provide the rating of the uncompleted hotels. Nevertheless, based on the location, facilities and the number of rooms to be provided, we expect more than half of them will be medium tariff hotels.

- (b) The Government has been keeping a watch on the supply of hotel rooms. While we agree that the implementation of CEPA would bring more business travellers to Hong Kong, we believe that the supply of hotels should be a matter for the market. Individual operators and developers may have different views on how rapidly demand may increase and the future mix of different types of accommodation that will be required. Past experience indicates that the market has been able to respond to the tourism industry growth.

All along, the Government has been business-friendly to facilitate the development of the hotel industry:

- (i) In general, hotels are permissible use within "Commercial" and "Commercial/Residential" zone. In addition, planning applications for hotel development in other zones may be processed;

- (ii) On lots for non-industrial purposes (excluding private residential but including hotel) or non-residential purposes (including hotel), the developer could decide on whether to build hotels or offices there.
- (c) The Application List mechanism has worked well and is well-known to the business community. There are still several lots on the Application List which could accommodate hotel development, and the supply is adequate. Currently, we do not see a need to make any change.
- (d) There are established procedures and practices for processing premium assessment, to protect public revenue and safeguard public interest. Leaving aside cases where specific policy approval has been granted, premium payable for all types of land disposal and lease modification must be assessed on full market value basis. Adjusting downwards the premium on the land concerned is not in line with the public interest, and this would not be considered.

Information on Drugs

13. **MR LI KWOK-YING** (in Chinese): *Madam President, it has been reported that the Food and Drug Administration (FDA) of the United States has recently confirmed the existence of Peroxisome Proliferator-Activated Receptor (PPAR), a carcinogenic substance, in certain diabetes drugs. In this connection, will the Government inform this Council:*

- (a) *among the drugs currently prescribed for diabetes patients in the territory, of the number of those which contain the above substance; and whether the authorities have tested the carcinogenic effect of these drugs; if so, of the test results; and*
- (b) *of the communication mechanism between the authorities and other countries regarding the exchange of information on drugs, so as to ensure that the latest information on drugs can be obtained expeditiously?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese): Madam President, during regular monitoring of the websites of major drug regulatory authorities, the Department of Health (DH) noticed that a powerpoint presentation entitled "Preclinical and clinical safety assessment for PPAR agonists" has been posted on the official website of the FDA of the United States since July 2004. The presentation reported on the results of a study conducted some time ago on rodents for the safety of a class of chemicals called PPAR agonists. The study recommended that due to the prevalence of tumor found in rodents during that study, and hence safety concern about long-term use of such substances on humans, rodent carcinogenicity study for at least two years should be done for drugs belonging to the PPAR agonist class prior to the conduct of clinical studies on humans.

The Pharmacy and Poisons Board (PPB) is the statutory authority set up under the Pharmacy and Poisons Ordinance (PPO) to take charge of the registration of pharmaceutical products in Hong Kong. The criteria for registration, as laid down in the PPO, are safety, efficacy and quality of the pharmaceutical product concerned. The PPB assesses applications for drug registration in accordance with a set of international harmonized guidelines which are also adopted by the licensing authorities in the United States, Europe, Japan, and so on. In accordance with established international practice, the PPB also requests pharmaceutical companies to provide safety information of registered drugs on a regular basis for the purpose of continuous monitoring of their suitability for human consumption.

The DH and the PPB have always been aware of possible carcinogenicity of any new drug, including PPAR agonists, in rodents and humans, and have therefore been requesting drug companies, in seeking registration of drugs belonging to the PPAR agonist class, among others, to provide reports on rodent carcinogenicity study and subsequent clinical trials on humans for consideration by the PPB.

(a) and (b)

Among the anti-diabetic drugs currently registered in Hong Kong, two drugs belong to the PPAR agonist class. The two drugs are rosiglitazone maleate (Avandia) and pioglitazone (Actos). They were registered in Hong Kong in November 2000 and June 2001 respectively. Both Avandia and Actos had been subject to

two-year carcinogenicity studies on rodents and subsequent clinical trials on humans before their registration applications were tendered to the PPB for consideration. According to the results of clinical trials, the two drugs do not show carcinogenic effect on humans.

To monitor for carcinogenicity and other adverse effects associated with the use of these drugs, the companies concerned are required to report to the DH regularly on the latest safety information concerning the products. They are also required to submit safety data of the registered drugs on a three-monthly basis in the first two years of registration and every six months thereafter for the purpose of continuous monitoring. The companies are also required to report to the DH in a timely manner any new observations of significant adverse reaction that may have been caused to the users. The reports submitted so far do not indicate any cases of carcinogenicity in humans caused by Actos and Avandia. The DH will continue to monitor the safety of these two drugs.

The DH also regularly monitors product safety information issued by drug regulatory authorities of the United States, the United Kingdom, Europe, mainland China, Australia, Singapore and Canada through daily screening of relevant publications and announcements on their official websites. So far, the DH understands that the two drugs continue to be marketed in overseas markets, and no safety concern has been raised by overseas regulatory authorities.

Computer Failure Incidents of Hong Kong Exchanges and Clearing Limited

14. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, it has been reported that the central processing unit in the price dissemination system of the computer system of the Hong Kong Exchanges and Clearing Limited (HKEx) experienced a temporary slowdown for 28 minutes on 24 December 2004, resulting in the suspension of stock quote updates and the need to activate the backup system. During this period, the Third Generation Automatic Order Matching and Executive System and the Stock Exchange's information dissemination service were delayed. In this connection, will the Government inform this Council whether it knows:*

- (a) *the total number of computer failure incidents since the establishment of the HKEx as well as the respective causes of the incidents and the types of services affected;*
- (b) *the measures taken by the HKEx to reduce the frequency of computer failure so as to avoid adverse impact on the status of Hong Kong as an international financial centre; and*
- (c) *the measures taken by the HKEx to ensure that its services will not be affected by computer failures?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): Madam President, on the question raised by the Honourable SIN Chung-kai, the reply provided by the HKEx is attached.

Reply from the HKEx

The HKEx welcomes Mr SIN Chung-Kai's enquiry about the CPU failure occurred on 24 December 2004 (the CPU Failure) and would like to provide clarifications as follows:

The CPU Failure

Description of the 24 December 2004 Incident

- The HKEx's securities trading system, AMS/3, is designed to operate on multiple CPUs for load sharing and redundancy purposes. In the event of a CPU failure, the software modules affected automatically failover to an alternative CPU to resume service. The recovery mechanism will also be invoked as part of the failover process to reduce to a minimum any impact to users. This design has served Hong Kong's markets well for over 10 years.

With respect to the 24 December 2004 incident in which a CPU motherboard failed, there was no interruption to normal order matching and price dissemination to information vendors which serve the investment community. At no time during the automatic failover was the integrity of the order matching facility jeopardized. The sole impact related to a

delay in the broadcast of price updates for approximately 25% of the stocks disseminated via HKEx-supplied trading screens and Open Gateways (OGs). It has been estimated that stock prices for over 90% of active stock counters were updated within one minute of the CPU failure. This updating process in relation to the vast majority of traded counters resulted from new order transaction activities. In respect of the remaining 10% of stocks representing those less actively traded, the updating process occurred progressively in accordance with system design parameters. As an alternative to the system generated progressive price update process, traders could press the Confirm button on their AMS/3 trading screens at any time to retrieve the latest prices in relation to particular stocks. The 28-minute duration referenced in Mr SIN Chung-Kai's enquiry was the time taken to perform the background catch up process to update prices with respect to the relevant stocks (those stocks for which no activity occurred during such period or as to which no participant enquiry was made). There was no slow down or disruption in terms of order input and order matching capabilities.

Medium Term Follow-Up Actions

- The HKEx has requested Hewlett-Packard (HP), the supplier of the CPU hardware, to conduct a thorough technical audit of all HP supplied equipment for our trading and clearing systems and to propose appropriate proactive and preventive maintenance measures to further strengthen the hardware availability and reliability. Recommendations will be finalized by HP for submission to the HKEx in March 2005.
- One preventive solution recommended by HP involves the replacement of all CPU motherboards with the latest version which has proven itself to be extremely stable and reliable. The process of replacing all motherboards will utilize a phased approach which commenced in February 2005 and will be completed by early April 2005 for all of the 32 CPUs used by the production AMS/3 system. This approach is deemed most prudent to ensure that risks associated with the replacement process are minimized.
- Through its own analysis, the HKEx recognizes the desirability of shortening the time needed to perform the catch up process in the case of a CPU failure and will implement the applicable software enhancement(s) as soon as practicable (subject to appropriate testing) to accelerate the time

needed to perform the stock price refresh process under recovery scenarios.

In response to other points you have raised, we would like to provide the following information for your reference:

Stock Market Trading System (AMS/3)

- AMS/3 has maintained a track record of 100% system uptime since its launch in October 2000. There have been four minor incidents over the past 24 months with all of them affecting select services only partially. Such incidents have had no material impact on either market operations or core market system processing performance and are described as follows:
 - (i) CPU failure on 24 December 2004 (as described above);
 - (ii) Double point failure of two network cards in a network router on 12 October 2004 described as below:

Description of the Incident

- The router is part of the core equipment used for the trading network installed, operated and maintained by PCCW. Its design includes built-in redundancies. This incident appears to be due to an extremely rare simultaneous failure of two internal network cards outage resulted. As was the case with 24 December incident mentioned above, no interruption to the normal order processing operation of AMS/3 was experienced. The problem was immediately addressed by re-directing relevant traffic to a backup router. The incident affected approximately 25% (approximately 250) of the trading devices which were connected to the faulty router and the interruption lasted for less than eight minutes.

Medium Term Follow-Up Actions

- Although this problem can be attributed to a rare and isolated simultaneous hardware failure of two network cards in the router, measures have been taken to minimize the potential

for such an occurrence in the future. As a proactive measure, a strengthened health check and preventive maintenance programme has now been put in place. Its features include:

- PCCW to strengthen the daily network health check at 8.00 am to verify that various network components are in proper working order before the market opens;
- PCCW to increase the frequency of preventive maintenance on the AMS/3 network from quarterly to monthly with enhanced scope to detect and rectify potential problems; and
- Similar practices have been arranged with Wharf T&T, the carrier and supplier of the network used by our clearing system.

(iii) CPU failure on 21 February 2005 described as follows:

Description of the Incident

- A CPU failure occurred in the AMS/3 front-end system comprising 16 CPUs and which is responsible for trading device connectivity. Out of a population of about 1 450 trading devices, a total of 140 devices (that is, HKEx-supplied trading screens and Open Gateways) were interrupted. The affected trading devices lost their host connections temporarily (approximately 10 to 15 seconds) before they were automatically reconnected to the automatic failover CPU. Traders had to re-log on to AMS/3 before trading could be resumed. Users were prompted to log on again and order transactions were able to be submitted through the majority of the interrupted trading devices within one minute after connectivity interruption occurred.

The AMS/3 host system continued to operate normally in relation to order execution and price dissemination. Trading devices not connected to the failed CPU were not affected.

Medium Term Follow-Up Actions

- The AMS/3 front-end system is included in the scope of the CPU motherboard replacement exercise described above. HP is of the view that the proposed motherboard replacement will significantly improve hardware stability when the upgrade is completed by early April 2005.

(iv) Market Data Feed Interruption on 22 February 2005

Description of the Incident

- During a period of approximately 47 minutes during the morning trading session, the dissemination of market data with respect to 58 inactively traded stocks was interrupted due to a software glitch in the broadcast system. The AMS/3 system continued to operate normally and at no time was the integrity of the order matching system in jeopardy. Once the source of the problem was identified, the system was reset and the system functioned normally for the remainder of the day.

Medium Follow-Up Actions

- The software program in question had recently been modified and implemented during the weekend of 19 February 2005. Given the reliability of the previous version of the software (which had been in operation for a considerable period of time without incident), it was determined to back out the updated software, and revert to the previous version until the problem giving rise to the incident of the 22nd could be ascertained. This back out was successful, and the broadcast facility has been operating normally since that time.

Derivatives Market Trading System (HKATS)

- For the HKATS derivatives trading system, its software solution is supplied and maintained by the Swedish vendor OMX. Since June 2000 when trading of Hang Seng Index (HSI) futures contracts migrated from

open outcry environment to its current electronic trading platform, the system has encountered four major incidents. These incidents are described as follows:

- (i) The HKATS network failed on 18 May 2001 resulting in a 63-minute trading interruption;
 - (ii) An OMX software glitch occurred on 28 December 2001 resulting in a 60-minute trading interruption;
 - (iii) A UPS failure on 28 May 2002 resulted in a 39-minute trading interruption;
 - (iv) An OMX software glitch occurred on 29 January 2003 with a nine-minute trading interruption.
- In response to these incidents, significant improvements to the HKATS network and computer operations have been implemented over the past several years, including replacement of the derivative data centre UPS, a major upgrade of the HKATS software as well as enhancement of software quality control processes. The HKATS has consequently been able to achieve 100% uptime for 24 consecutive months since February 2003.
 - It should be noted that one minor OMX software deficiency in relation to the processing of combination orders for calendar spread transactions was identified on 26 October 2004 after the market close. As a prudent measure, this functionality was promptly suspended until the deficiency could be corrected by OMX. The correction was implemented on 5 December 2004 and the applicable combination order types were again permitted. During the period in which these order types were suspended, alternative functions such as bulletin board and non-standard combination orders were available for use. These alternative mechanisms were well communicated to the market and as a result, there was no material adverse impact to market participants.

The HKEx continually strives to provide an efficient and reliable market infrastructure for its mission critical trading systems and trading operations. Our efforts in this regard are reflected as follows:

- *Proven Track Records in System Reliability and Availability*

According to the 2003 World Federation of Exchanges Trading Survey, of the 42 exchanges surveyed approximately 45% of the stock markets and 43% of the derivatives markets encountered major incidents during that year resulting in down time. The HKEx trading system uptime record over the course of the past two years for both the stock and derivatives markets represents a significant accomplishment when benchmarked against other exchanges worldwide.

- *Positive Response in Market Survey*

According the Secondary Market Survey 2004 conducted by the HKEx, a high degree of satisfaction was indicated by the Stock Exchange's trading and clearing participants in respect of the efficiency and reliability of the systems that support stock market operations. The scores for all items achieved a mean of 5.50 on a seven point scale.

The HKEx will continue its efforts to uphold the highest standards of system integrity, availability and stability and we have put in place the following measures to achieve these objectives:

- All HKEx core mission critical systems are equipped with redundant architecture against any single point of equipment failure. In addition, fully equipped and secure backup data centres are in place to deal with potential site disaster situations. Regular disaster recovery drills are conducted according to well defined contingency plans and market communication procedures.
- There exists a strict compliance regime in relation to disciplined operations, preventive and collaborative vendor management, prudent change control management and high level of security awareness and team work for delivery of reliable system operation. This regime is strictly enforced.
- The HKEx has made a strong resource commitment to facilitate a high quality information technology (IT) service. In 2004, approximately \$559 million was spent as recurrent IT expenditure which accounted for

49% of the HKEx operating budget. In terms of headcount, our IT Division employs 217 staff comprising 94 for operations and 123 for system development and support. This represents a strong IT force which accounts for 29% of total HKEx man power establishment. The same level of operating budget and manpower strength will be maintained in 2005.

- The HKEx Board has also approved an IT capital budget of \$126 million for 2005 with \$46.3 million allocated to capacity upgrade and \$26.2 million for replacement of obsolete hardware and software as part of our corporate strategy to ensure that our IT infrastructure is well maintained for further growth and development of the financial market in Hong Kong.

Aircraft Noise

15. **MR ALBERT CHAN** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the figures on flight noise levels which reached 70 to 74, 75 to 79, and up to or over 80 decibels (dB) between 11 pm and 7 am each year, as recorded by various noise monitoring stations; and*
- (b) *the types of aircraft whose flight noise levels reached 80 dB or above and their operating airline companies*

since the opening of the Chek Lap Kok Airport?

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

- (a) At present, there are 16 noise monitoring terminals in Hong Kong. The noise events recorded at these terminals since the opening of the Hong Kong International Airport are detailed at Annex 1.
- (b) The types of aircraft with noise events exceeding 80 dB and the operating airlines concerned are detailed at Annex 2.

Noise Events Recorded at the Noise Monitoring Terminals
since the Opening of the Hong Kong International Airport in 1998
(Aircraft Noise Events exceeding 70 dB Recorded
during 2300 to 0700 the next day)

- 1 Ma Wan Marine Control Center, Ting Kau Noise Monitoring Terminal
(Operational since 12 May 1998)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	10	46	112	133	168	66	255
75 to < 80	--	8	5	14	27	24	35
≥ 80	--	--	--	5	6	37	3

2. Fu Tung Estate, Tung Chung Noise Monitoring Terminal
(Operational since 23 June 1998)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	258	796	1 256	897	2 968	1 958	1 203
75 to < 80	27	44	120	75	118	127	34
≥ 80	6	26	30	22	14	69	6

- 3 Sha Lo Wan, Lantau Noise Monitoring Terminal
(Operational since 28 May 1998)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	883	1 215	1 231	1 523	2 166	2 039	2 135
75 to < 80	337	541	580	599	1 061	1 311	1 230
≥ 80	36	44	49	43	310	455	132

- 4 Hong Kong Garden, Tsing Lung Tau Noise Monitoring Terminal
(Operational since 10 May 1999)

	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Noise Level (dB)							
70 to < 75	--	363	689	1 352	2 092	2 537	2 043
75 to < 80	--	32	42	68	214	319	176
≥ 80	--	2	4	11	11	33	14

- 5 Park Island, Ma Wan Noise Monitoring Terminal
(Operational since 16 January 2004, previously located at Ma Wan Reservoir)

	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Noise Level (dB)							
70 to < 75	7	109	3 416	3 863	3 021	3 857	5 473
75 to < 80	--	15	815	754	707	1 805	1 918
≥ 80	--	1	29	20	41	139	217

- 6 Fairmont Garden, Mid-Levels, Hong Kong Island, Noise Monitoring Terminal
(Operational since 22 April 1999)

	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Noise Level (dB)							
70 to < 75	--	--	1	1	4	5	7
75 to < 80	--	--	--	--	3	1	4
≥ 80	--	--	--	--	--	--	--

- 7 Beverly Height, North Point Noise Monitoring Terminal
(Operational since 10 May 1999)

	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Noise Level (dB)							
70 to < 75	--	1	5	2	2	--	2
75 to < 80	--	--	1	--	--	--	2
≥ 80	--	--	--	--	1	--	--

- 8 Yiu Tung Estate, Shau Kei Wan Noise Monitoring Terminal
(Operational since 23 April 1999)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	2	3	2	1	4	4
75 to < 80	--	1	--	--	--	--	1
≥ 80	--	--	1	--	--	--	--

- 9 Mei Lam Estate, Tai Wai Noise Monitoring Terminal
(Operational since 8 May 1998)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	5	6	14	4	10	13	19
75 to < 80	--	--	--	1	1	--	2
≥ 80	--	1	--	--	--	--	--

- 10 On Yam Estate, Kwai Chung Noise Monitoring Terminal
(Operational since 25 June 2000, previously located at Cheung Fat Estate, Tsing Yi)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	156	95	55	32	67	72	96
75 to < 80	9	5	2	--	2	3	4
≥ 80	--	--	--	--	--	--	--

- 11 Tai Lam Chung Tsuen Public Building, Tai Lam Noise Monitoring Terminal
(Operational since 25 May 1999)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	22	44	87	118	144	199
75 to < 80	--	3	5	7	9	12	14
≥ 80	--	--	3	--	1	2	10

- 12 Greenview Court, Tsuen Wan Noise Monitoring Terminal
(Operational since 14 May 1999)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	28	46	34	37	30	92
75 to < 80	--	1	8	1	3	6	2
≥ 80	--	1	1	1	1	2	--

- 13 Cheung Hang Estate, Tsing Yi Noise Monitoring Terminal
(Operational since 31 March 2000)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	--	121	53	133	166	243
75 to < 80	--	--	8	5	11	39	22
≥ 80	--	--	--	4	4	8	1

- 14 Siu Ho Wan MTRC Depot, Sunny Bay Noise Monitoring Terminal
(Operational since 22 February 2000)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	--	1 065	2 742	3 517	3 545	4 041
75 to < 80	--	--	258	366	665	697	698
≥ 80	--	--	114	11	19	35	15

- 15 Mount Butler Road, Jardine's Lookout Noise Monitoring Terminal
(Operational since 6 April 2000)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	--	1	--	1	3	6
75 to < 80	--	--	2	--	1	--	--
≥ 80	--	--	--	2	--	--	--

- 16 Mount Haven, Tsing Yi Noise Monitoring Terminal
(Operational since 20 February 2002)

Noise Level (dB)	<i>No. of Noise Events</i>						
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
70 to < 75	--	--	--	--	22	36	52
75 to < 80	--	--	--	--	2	1	4
≥ 80	--	--	--	--	2	3	--

Annex 2

Aircraft Types and their Operating Airlines with Noise Events
Exceeding 80dB Recorded From 6 July 1998 to 31 December 2004

<i>Airlines</i>	<i>Aircraft Type</i>
Aeroflot Russian International Airlines	B763 IL96
Aerospace Concepts Inc.	GLF4
AHK Air Hong Kong	A306 A30B B722 B727 B742
Air Canada	A343 B744
Air China	B742 B747 B74F
Air France	B742 B744 B772
Air India	A310
Air Macau	A320 A321
Air Mauritius	A340
Alitalia	B742 B744 MD11

<i>Airlines</i>	<i>Aircraft Type</i>
All Nippon Airways	B763
Angel Airlines	L101
Ansett Australia	B743
Asiana Airlines	A320 B744 B763
Atlas Air	B742 B744
British Airways	B744 B747 B74B
Cargolux Airlines International	B742 B744
Cathay Pacific Airways	A300 A330 A333 A340 A343 A346 B742 B744 B747 B74A B74B B772 B773
China Airlines	A306 A343 B738 B742 B744
China Eastern Airlines	A300 A306 MD11
China Northern Airlines	MD80

<i>Airlines</i>	<i>Aircraft Type</i>
China Southern Airlines	A320 B733 B735 B752 B757
Continental Micronesia	B722 B727 B738 B752
Crossair	MD11
Dragonair	A30B A320 A321 A330 A333 B742 B743
El Al Israel Airlines	B742
Emirates	A332 B742 B744 B773
Ethiopian Airlines	B762 B763
EVA Air	A332 MD11
Evergreen International Airlines	B741 B742
Federal Express	A310 B742 MD11
Japan Airlines	B742 B743 B744 B763 DC10 MD11

<i>Airlines</i>	<i>Aircraft Type</i>
Jet Aviation Business Jets (HK) Ltd.	CL60
Kalitta Air	B741 B742
Keystone Aviation, LLC DBA Million AI	GLF3
KLM Royal Dutch Airlines	B744
Korean Air	A306 B738 B744 B773
Lufthansa German Airlines	A340 A343 B742 B74A MD11
Malaysian Airlines	B742
Mandala Airlines	A30B DC86
Mandarin Airlines	B738
Martinair	B742
Metro Jet	H25B
Net Jets	GLF4
Nippon Cargo Airlines	B742
Northwest Airlines	B742 B744 B74A
Orient Thai Airlines	B741 B742
Pacific East Asia Cargo Airlines	A300 A30B B722 B727 BA46
Pakistan International Airlines	A310
Philippine Airlines	A320 A333 B733 B734

<i>Airlines</i>	<i>Aircraft Type</i>
Polar Air Cargo	B741 B742 B744
Qantas Airways	A333 B74A B763 B767 MD11
Race Cargo Airlines Ltd	DC86
Royal Nepal Airlines	B752
Scandinavian Airlines Systems	MD11
Singapore Airlines	B744 B747 B772
Singapore Airlines Cargo	B744
Sky Eyes Co. Ltd.	L101
South African Airways	A346 B742 B744
Southern Air	B742
Swiss International Airlines	A343 MD11
Thai Airway International	B773
Tower Air	B742
Transmile Air Services	B722
United Airlines	B744
UPS Parcel Delivery Services	B741 B742 B763 MD11
Virgin Atlantic Airways	A340 A343 A346 B744
World Airways	MD11

Note:

<i>Aircraft Type</i>	<i>Details</i>	<i>Aircraft Type</i>	<i>Details</i>
A300	Airbus A300	B74B	Boeing 747
A306	Airbus A300-600	B74F	Boeing 747 Freighter
A30B	Airbus A300B	B752	Boeing 757-200
A310	Airbus A310	B757	Boeing 757
A320	Airbus A320	B762	Boeing 767-200
A321	Airbus A321	B763	Boeing 767-300
A330	Airbus A330	B767	Boeing 767
A332	Airbus A330-200	B772	Boeing 777-200
A333	Airbus A330-300	B773	Boeing 777-300
A340	Airbus A340	BA46	British Aerospace BAe-146
A343	Airbus A340-300	C17	Boeing C17 Globemaster 3
A346	Airbus A340-600	C650	Cessna 650 Citation
B722	Boeing 727-200	CL60	Canadair CL-600 Challenger
B727	Boeing 727	DC10	McDonnell Douglas DC-10
B733	Boeing 737-300	DC86	McDonnell Douglas DC-8-60
B734	Boeing 737-400	GLF3	Gulfstream GIIB/GIII-SPEY 511-8
B735	Boeing 737-500	GLF4	Gulfstream GIV-SP/TAY 611-8
B738	Boeing 737-800	H25B	British Aerospace BAe-125
B741	Boeing 747-100	IL96	Ilyushin II-96
B742	Boeing 747-200	JS41	British Aerospace Jetstream 41
B743	Boeing 747-300	L101	Lockheed L-1011 TriStar
B744	Boeing 747-400	MD11	McDonnell Douglas MD-11
B747	Boeing 747	MD80	McDonnell Douglas MD-80
B74A	Boeing 747	T154	Tupolev Tu-154

Resumption of Land Ceased to be Used for Permitted Uses

16. **MS EMILY LAU** (in Chinese): *Madam President, some pieces of land have been granted by the authorities by way of private treaty, and it is stipulated in the land leases concerned that the land may be used for the provision of community or communal facilities only. The Government has the right to resume those pieces of land if they have ceased to be used as permitted for a certain period of time, will the executive authorities inform this Council:*

- (a) *of the number of pieces of such land resumed by invoking the above lease conditions over the past three years;*

- (b) *of the number of applications the authorities received in the past three years from the owners of such land for modification of land leases, for putting the land concerned to other uses, and the number of such applications approved; in respect of the land involved in each approved application, the original permitted use and the use permitted upon land lease modification as well as the ultimate amount of the land premium received by the authorities; whether they have assessed the amount of public revenue that could have been generated if the pieces of land concerned had been sold by tender, and how this amount compares to the amount of land premiums; and*
- (c) *given that some members of the public suspect the Government of having secret dealings with the owners of the land concerned and transferring benefits to them in negotiations over the land premiums, of the measures the authorities have in place to address this suspicion?*

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

Madam President, my reply to the three-part question is as follows:

- (a) In the past three years, there has not been any case of re-entering the land mentioned in the question by the Administration by invoking the cessation of user clause.
- (b) In the past three years, the Administration has received two applications for lease modification from lessees of the land mentioned in the question. Neither has been approved so far.

In the event that the modified uses (if approved) incorporate uses, which differ from the originally-permitted use and require a premium to be paid, the premium will be assessed as the difference between the open market value of the land of modified use and the value of the land of the original use. This would also be the assessment of premium for land permitting such premium-payable uses, had it been put to public tender or auction. In other words, the assessment methods of market value under both scenarios are consistent.

- (c) There are a stringent system and clear guidelines to govern how departments handle the disposal of land. The procedures for handling land premium are explicitly stipulated in a manual of practices. With the objectives of fairness and impartiality, the procedures are reviewed from time to time, with advice of both the Independent Commission Against Corruption and the Audit Commission sought and adopted.

All newly registered leases involving lease modification or land exchange transactions and the premium payable for each transaction are published on the website of the Lands Department monthly on a regular basis. The business community and the media can keep a watch on this.

Assisting Patients with Financial Difficulties to Buy Anti-cancer Drugs

17. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that patients with leiomyoma in Hong Kong need to take expensive anti-cancer drugs for a long time, and quite a number of them have to live on borrowings. In this connection, will the Government inform this Council whether it knows:*

- (a) *the current number of patients with leiomyoma in Hong Kong, and whether the number has been on the rise;*
- (b) *if the Hospital Authority (HA) has received complaints from such patients that they cannot afford the cost of medication; if so, of the number of complaints in each of the past two years; and*
- (c) *the details of the safety net currently provided by the HA to assist those patients who have financial difficulties in buying the anti-cancer drugs?*

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Chinese): Madam President, generally speaking, the standard treatment for leiomyoma (including Gastrointestinal Stromal Tumour (GIST)) in public hospitals is removal by operation and supportive care. The HA announced on

18 January 2005 that commencing from 20 January 2005, public hospitals would prescribe Imatinib (Glivec) for patients with GIST that is inoperable. Patients with financial difficulties in meeting the cost of the drug may apply for assistance under the Samaritan Fund.

- (a) Currently, there are about 30 public hospital patients with GIST in Hong Kong. The number of such patients has been on an upward trend.
- (b) Prior to 20 January 2005, as Glivec was not part of the standard treatment for GIST, financial assistance from the Samaritan Fund was not available to GIST patients for meeting the cost of the drug. The HA was aware that some GIST patients had asked for financial assistance to meet the cost of the drug in the past, but did not receive any formal complaints in this regard.
- (c) Glivec belongs to a small group of drugs that are proven to be of significant benefits but extremely expensive for the HA to provide as part of its subsidized service. Drugs within this group are new and usually only indicated in advanced stages of diseases and beyond currently available standard modalities of treatment. In order to ensure the rational use of finite public resources and to maximize the health benefits to the public as a whole, patients requiring this expensive drug and can afford to pay will have to shoulder the drug cost themselves under the targeted subsidy principle. Patients who have difficulties in meeting the expenses may apply for assistance under the Samaritan Fund. Depending on the patients' individual financial situation, they may receive a partial subsidy or even full reimbursement for their expenses on these drugs.

Applications for assistance under the Samaritan Fund are assessed by Medical Social Workers, who will make a comprehensive assessment of the patients' eligibility for assistance. Factors of consideration include the patients' family income and the actual cost of the required medical item. The Medical Social Workers would also exercise discretion in determining eligibility, taking into account special social factors and the circumstances of the patients' family.

Re-employment Training Programme for the Middle-aged

18. **MR WONG KWOK-HING** (in Chinese): *Madam President, regarding the Re-employment Training Programme for the Middle-aged (RTP) launched by the Labour Department (LD) in May 2003, will the Government inform this Council:*

- (a) *of the number of persons who have secured employment through the RTP, broken down by age group, industry and position;*
- (b) *of the number of persons who have completed the three-month on-the-job training included in the RTP and, among them, the respective numbers of persons who were still employed by the relevant employers or organizations upon completion of their training, and three or six months thereafter;*
- (c) *of the number of persons failing to complete the on-the-job training, broken down by the reasons for their leaving (for example, dismissal by the employer or leaving the organization on their own accord, and so on);*
- (d) *whether it has received any complaints from the programme participants about abuse of the RTP by employers; if it has, of a breakdown of such complaints by their nature;*
- (e) *of the number of participating employers and organizations, the number of the RTP participants employed by such employers or organizations, and whether the periods of employment offered by those employer or organizations which recruited several RTP participants overlapped, were interrupted or back-to-back; if the employment periods were interrupted or back-to-back, whether such employers or organizations employed different RTP participants; if so, whether participants who were first employed by the relevant employers or organizations through the RTP could stay on their jobs; and*
- (f) *whether it will consider launching another round of the RTP after completing the current programme?*

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

- (a) As at end-January 2005, 9 255 job registrants were placed into employment under the RTP. Of these, 67% were aged between 40 and 50 while the rest were aged 51 and above. They were mainly placed in eight industries, namely, real estate (19%), business services (10%), community and social services (9%), import and export trades (7%), wholesale or retail (7%), manufacturing (6%), restaurants (6%), and construction (6%). As for positions, 23% of those placed were engaged as security guards or carpark assistants, 11% as cleaners, 9% as labourers, 9% as packers, stock-keepers, messengers or delivery workers, 7% as clerks, 3% as drivers, 3% as attendants at care homes for the elderly, 3% as shop assistants and the rest in other positions.
- (b) The LD will follow up the employers one month after the placement of RTP participants. However, as a substantial number of employers do not apply for the training allowance under the RTP, they normally would not inform the LD of the length of employment of the RTP participants. As such, the required information is not fully available. According to the employment information of the 2 400 RTP participants that the LD could trace, about 50% worked less than three months, 33% stayed in their jobs for between three and six months, and the remaining 17% for six months or more.
- (c) For those who worked less than three months, 83% resigned for various reasons, including having secured another job; unsatisfactory job nature and conditions of service; health, family or personal reasons, and so on. The remaining 17% were dismissed by employers due primarily to their unsatisfactory performance or working attitude.
- (d) So far, the LD has received two written complaints from the RTP participants. One involved late payment of wages by an employer. The employer had subsequently rectified the problem. Another complaint related to an allegation that the employer had displaced his employees with the RTP participants. However, there was not sufficient evidence to substantiate the allegation.

- (e) As at end-January 2005, there were 4 756 employers/organizations having employed the RTP participants. About 96% of them employed less than five participants each. As to whether the employment of the RTP participants may be overlapping, intermittent or consecutive, we do not have the relevant figures. However, the LD has put in place a mechanism to prevent abuse of the RTP.
- (f) The RTP will continue for some time, and the LD will review its future direction in due course.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limit on speaking and I will not repeat them here. I just wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Expectations for the Commission on Poverty.

EXPECTATIONS FOR THE COMMISSION ON POVERTY

MR FREDERICK FUNG (in Cantonese): Madam President, as a result of years of petition by the Legislative Council and non-government organizations, Chief Executive TUNG Chee-hwa in this year's policy address finally proposed setting up the Commission on Poverty (the Commission). It is, however, very apparent that this decision by the Government was made in a hurry. From the time at the beginning of the Legislative Session when I moved a motion on "Alleviating the disparity between the rich and the poor" and sought to set up a commission to the time when the Legislative Council formed the Subcommittee to Study the Subject of Combating Poverty, constant pressure was put on the Government in a number of ways. The Government still showed reservations. In the meantime a member of the Executive Council even hinted that the policy address would not have a proposal on setting up a commission. Only on the night before the release of the policy address did the Chief Executive make it

known to reporters in high profile that a commission would be established. However, even at that time, the official press release made no mention of this. What is more, let us take another look at the relevant part of the policy address. There is merely one paragraph on it, with no sound and specific plans whatsoever regarding the work direction, structure, contents and objectives spelt out for the Commission. It also lacks accounts of the experience of other countries in this respect for our reference.

At the first meeting of the Commission, there was just a brief explanation about its terms of reference, with no clear decision on its mode of operation. So, I move today's motion in the hope that there will be clear positioning with regard to three aspects, namely, the Commission's direction for poverty alleviation, its composition and operation, and the promotion for community engagement in order that the Commission can be effective in its functions and can solve serious problems of poverty and disparity between the rich and the poor now confronting the community.

In order to comprehend the gravity of the disparity between the rich and the poor in Hong Kong, we may refer to the changes in the Gini Coefficient figures, which went up from 0.476 in 1991 to 0.525 in 2001, indicative of the growing gravity of the disparity between the rich and the poor. Furthermore, if one half of the local median household income is taken as a benchmark, then those in poverty may exceed 1.1 million. Some people claim that the figure is just relative, and should not be taken as a reliable benchmark. Let us look at something else. By September 2004, the number of Comprehensive Social Security Assistance (CSSA) cases already rose beyond 295 000, with more than 534 000 recipients. The figure has not included poor persons who have not applied for CSSA. According to statistics for the second quarter of the same year, as many as 550 000 wage earners were each earning less than \$5,000 a month. Moreover, numerous family tragedies have taken place in recent years. Families in poverty are indeed under very great pressure. What do all these figures and phenomena stand for? It is simply that many people in the community cannot even make ends meet, and the situation is worsening.

According to some people, the problem of poverty will be solved once the economy is revived. As a matter of fact, by paying a little attention to what happened locally and abroad, one can see that there is not necessarily any

connection between economic growth and poverty alleviation. Let us refer to the data from the Census of 2001. If we grade all local households into 10 decile groups based on monthly household income, we can see that the median monthly income of the lowest group went down from \$3,084 in 1991 to \$3,042 in 1996, and further down to \$2,977 in 2001. Apparently, though the economy has been growing in recent years, the median income has been dropping. During the period, our economy experienced both ups and downs. However, the median household income of the lowest group has been dropping steadily. As such, how can economic growth be regarded as the most effective solution to the problem of poverty?

With regard to the situation of poverty reflected by the above statistics, the Government in the past all along adopted a so-called positively non-intervention approach, emphasizing to leave it to the operation of the market mechanism on the face of it, but selectively manipulating the market behind the scene so as to side with the interests of the business sector and consortia. As a result, the formulation of social and economic policies tend to be very lopsided. What is more, as the Government has ignored the fact that inequality comes with free market, the disadvantaged in the community are deprived of opportunities of fair development, which continuously accentuates the disparity between the rich and the poor in the community.

I strongly hope that the Government, by setting up the Commission, can indeed show its determination to address the problem of poverty affecting the community, and correct some past misconceptions so as not to render the Commission's work become just a bag of wind, allowing people to call it a mere "bragging commission". As just stated by me, I am going to make suggestions covering three main aspects, namely, the direction for alleviating poverty, its composition and operation, and the promotion for community engagement. It is hoped that my suggestions will be proactively adopted by the Government and there will not be the scene again with Financial Secretary Henry TANG resolutely rejecting Ms Emily LAU's request to improve the composition of the Commission at the last meeting of the Legislative Council Subcommittee to Study the Subject of Combating Poverty.

The first aspect, setting the direction for poverty alleviation: I consider this to be of the greatest importance. Setting a clear and definite direction for poverty alleviation and defining the Commission's role and the value behind it is

my demand. We must discard the viewpoint that poverty is purely an economic issue, and abandon the utilitarian mentality of businessmen. Such was stressed in this year's policy address, which seeks to pursue economic growth as the ultimate solution to poverty. Empty talks saying things like "economic development is the hard truth" will not only lead to horrible consequences whereby "every social behaviour must serve economy alone," but will also give rise to disregard for the social functions of non-economic policies and the value of human beings underlying them.

It is, therefore, necessary for the Commission to unequivocally see to it that there is equity as well as interaction between economic policies and other social policies. Let the poor get appropriate assistance by formulating and co-ordinating various policies and specific schemes covering areas like economy, employment, culture, education and daily living so as to achieve the targets of helping others to break out of poverty, providing equal opportunities of development, eliminating unfairness inherent in the system, restoring social mobility, promoting care and justice, and giving adequate protection and respect to the disadvantaged groups in society.

It is also necessary to establish a benchmark for measuring poverty. This suggestion can split up into two levels. Firstly, one or more objective yardsticks for the measurement of poverty can be used for the purpose of analyzing and assessing the problem of poverty in society. For example, any annual variations may reflect the trend of social development as well as the effectiveness of the courses of the policies. The Government may consider setting the poverty line at, say, half of the median household income. Alternatively, a standard estimation based on quantified basic needs may be used. For example, the amounts of CSSA being drawn by households of different sizes can be taken as the threshold lines of poverty. Both methods are capable of effectively analyzing and assessing poverty in society.

Secondly, with the establishment of a benchmark for measuring poverty, different problems of poverty as well as targets can be clearly defined. This may be of considerable help in analysing poverty as well as in formulating appropriate policies to help the poor. Furthermore, the resources in the community can be better pooled together for the relief of those in need. Moreover, on the basis of such benchmarks, policy-makers may set appropriate objectives. It is also possible to know whether or not the programmes have effectively achieved the desired results by monitoring their changes. The

Government may consider taking the number of the working poor, the unemployment rate, the group sizes of high-skilled and low-skilled workers and their ratios, the median household income of the low-income group, and the number of children and elderly living in poverty as useful benchmarks for reference.

There might be misunderstanding on the part of certain people. There might even be the worry that the establishment of a poverty line or poverty benchmark would provoke argument over the definition of poverty, induce social division and bring about labelling effect. It does not matter whether a poverty line is established or not. The problem of poverty does in fact exist. We have got to be aware of this. It definitely is not a sound solution to evade the subject or to turn a blind eye to it. On the contrary, only by confronting or defining it can we identify those in need of help. For instance, the current CSSA system by itself defines those requiring assistance. Should the community oppose such a benchmark for assessment and condemn it for splitting up the community and bringing about labelling effect? I do not think so. I would like to point out that whether or not there is splitting or labelling effect is a matter hinging on the attitude adopted by the community and the Government towards the poor. We absolutely should not mistake the branch for the root. We probably remember that in 1999, when slashing CSSA "across the board", the Government staged a high profile in exposing individual cases of CSSA abuse in a bid to present the image of "CSSA nurturing lazybones" so as to generate pressure of public opinions for the purpose of cutting CSSA. In reality, it is such actions that are responsible for splitting up the community and bringing about labelling effect.

In addition to establishing a benchmark, the Commission should also study the causes of poverty in Hong Kong by referring to the overall social structure and existing systems, and identify the areas of poverty that need to be studied such as poverty among children and the elderly, working poverty, secondary safety net, and the review of the CSSA Scheme.

The second aspect, composition and operation: With regard to the composition of the Commission, there must be officials from different policy areas as well as representatives from statutory organizations. At present, there are only officials from Policy Bureaux in charge of finance, welfare, education, home affairs, and labour. I do not think that is enough. Obviously, there has to be representation in connection with housing, transport, public transport

operators and relevant executive departments too so as to take account of the various aspects of the daily life of the poor in order that the policies formulated can be even better co-ordinated and congruent with their needs.

In addition, the Commission should co-ordinate various Policy Bureaux and their departments in formulating specific plans for poverty alleviation, establishing feasible and clear objectives for poverty alleviation and setting specific implementation timetables. All the departments are required to conduct reviews and submit reports to the Commission on a regular basis in order that the Commission may assess the various plans to see if they achieved the planned targets and make suitable adjustments. Only by operating in this way can the Commission function more realistically and soundly. This method of management is commonly used by organizations. Target-orientated, it is a mechanism to make sure that projects are proceeding as intended, progress is being monitored, and assessment and self-improvement are made effectively.

Besides, there must be transparency in the Commission's operation. Work progress should be reported to the public on a regular basis. A brief report should be made to the public after each meeting. Consideration should even be given to the idea of holding open meetings or publicizing the deliberations of every meeting.

Furthermore, reference should be made to the evaluation mechanism for sustainable development. The Commission should set up an evaluation mechanism for assessing the impact of policies on the disparity between the rich and the poor in the community. All new policies and initiatives launched by Policy Bureaux and departments must be subject to such assessment if they are likely to have obvious or long-term impact on the situation of poverty in Hong Kong. Initiatives failing the assessment must be appropriately adjusted by the departments concerned. Surely, in order not to accentuate the disparity between the rich and the poor in the community, existing legislation and policies must be systematically evaluated by the above assessment process too.

The third aspect, the promotion of community engagement: It is not right to rely solely on the Government to help the poor. Surely, the Government has to play the leading role. As a matter of fact, the involvement of the whole community is also very important. We should promote community engagement and forge partnerships. It is the responsibility of the Commission to get all sectors of the community involved in the work of helping the poor so as to let

members of every class take part in the process of formulating policies and plans to help the poor and create community consensus. To avoid making a cart behind closed doors, we suggest that relevant consultative bodies be formed and regular public forums be held to consult the public. With that, different topics can also be brought into the Commission, thus making it possible for members to keep tabs on matters of concern to the public. Here, reference may be made to a report on structure and mechanism for helping the poor earlier on submitted to the Government and the Legislative Council by the Hong Kong Social Security Society, the Alliance concerning CSSA and Oxfam for setting up a forum on social and economic development to be composed of 60 to 80 members from different sectors and to be charged with tasks like initiating policy researches and proposals, monitoring and evaluating the operation of the Commission, and regularly conducting in-depth public consultations.

Furthermore, the Commission should encourage members of the business and industrial sectors to give support and fulfil their corporate social responsibility. In fact, corporate social responsibility means, in simple terms, that an enterprise, when in operation, must also care for its impact on both the community and the environment, not only considering shareholders' interests but also minding the interests of other stakeholders in the community so as to accomplish business goals in ways not against business ethics and respectful of people, community and nature. I am of the view that those from the business and industrial sectors, also being members of the community, should fulfil their corporate responsibility and repay the community while pursuing profits and enjoying favourable business environment made possible by various social systems.

Finally, I think that to take forward poverty alleviation, it is necessary to adopt a district-based approach. The alleviation of poverty cannot rely solely on centralized structures to formulate and promote work plans. To avoid the red tape of bureaucratic procedures, the Government must devolve certain essential powers and allocate resources to district organizations, such as the District Councils, the District Officers of different district offices, and non-governmental organizations, for them to make effective use of their flexibility, and respond appropriately to the needs of various districts in accordance with their different poverty situations.

The above suggestions for the Commission, ranging from the direction for poverty alleviation to the policy-making process, and to the implementation of

plans, all call upon the Government to take onboard ideas from the community in order to jointly solve the problem of poverty in Hong Kong and build a community with true care and justice.

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

Mr Frederick FUNG moved the following motion: (Translation)

"That, as the Chief Executive announced in his policy address delivered early this year the establishment of the Commission on Poverty (the Commission), and the Commission, from its incubation to its present inception, lacks a clear positioning and specific plans in regard to the direction for alleviating poverty as well as its mode of operation, this Council urges the Government to vigorously adopt the following proposals regarding the Commission's direction, operation and efforts to promote community engagement:

- (a) setting a clear and definite direction for alleviating poverty, and defining the Commission's role and the values behind it;
- (b) establishing a benchmark for measuring poverty so as to accurately analyse and assess the problem of poverty in the community, and clearly defining the target recipients of assistance so as to enable a more effective use of resources;
- (c) studying the causes of poverty in Hong Kong, examining the overall social structure and existing systems, and identifying the areas of poverty that need to be studied, such as poverty among children and the elderly, working poverty, secondary safety net and the review of the Comprehensive Social Security Assistance Scheme, etc;
- (d) as the coverage of the Commission's present membership is inadequate, appointing to the Commission such additional members as representatives from policy bureaux and relevant executive departments responsible for the housing and transport portfolios, etc, as well as from public transport operators, so as to take account of the various aspects of the daily life of the poor;

- (e) co-ordinating various Policy Bureaux and their departments in formulating specific plans for alleviating poverty, establishing feasible and clear objectives for alleviating poverty and setting specific implementation timetables, as well as requiring various departments to submit reports to the Commission on a regular basis, with the latter reporting to the public on the progress of its work and briefing the public after each of its meetings;
- (f) setting up an evaluation mechanism for assessing the implications of individual policies on the disparity between the rich and the poor in the community, whereby all new policies and initiatives launched by Policy Bureaux and departments must be subject to such assessment and be adjusted as appropriate before implementation, and all existing relevant legislation and policies must also undergo this assessment; and
- (g) promoting community engagement and the building of partnerships, encouraging the business sector to give support and fulfil their corporate social responsibility, and devolving powers and allocating resources to district organizations and, by making effective use of their flexibility, responding appropriately to the needs of various districts having regard to their different poverty situations, as well as holding regular public forums to enable public participation in the course of formulating the policies on poverty alleviation."

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

PRESIDENT (in Cantonese): Mrs Selina CHOW will move an amendment to this motion, as printed on the Agenda. The Council will now proceed to a joint debate of the motion and the amendment.

I now call upon Mrs Selina CHOW to speak and move her amendment.

MRS SELINA CHOW (in Cantonese): Madam President, when delivering his policy address at the beginning of the year, Chief Executive TUNG Chee-hwa devoted considerable length to the subject of poverty alleviation, and announced the establishment of a Commission on Poverty (the Commission) to be chaired by the Financial Secretary. The Commission has just held its first meeting. We understand that members of the public do hold some expectations for the Commission, and would like to comment more on its work. Today I am going to move an amendment on behalf of the Liberal Party and express our views on this matter.

In the first place, Mr Frederick FUNG, a member of the Commission, had today's motion prepared even before its first meeting was convened, lashing out at the Commission for the lack of clear positioning with regard to the direction for poverty alleviation and mode of operation from its incubation right up to its first meeting, and thus had the Commission convicted. That is even crueller than the cruel talent show "Minutes to Fame", trying to "buzz" one off the stage even before one comes on stage. We think this is grossly unfair.

The point is that it is not quite right for Mr Frederick FUNG to draw the conclusion that the Commission is not going to achieve anything even before any meeting was held. Let us look at information open to the public. On the day when today's motion was prepared, that is, before the Commission convened its first meeting, he already wrote to the Chairman of the Commission requesting that his ideas on poverty alleviation be adopted. This should give no cause for criticism, because he was only presenting his views. However, after the meeting, we saw Mr FUNG telling the media that the Commission differed a lot from his views on matters like direction and objectives. But only one meeting had been held then. On the contrary, the two main directions of work stated by the Financial Secretary, Chairman of the Commission, after the meeting, namely the adoption of a district-based approach for the work of poverty alleviation and the identification of targets, are precisely requests raised by Mr FUNG in his letter. I have a question. At the first meeting, did Mr FUNG present his views to those attending, namely, the views detailed by him a moment ago in his speech, for them to be guided onto what Mr FUNG regards as the proper track? We are not sure whether he did that or not. Perhaps he may speak on this later.

In the second place, it is said that there is a lack of specific work plans. Mr FUNG probably has lofty aspirations and great ideals. However, he is a little impatient, and wants there to be a panacea right away so as to solve all

problems at the first meeting and build Rome in one day. But everybody agrees that poverty alleviation is a complicated social issue. Just as in the case of a physician in consultation, it is necessary to "get a diagnosis done before deciding on a prescription". Otherwise, the fear is that the arbitrary application of drugs will only lead to something contrary to desire and cause the illness to worsen.

What is more, the Commission has well-defined terms of reference specifically covering three aspects, namely, to conduct studies on poverty alleviation, to make recommendations and to encourage community engagement. I think we should be a little more patient. At least they should be allowed to hold a few more meetings so that the Commission may study our problem of poverty in detail and come up with appropriate prescriptions accordingly. In addition, should Mr Frederick FUNG, being a member of this Commission of the Government and also the all-important Chairman of the Subcommittee established by this Council, worry that he has no chance to influence the direction of alleviating poverty?

Nevertheless, we agree that it is advisable to set a clear and specific direction for poverty alleviation. From last Friday to this Monday, the Liberal Party just completed a telephone survey on the question of poverty alleviation. Our findings show that, of the 1 387 citizens surveyed, less than 8% think that the most effective way to alleviate poverty is to increase CSSA payments. From this, it can be noted that members of the public do not consider "dishing out money" to be the most effective way to alleviate poverty. On the contrary, 53% of those surveyed choose helping the poor by "increasing employment opportunities". The next two options are "providing more educational opportunities" and "providing more training opportunities", getting support rates of 15% and 14% respectively. Obviously, everybody agrees that to alleviate poverty is to let the disadvantaged have a means to break out of poverty just like giving them a springboard so that they may gain a foothold in the community along with others.

With regard to establishing a benchmark for measuring poverty, the Liberal Party holds that it is necessary to be very careful on this issue. The reason is that according to quite a few academics, one single poverty line is not necessarily the method most practicable and capable of helping all those requiring assistance. To identify those who are most in need, the Commission has, in fact, agreed to make reference to different data and indexes in the community. The reason is that resources in the community are always limited.

Only by setting the priorities can those most in need of help be identified and our limited resources effectively utilized.

The Liberal Party survey on poverty alleviation has also discovered that nearly half of those surveyed, that is, 46% of them, consider the poor and helpless elderly to be most in need of our care and assistance. Next come children from poor families. Almost 20% of the people think so. Further down the list are unemployed persons (12.3%), and low-income persons (8.7%). The result happens to coincide with the idea long advocated by the Liberal Party, namely, we should concentrate our resources on helping the elderly, children and low-income persons.

Given the fact that poverty alleviation involves different policy areas, the Liberal Party agrees that it is necessary to increase the representation of the official side. It is particularly necessary to bring in officials dealing with housing, transport, and commerce and industry so as to help the poor in terms of specific policy areas.

What is more, the Government has been facing huge fiscal deficits in recent years, and probably is unable to take up the work of poverty alleviation fully. In order to join force with the business sector so as to fuel the economy and improve the overall employment situation, and to encourage the business sector to participate more in the work of poverty alleviation beyond the existing welfare mechanism, we are in favour of bringing in officials involved with commerce and industry. However, we do not find it necessary to expand the membership of the Commission to include officials responsible for the enforcement of policies as the Commission already has officials from Policy Bureaux.

Who is responsible for poverty alleviation? According to our survey, almost one third of the people think that the entire community, that is, everybody taking part and showing no discrimination, ought to shoulder greater responsibility with regard to poverty alleviation. Then, almost 30% of the people consider that to be the responsibility of the poor themselves. Next is the Government (found to be responsible by 16%) and the business sector (found to be responsible by 13%). Obviously, the people do not want to blindly assign all responsibility to the Government and the business sector. As to how the business sector can be of help or assistance, other Liberal Party colleagues will explain in due course.

The original motion makes mention of "devolving powers and allocating resources to district organizations by making effective use of their flexibility". The Liberal Party has to disagree, believing that this will only lead to a situation in which each district goes its own way, with no central co-ordination for the work of poverty alleviation, which is not desirable.

However, I am of the view that with the adoption of the district-based approach for poverty alleviation policies, the Commission will be able to take into account the special features of various districts, and make the work of poverty alleviation more focused. According to our survey, such an approach receives endorsement from 60% of those surveyed.

Take Tin Shui Wai of the New Territories West constituency that I represent as an example. Last April, there was a shocking family tragedy, after which members of the community woke up to the fact that the district is ill-balanced in planning. For instance, the district is acutely short of community facilities, with no libraries, swimming pools, football fields and specialist out-patient clinics. There is no appropriate support for the poor families in the district. Moreover, there is a shortage of employment opportunities in the district. Fares are expensive for the commuters. As a result, there has been no proper solution to the district's problem of poverty. It is precisely for this that we have to deploy more resources on a target-orientated basis so as to find ways to provide more opportunities of employment, education and training.

Madam President, being poor is not being terminally ill. It is most important to be able to get some help from others. It is also necessary for one to find a way out himself. This is most important. There has got to be concerted efforts instead of sheer criticism. It is my hope that Honourable colleagues of this Council will abide with the people and give the Commission trust and support so that the work of poverty alleviation may fare better and more smoothly.

With these remarks, I beg to move.

Mrs Selina CHOW moved the following amendment: (Translation)

"To delete "the Commission, from its incubation to its present inception, lacks a clear positioning and specific plans in regard to the direction for

alleviating poverty as well as its mode of operation" after "(the Commission), and" and substitute with "in order that the work of the Commission can better meet the public's expectations"; to delete "establishing a benchmark for measuring poverty so as to accurately analyze and assess the problem of poverty in the community, and clearly" after "(b)" and substitute with "endeavouring to help those who are most in need when"; to delete "and relevant executive departments" after "representatives from policy bureaux"; to delete "and" after "responsible for the housing" and substitute with ","; to add ", and commerce and industry" after "transport"; to delete "as well as from public transport operators," after "portfolios, etc,"; to delete "community" after "(g) promoting" and substitute with "community-wide"; to delete "encouraging" after "building of partnerships," and substitute with "creating conditions for"; and to delete "give support and fulfil their corporate social responsibility, and devolving powers and allocating resources to district organizations and, by making effective use of their flexibility," after "the business sector to" and substitute with "actively participate in alleviating poverty and"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mrs Selina CHOW to Mr Frederick FUNG's motion, be passed.

MR TAM YIU-CHUNG (in Cantonese): Madam President, in 2000, the United Nations' Economic and Social Commission for Asia and the Pacific formulated several advisory guidelines for poverty alleviation in urban areas, which include alleviating poverty with regard to economy, promoting popular education and employment, followed by helping to shelter the poor in urban areas and assisting poor residents in urban areas to improve their collective bargaining power. Our various local policies have already taken into account the United Nations guidelines. What is more, most of the measures have been brought into effect. So, with regard to the objectives of the newly established Commission on Poverty, the Democratic Alliance for Betterment of Hong Kong (DAB) thinks that stress should be placed on enhancing the Government's support services and promoting the idea of helping people to achieve self-reliance.

The Commission has convened its first meeting. The current objective proposed by the Commission, namely, "to take a district-based approach and to target those in need", is still too vague and general. The DAB thinks that the Commission should, as soon as possible, identify the targets of assistance. Only by so doing can it be certain that measures of assistance are indeed going to hit the point. Our recommendation is that those targets should primarily be limited to recipients of Comprehensive Social Security Assistance (CSSA), the poor outside the CSSA net and those vulnerable groups. With regard to CSSA recipients, there, in addition to cash relief, should be emphasis on giving them more services and development opportunities so as to help those employable to free themselves from the welfare relief network and proceed onto more wholesome lives. As for other poor people, emphasis should be put on beefing up support services so as to increase their development opportunities and prevent inter-generational poverty.

As for specific plans, the DAB recommends that, first of all, the study on poverty has to be stepped up to cover a timely grasp of the trend of impoverishment in Hong Kong and the living conditions of those on low income, the establishment of a poverty line, a comprehensive assessment of the needs of those below the poverty line, and the formulation of relevant poverty alleviation policies. Secondly, apart from the CSSA review now in progress, there should be an enhanced assessment of the service requirements of two kinds of people, namely, the poor elderly living with but not cared for by their families and children in CSSA-recipient or poor families.

In the case of poor families, the issue of the greatest impact is still that of employment. So, in order to be effective, poverty alleviation measures should begin with helping or encouraging employment so as to enable everybody to become self-reliant and break out of poverty, and provide their children with better conditions of learning and constant improvement of their lot. The DAB, therefore, suggests taking measures proactively in the following five areas:

In the first place, it is necessary to reform the current system of CSSA for the unemployed so as to help those receiving CSSA for unemployment rejoin the labour market and achieve the goal of "workfare". This includes raising the maximum disregarded earnings set for CSSA for the unemployed from \$2,500 to \$3,500; implementing the "re-employment assistance scheme" by creating

unemployment assistance which allow qualified applicants to receive, for six consecutive months, payments amounting to 50% of the median wage while also take up training for alternative employment. In this way, the Government can deal with unemployment and welfare assistance in separate streams, and help to prevent those unemployed from becoming unemployable after a long stay in the CSSA net.

In the second place, corporations should be encouraged to fulfil their social responsibility. The Government should establish a "re-employment quota scheme" and a "disability employment quota scheme". Also, profits tax concessions should accordingly be granted to encourage the commercial and industrial sectors to hire more unemployed persons who are on CSSA as well as disabled persons in order that they can go back into the community and be employable.

In the third place, it is necessary to have a cross-district travel subsidy scheme. For instance, the scheme under which trainees receive travel subsidies from the Employees Retraining Board can be taken as a blueprint for the purpose of providing travel subsidies according to "specified districts, specified routes and specified hours". This will lighten the burden of travel expenses shouldered by low-income persons travelling to urban areas for work and help them get cross-district employment.

In the fourth place, the Government should as soon as possible implement the minimum wage policy so as to address the issue of low-pay jobs, something unreasonable but existing in the labour market. It is necessary to set minimum wages for individual trades so that there can be guarantee of reasonable wages for grass-roots workers. Then, there can be protection of living for grass-roots workers.

The work of poverty alleviation is a long-term social engineering project. Problems to be solved are complicated and diversified. So, it is necessary for the Government to have a target, a direction and points of emphasis. Only in this way can the true effectiveness of policies be achieved and the nice fruit of economic growth be shared by every one in the community. Social harmony and stability can thus be improved.

I so submit.

MR RONNY TONG (in Cantonese): Madam President, Financial Secretary, and Honourable colleagues, today's topic is "Expectations for the Commission on Poverty". It is right for Hong Kong people to expect much of it. This is beyond doubt, the reason being that the problem of poverty is worsening on the day and the disparity between the rich and the poor is growing in gravity,

PRESIDENT (in Cantonese): Mr TONG, please put on your microphone.

MR RONNY TONG (in Cantonese): Sorry, my microphone fell off. Just now I came to the point that the disparity between the rich and the poor is growing in gravity, leading to division and conflict in the community. The Financial Secretary once remarked in this Chamber that, in his opinion, Members seemed to be too impatient with the matter. Their impatience is, however, understandable as some members of the public are living in dire straits. As time is limited, I just want to speak briefly on six points for Members' consideration. The first three points are about structure while the last three are about policies.

First, regarding structure, at present the Commission meets behind closed doors. Such an arrangement is not transparent enough. Issues of poverty alleviation attract extensive responses and keen attention from the community. This is understandable. If the meetings are open, then the public can observe the deliberations and work progress of the Commission. More importantly, members of the public can see for themselves the positions and views held by members of the Commission, and thus better understand the work of the Commission.

Secondly, the Commission should be an organization vested with real powers. It should have definite and real powers for it to review existing policies, allocate resources, formulate overall policies on poverty alleviation, and effect co-ordination among Policy Bureaux and executive departments in connection with poverty alleviation and keep a watch over them. As such, the work of poverty alleviation can be done better and progress monitored. Also, the duplication of resources applied and waste arising from departments working on their own can be reduced. What is more, people can then see that the

Commission is not a merely "bragging commission", one that makes empty talks and runs into all sorts of problems in policy enforcement.

Thirdly, we certainly understand that some Members are also members of the Commission. However, I am still of the view that in order that this Council and the Government can work concertedly with regard to the initiatives of the Commission, we ought to hold joint sessions regularly to exchange views on and have discussions about guiding principles for poverty alleviation. Only with this can we ensure that there will be co-operation as well as smoothness of operation along the way when eventually matters concerning funding or revision of existing policies arise.

With regard to poverty alleviation policies, I, in the first place, think that it is necessary to fully understand the matter requiring attention before proceeding with any work plans. Only in this way can clear and specific objectives and strategies be set. Thus the Commission must define poverty, clarify concepts, fix a poverty line and set a specific benchmark for measurement. This is very important. Furthermore, it is necessary to find out, through researches, the causes of poverty for different groups in the community nowadays and their conditions of living. Surveys on the basic needs of living should also be conducted. Only then can there be clear and specific objectives for the work of poverty alleviation. Only then can a further step be taken to have an effective evaluation mechanism established to improve the relevant task.

In the second place, I note that there are views that it is not necessary to fix a poverty line. Their claim is that districts are not homogeneous, and it is, therefore, not advisable to use one single benchmark to define or measure poverty in all districts. So, tactically they tend to take a district-based approach for the work of poverty alleviation, and oppose setting a poverty line and related benchmarks. I agree that the Commission should set priorities so as to provide suitable support services to districts with the most pressing needs since the needs of each district tends to vary. This, however, does not justify for not having a poverty line. Indeed, the demographic structure of each district is different. However, Hong Kong is a very small place. Residents of different districts will not differ significantly in their basic needs of living. They only vary in the numbers of the poor, or in the acuteness of the inadequacy of support services. Otherwise, it would have been necessary to revise the various current economic data on a district-by-district basis. This is impractical. Many vast countries, including the Mainland, must have duly empowered inter-departmental "state

offices for poverty alleviation" to formulate overall policies on poverty alleviation on the basis of certain benchmarks for measuring poverty. China has extensive territories but there is still no need to set different benchmarks for different districts.

In the third place, it is also necessary for the Commission to set a priority for action strategies in connection with poverty alleviation because for some people, the priority of poverty alleviation work really matters. For instance, making improvement to education is a more long-term policy. At present, matters calling for urgent attention are the caring of the new arrivals, the schooling of children in poverty and the needs of low-income persons. It is especially so in the case of the latter. The Government recently recorded a surplus of more than \$20 billion. However, according to government statistics, 275 000 employees in Hong Kong are each earning less than \$5,000 a month. 142 600 of them work for more than 35 hours a week, yet each still earns less than \$5,000 a month.

I, therefore, very much agree with the views of our Honourable friends from the DAB that our first and foremost task is to address the issue of minimum wage. I hope the Financial Secretary will pay special attention to this. Thank you, Madam President.

MR WONG KWOK-HING (in Cantonese): Madam President, the growing disparity between the rich and the poor is now a major social problem in Hong Kong. In the middle of last month, the Commission on Poverty chaired by the Financial Secretary at last held its first meeting, making the first step towards elimination of poverty. As for what the Commission can achieve eventually, it is still too early to make comment. I do not wish nor like to see the Commission fail miserably eventually amid high sounding yet empty words. If really so, it would not only ruin the Chief Executive's kind intention of helping the disadvantaged, but would also, for no good reason at all, make a laughing stock of the administration of the Hong Kong Special Administrative Region (SAR) to be ridiculed by others.

The problem of poverty now in Hong Kong is different from that of the past. Decades ago, there were many poor people in Hong Kong and life was tough. However, available in the community were many opportunities for people to break out of poverty and move up. So long as those in poverty could

be self-reliant, they could ultimately free themselves from poverty. That they worked as coolies, assembled plastic flowers or even made a living by hawking or collecting scraps really did not matter. Unfortunately, the social environment in Hong Kong now is far worse than that in the past. The economy has become knowledge-based. The manufacturing industry has been on the decline. Those unemployed number more than 200 000. How can those among the poverty-stricken find suitable jobs? How can they get a chance to stand up? So, our expectation is that the Commission's measure to solve the problem of poverty is not one of "dishing out money" or "rationing out rice". It should be one of "giving out jobs"! Only by replacing relief with employment can those among the poverty-stricken achieve self-reliance and really free themselves of the ghost of poverty. In other words, the Government should provide the needy with a comprehensive re-employment support scheme so that the needy can regain their confidence by improving their knowledge or through retraining, and provide them with employment opportunities. Hong Kong people have been long known for their industry and self-motivation. So long as there is support from the Government as well as from all sectors of the community, those in poverty definitely are prepared to get on with their work and serve the community.

So, the SAR Government, being the biggest local employer, ought to set itself as an example by providing those in need with more employment opportunities in order to help them break out of poverty. However, it is deplorable that recently certain government departments, instead of doing so, actually took the opposite course in abolishing more than 1 900 temporary posts, and, thus, directly producing unemployment and poverty. What sort of poverty alleviation policy is that? I would like to draw the Financial Secretary's attention to this. I myself had the case exposed, took the lead to raise strong objection, conducted petition and lobbying, and eventually managed to preserve the "rice bowls" for 1 900 temporary workers. However, the case still makes me wonder whilst Mr TUNG expressed in his policy address the wish to enhance employment, why the departments under him contradicted him in taking the lead to create unemployment. If not even the Government takes the lead to create more jobs, then how can local employers be encouraged to hire more workers? Madam President, lessons can be drawn from past mistakes. It is hoped that the Commission will not develop into a commission of empty talks, but can actually solve the four problems in connection with working poverty now in Hong Kong. If so, then I am convinced that the Commission can indeed stand up to challenge.

The first problem, every year the Government approximately spends \$29 billion on infrastructure. Should the Government consider making prefabricated concrete components and prefabricated metal components locally so as to ease the unemployment of those working in the construction industry, the sector worst hit by unemployment? This is the first item for study.

Secondly, every year the Government has to place many procurement orders for printing services and stationery, for example. Has the Government considered the idea of keeping these processes and products in Hong Kong by purchasing them locally so as to ease the problem of structural unemployment affecting our manufacturing and printing industries?

Thirdly, has the Government considered formulating anew a comprehensive hawker policy to help people aged 40 to 50 with low educational attainment and no particular skill to set up their own businesses and find their way out? This is a problem which the Government definitely should not evade.

The fourth one is a most down-to-earth problem — I do not call it an item for study. It is about the issue that the Legislative Council of the last term gave approval for a sum of \$80 million to be set aside to help unemployed or underemployed poultry workers get retraining. However, the ordinance has a provision requiring the licence-holders to surrender their licences. As a result, the measure is stalled — the Secretary for Health, Welfare and Food is now present — but the Government, however, makes no amendment to the ordinance. As a result, over 2 000 unemployed or underemployed poultry workers are being stranded like "chickens kept on boats", unable to get a drink of the water around them. On the other hand, the sum of \$80 million just remains idle. What sort of poverty alleviation policy is this?

It is, therefore, my hope that the Government's policy on poverty alleviation is not again one in which words and actions do not match, announcing high-sounding policy on the one hand, and yet quickly contradicting itself by creating poverty on the other. It is hoped that this Commission of the Government will not tell lies or make empty talks. It is my hope that this Commission, with the participation of Members, can really keep a watch over the Government. Mr Frederick FUNG should see to this. If the four major problems just raised by me are indeed resolved, then I shall be happy to testify that the Government does have the sincerity to alleviate poverty, and that the Legislative Council Subcommittee is really able to keep an eye on the Government and be of assistance to the Government's administration in getting

the poverty problem affecting both the working poor and the unemployed really solved.

Thank you, Madam President.

MS LI FUNG-YING (in Cantonese): Madam President, before discussing today's motion, I have to declare that I am a member of the Commission on Poverty, even though my comments today are not going to have any conflict of interests with my Commission membership. The paper on the terms of reference of the Commission reads: "To study and identify the needs of the poor; to make policy recommendations to prevent and alleviate poverty, and to promote self-reliance; and to encourage community engagement, delineate responsibility between the Government, social welfare sector and community organizations, foster public private partnerships and mobilize social capital in alleviating poverty." This sets down a very broad framework for the Commission to discuss the problem of poverty in Hong Kong. However, the terms of reference leave the relationship between the Commission and the Government not defined. Nor is there a clear conclusion as to how the Government should deal with the recommendations and dissensions coming from the Commission. So, in my opinion, it is absolutely necessary to raise in today's debate the point about defining the Commission's role.

Ever since the policy address announced the establishment of the Commission, there have been a lot of comments expressing the worry that the Commission may be just another flower vase of the Government, namely, a venue for people from different sectors to state their positions. I do not want the Commission to become merely what commonly called a venue for "bragging". However, at this stage it is still unfair to draw such a conclusion about the Commission. With regard to the terms of reference of the Commission, it is, in my opinion, necessary to define a certain degree of accountability between the Commission and government departments. This can help to positively establish the Commission's real functions, which include requiring all government departments to carry out the Commission's recommendations and to report back.

In addition, measuring the results of the Commission's work is equally important. Must we, for use as objective yardsticks to improve the local situation of poverty, set some benchmarks or parameters, such as the Gini Coefficient variations, the number of households ranking lowest among the 10

decile groups into which Hong Kong households are divided, and median income movements? I very much hope that these data can improve significantly in the future. Only that can convincingly show the accomplishment of the Commission. In my opinion, these are processes indispensable for a commission vested with real functions.

In order to take forward the task of poverty alleviation, it is necessary to identify target-recipients of assistance. I am of the view that the establishment of a poverty line is an effective way to identify target-recipients of assistance. However, with regard to establishing a poverty line, members of the public are divided in views. To me, it does not matter whether or not it is to be called a poverty line. My concern is how clearly our target-recipients of assistance can be identified. According to the policy address, specific measures will be explored to help the poor who are also elderly, single parents or persons with disabilities. In particular, assistance will be given to those in low-income employment. According to the information about the median incomes of the 10 decile groups provided by the Census and Statistics Department, households in the first group, that is, those in the lowest income group, are apparently people of low income. Even though that is not a poverty line, it is still a clear reference for poverty alleviation, and can serve as a clear target for the Commission's work. But how clear identification can be made without a poverty line in the case of other poor people, such as the elderly, single parents and the disabled? In particular, should there be any distinction between targets for poverty alleviation work and target recipients of CSSA? How to make the distinction? It is necessary to answer all these questions.

How poverty can be alleviated? It should, in my opinion, be approached from two directions simultaneously. In the first place, help should be given to the poor with regard to their immediate needs. These needs are very pressing in terms of time. That is to say, if these needs are not met, the family life of the poor as well as their children's growth will be seriously impacted. It is hoped that it will not take too long for the Commission to come up with recommendations here so as to give recipients actual help, which may include measures for poverty relief and self-reliance programmes. In the second place, it is necessary to understand the causes of poverty, especially how external factors force families and individuals into poverty and ultimately give rise to inter-generational poverty. Social policies can then be improved accordingly, such as to assess the need to create unemployment assistance and a secondary safety net.

Madam President, on the issue of poverty alleviation, people in the community hold diverse views, with different emphases. Some put stress on the participation of the industrial and commercial sectors. Some recommend community support. Some advocate improving the CSSA system. All these are indicative of the concern of the community about the problem of poverty. It is hoped that all these views can eventually be translated into actions so as to really improve the conditions of the poor in Hong Kong.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, following the announcement in the policy address, the Government, in response to people's aspirations, set up the Commission on Poverty, which ought to have been indicative of both good intention and sound decision. However, a close examination of the terms of reference of the Commission will reveal that the Commission is only to study the needs of the poor, mobilize the business sector to get involved in poverty alleviation, and advise on the work of poverty alleviation. Apparently, it is just an advisory body devoid of decision-making power. I have a question for the Government. Is it possible to deal with our prevalent problem of poverty by setting up such a "bragging structure"? If there is indeed a genuine intention to solve the problem of poverty, then such specious moves by the Government only give me the feeling that they are going to again disappoint those who believe that there will be help to deliver them from poverty.

Madam President, I would like to recap some history. In the 1960s and 1970s, there were many poor people in Hong Kong. It can be seen that in the course of social development, the economy in Hong Kong was then rather sluggish but poor people kept pouring in. Given such a prevailing social situation, the Government made use of the opportunity to formulate policies to promote the development of commerce and industry. Impressing me most were those seven-storey factory buildings erected in those years. Those buildings proved to be conducive to the growth of the manufacturing industry and other industries, absorbing many people into those fields, and consequently solving the problem of livelihood and employment for those who were then poor, with no capital, worried and desperate.

The Hong Kong British Government of yesteryears, when confronted by situations of poverty and unemployment in the course of social development, still managed to formulate policies to help small and medium enterprises, thus increasing the employment opportunities of local wage earners. Those

seven-storey buildings still in sight are things from that age. Let us look back at our current Government. As I said a moment ago, the current Government tends to say one thing and do otherwise. Why do I say so? What I mean is that if there are only half a million people on low income now, we should have done even better than the Hong Kong British Government of the past. Our Government, however, always hoists the banner of high degree of non-intervention and free market, and constantly taking pride in the fact of Government's non-intervention. In many matters, the Government often comes to a standstill on reaching a certain stage. This is what I see now. Take the case concerning San Po Kong factory buildings I am now handling as an example. The Government wants the factory operators to move away. When the officials told the factory operators that the Government had to re-enter that piece of land, they remarked that it was time for them to leave as they had already enjoyed low rentals for 30 years. That almost started a fight at the meeting that day.

In my opinion, even the Government of the 1960s and 1970s had the good intention to promote light industries, and, therefore, built those factory buildings. Although our economy has presently picked up a little, many people are still out of employment. Many small and medium enterprises are still doing business on shaky grounds. Furthermore, CEPA is now implemented. Has the Government formulated new policies to address these issues? Initiatives ought to have been made in February to solve these issues. However, the talks fell through. Fresh talks have been scheduled for March. This shows that although the policy address expressed a resolution to solve the problem of poverty, especially that of working poverty, the Government acts in another way in the formulation of policies. It is hoped that the Government can be honest with us. Is the Government just bent on developing a few real estate projects or is the Government going to make use of the opportunity to help the poor, both the working poor and the unemployed? Honestly, the Government only has to set the policies, then those running small businesses in factory buildings may have the chance of survival and workers may get jobs. Why does it split up its policies and refuse to think along this line taking these two together?

Madam President, I often have a question. If the Government insists on alleviating poverty through promoting economy, then must the Government, especially the Financial Secretary chairing the Commission, let us see that they have indeed done something (I hope that after hearing these words from me, the Government will really do so) instead of letting us see that following certain

constructive suggestions, some other policies always crop up to dissolve the economic activities and measures addressing the problem of unemployment which we are trying to gather up in the community? If the Government is doing the latter, then I would consider it to be a rather big failure. I have to reiterate that in order to solve the problem of poverty, it is necessary to understand that unemployment is one major cause. Furthermore, from the Commission we recently learned that many organizations also find working poverty and unemployed poverty to be the most important factors. If we agree that these are important factors, then I would like to put forward another idea, which has something to do with the Financial Secretary.

I have repeatedly said in this Council that it is necessary to separate the unemployed from those CSSA recipients. In the 1990s, the Hong Kong Federation of Trade Unions (FTU) conducted a re-employment support programme. The Government later absorbed some of the ideas therein, and incorporated them into the CSSA Scheme. However, we all know that CSSA is for the assistance of those unable to be self-reliant. If those employable are also put there, they will find it very disagreeable. They often grumble that they have to pay tax when they have jobs, and that when they have lost their jobs, the Government places them on CSSA and treats them like CSSA applicants. They, in fact, do not want to beg. They just want to get employment.

So the Government formulated the Support for Self-reliance Scheme, asking these people to work as scavengers. I often see them when I go hiking in the hills. Many of them find it hard to raise their heads. Had we adopted the methods of other countries, including Europe and China, these people would have been given to understand that employment is everybody's right, also wage earners' right. How are we to find ways to get them jobs? Why do we disagree with welfare to work? We disagree with such a view. We think work is dignity. If it is possible to get them re-employed, then they can gain self-esteem. I call upon the new Secretary for Health, Welfare and Food to heed our words and separate CSSA from the schemes of assistance for the unemployed. Given that they have the motive to seek jobs in the market, let us help them rejoin the labour market so as to solve their problem of unemployment. Or let us find a solution to the problem of working poverty by promoting more economic activities.

Madam President, in my opinion, the Government today (there is a lot of news today) is facing many problems. If poverty and scarcity of employment

remain unsolved, they are still problems for Hong Kong. It is, therefore, hoped that the Government will face up to them squarely.

Finally, I would like to speak on the question about establishing a poverty line. Earlier on, Ms LI Fung-ying also made mention of this point. We share the same views. How can those assistance recipients be determined without a clear delineation? What is the direction? Members of the public also know not what we have done. I gathered views from the people following the release of the policy address. It can be noticed that many have got these ideas mixed up. If the Government really wants to help the poor, it is essential to set a clear line. This is my hope.

Thank you, Madam President.

MR DANIEL LAM (in Cantonese): Madam President, the current unemployment rate is the lowest in three years. There is far fewer cases of negative equity assets. Recent results of land auctions are good. The target of eliminating the fiscal deficits can probably be achieved ahead of schedule. However, all the good news still cannot obliterate an objective social reality, namely, the growing disparity between the rich and the poor, whilst economic restructuring is bringing forth more and more structurally poor people. Poverty alleviation has become a key issue in promoting overall economic development and maintaining social harmony.

The Commission on Poverty recently held its first meeting, and stated as its objective for poverty alleviation the idea of "helping people to become self-reliant". But how can people be helped to become self-reliant? The answer is just one word: "opportunities". Madam President, Hong Kong is an international economic metropolis teeming with opportunities. Over the past decades, Hong Kong people have notched many success stories of people who started from nothing. In the early days, so long as one was prepared to work, the days ahead were invariably promising. Furthermore, the policy of "a safety net in the community" has done much to take care of the poor who are homeless, not able to have steady meals, or cannot afford education or medical care, even outdoing many welfare countries. In theory, poverty alleviation should never be an issue. In reality, however, the number of the poor is growing, and there is even inter-generational poverty.

The crux of the matter is that this knowledge-based restructuring of our economy is going at a speed far too high, resulting in a smaller and smaller circle of economic activities. Those less knowledgeable or not so skilled are being eliminated. They are driven from the ranks of the employed to the ranks of those waiting to be employed. Their positions have dropped in rank too. As a result, the ranks of the poor are growing incessantly. In all fairness, it can be said that economic development itself is a competition by elimination, yielding both winners and losers. It is impossible for the Government to see to it that every person is forever rich and affluent. Yet it is still necessary to provide losers with an opportunity to turn around and move on again. All they need is re-employment or an opportunity to stage a comeback. Otherwise, they are forever losers with no opportunity whatsoever to break out of poverty.

As a matter of fact, highly-developed countries like the United States and Japan spare no expense to subsidize agriculture and traditional industries. One of the intrinsic reasons is to keep their people alive by providing them with jobs and opportunities for economic growth. So, the Government must carefully study the direction and speed of the restructuring of our economy, and provide the people and trades eliminated in the process of restructuring with another opportunity for development.

Madam President, I so submit.

MR WONG TING-KWONG (in Cantonese): Madam President, with world economy on the decline in recent years, and Hong Kong taking a turn to develop in the direction of knowledge-based economy and thus kicking up the unemployment rate resulting in a rise in the number of people on low income, the problem of poverty has caused much concern in the community. Thus the Chief Executive announced in this year's policy address the establishment of the Commission on Poverty so that people of every sector can jointly explore the needs of the poor and make recommendations for the purpose of improving the living standard of the poor.

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

The problem of poverty exists in every country. However, whether or not the problem of poverty is serious depends on the definition of poverty as well as the benchmark set to measure poverty. The international community holds different views on the definition of poverty as well as the yardsticks and methods to be used to set the benchmark for measurement of poverty. Yet it is not easy to set an objective and practical benchmark of poverty, for many considerations and factors are involved. So, there is really no consensus among members of the community.

For the community to reach a consensus on the problem of poverty, first of all, it is necessary to understand the matter thoroughly. So, I urge the Commission to carefully explore the problem of poverty so as to find out the characteristics and effects of poverty, and grasp the trend of poverty in Hong Kong as well as the living conditions and population distribution of the poor. Only this can contribute to the formulation of effective strategies for poverty alleviation.

Basically, measures to alleviate poverty should mainly provide substantive financial assistance and enhance education and training so as to enable people to become self-reliant. It is said that alleviating poverty is not tantamount to "dishing out money", and that the positive approach is to promote the idea of helping people to achieve self-reliance. I, however, am of the view that in the case of those unemployable, such as the elderly, the chronically ill, and single parents unable to go out to work because of the need to look after young children, it is just impossible not to "dish out money". The crux of the question is whether or not money is being "dished out" appropriately. Doubtless there have been frauds and abuses in the use of social welfare. For example, recently there has been extensive media coverage about a CSSA recipient couple who claimed to have separated but took a trip to Thailand together only to meet with mishap in the tsunami. They are now under investigation for obtaining single-parent family CSSA and public housing with false information. It is, therefore, necessary for the Commission to review the current CSSA system, and urge the departments concerned to tighten up scrutiny and find ways to plug all loopholes and stem all abuses so as to make good use of the resources for the relief of the needy.

In addition to CSSA, it is necessary, in my opinion, to enhance pre-vocational and on-the-job training for those employable so as to boost their self-reliance for re-entry into the labour market. Only that can be a way out of

poverty. So the Commission should step up co-operation with manpower training bodies to put into effect comprehensive training policies. Specific measures may include setting up resource and service centres for further studies for those with low skills or low educational attainment, expanding skills upgrading programmes to cover more trades, and encouraging agencies to offer different kinds of continuing studies. Financial aid and enhanced training should be adopted as a two-pronged approach, with measures of assistance varying according to the needs of different groups of poor persons. Only with this can the work of poverty alleviation be pragmatic and effective.

Being part of the community, the business sector is duty-bound to contribute to the work of poverty alleviation. I think the Government should encourage industrial and commercial corporations to step up co-operation and communication with social services agencies, or visit the disadvantaged groups from time to time so as to improve their mutual understanding and dispel the image long labelled on the business sector for being ignorant about poverty. The DAB also urges the Government to consider implementing a "re-employment quota system" and a "disability employment quota system". There should also be profits tax concessions for employers in the industrial and commercial sectors for hiring CSSA recipients out of employment and disabled persons so that they may have the opportunity to work and give full play to their potentials.

It is a long and tough mission to alleviate and eventually to eradicate poverty. It is hoped that, apart from the Government, members of the community can adopt a pragmatic and cordial attitude, work concertedly, look into the matter thoroughly, and be ready to draw on collective wisdom to strive to solve the problem of poverty and build a harmonious community.

Madam Deputy, I so submit.

DR YEUNG SUM (in Cantonese): Madam Deputy, I would like to thank Mr Frederick FUNG for introducing a motion debate very much in line with the current ills of society. The fact is that in Hong Kong the disparity between the rich and the poor and the situation of poverty are very acute. If it is not so, the Government would not have broken with precedent by setting up a Commission on Poverty.

According to current data in general, our Gini Coefficient figure already reached 0.528 in 2001. Also, according to some studies, the income disparity among the people of Hong Kong ranks as high as the fifth in the world. The survey of the Hong Kong Council of Social Service (HKCSS) is based on an international standard, according to which, a household with an income below 50% of the median household income can be considered poor. Based on such a definition, the HKCSS pointed out that 1 million local residents live in poverty and that one in every four children lives in poverty. At present, more than 200 000 people are jobless while 550 000 people are each earning less than \$5,000 a month. On the strength of the above figures, we can prove that in Hong Kong the disparity between the rich and the poor and the situation of poverty are, basically, worsening. That the Government has broken with precedent by setting up the Commission is indeed one step in the positive direction.

In 2001, The Chinese University of Hong Kong (CUHK) conducted an opinion poll to find out from the people the causes of poverty. There is a finding which I would like to share with Members. Most of those surveyed think that social factors have much to do with the causes of poverty. Traditionally, we Chinese usually think that poverty is due to personal reasons, such as being lazy, lacking self-motivation, or being left behind by social progress. However, according to the opinion poll conducted by CUHK in 2001, most of those surveyed think that social factors have great relevance to the causes of poverty, for example, the so-called structural unemployment we have heard so much about. Thus, for these people to run into unemployment and poverty really has nothing to do with their own efforts. It is indeed directly related to economic restructuring.

When speaking on poverty, we surely will also talk about absolute poverty and relative poverty. The Financial Secretary, as I know, finds the definition of relative poverty meaningless as the basic livelihood of those in relative poverty is not a question at all. We may, however, just consider those in abject poverty. In 1998, the HKCSS conducted a survey. How did it define poverty? It adopted Orshansky's definition, according to which those who can ill-afford to buy basic foodstuffs fall close to abject poverty. On the basis of this yardstick, 10% of our local residents live in abject poverty. If the Financial Secretary is not too keen with the definition of relative poverty, then this HKCSS study on abject poverty can be valuable reference.

In view of the situation of poverty, I also call upon members of the public to create a caring community. Do not let there be division or discrimination in the community against the poor. This is because, according to the abovementioned survey by CUHK, nowadays we do not attribute poverty purely to personal factors, but consider it to be closely related to social factors. Therefore, the Financial Secretary in fact has a very important duty, namely, to consolidate the force of the community by all means and to help individuals meet their personal needs through different types of assistance but not to accentuate any division in the community.

As a matter of fact, we Chinese still attach great weight to the two traditional concepts of self-reliance and family support. I, therefore, do not worry much that by stepping up the work of the Commission we might make Hong Kong people rely more on the Government. It is earnestly hoped that the Commission will listen to more views, become a body vested with real powers, and be the co-ordinator of the work of various government departments. Given the fact that, to alleviate poverty and help people break out of poverty, it is necessary for different Policy Bureaux and departments to co-operate with each other, I believe it is going to be something of boundless beneficence if the Commission can slowly develop into an organization vested with real powers to serve as the co-ordinating body of government departments and put forward some comprehensive policies to help people break out of poverty. It is also hoped that the transparency of the Commission's work can be enhanced as soon as possible with no more closed-door meetings so that the public may understand the Commission's work better and may approach the Commission with ideas about all areas.

Madam Deputy, I would like to mention a few points specifically. It is very much hoped that the Commission can establish a poverty line. It is really ridiculous to plead not knowing how such a line can be drawn as it is already quite an old idea. Quite a few Western countries basically have already set examples in this respect. It is not difficult at all to establish a poverty line so long as we have the will and determination. How can we assess the situation of poverty in Hong Kong without a poverty line? This is the most fundamental question. How to deal with the problem of poverty without a method to measure poverty? It is hoped that on this the Financial Secretary will listen more to views from different sectors and make reference to the experience of other developed countries in dealing with poverty.

Moreover, education and training constitute the one and only way to enhance social mobility. So, it is imperative for the Financial Secretary not to cut the spending on education. The reason is that education and training are in fact the community's investment. Locally we do not have many natural resources. We only have people. If training can be provided to our manpower, it is, I believe, going to help deliver people from poverty.

In the third place, it is hoped that the Financial Secretary can selectively set minimum wages. The Democratic Party has reservations about setting a general minimum wage. However, with regard to legislation on setting minimum wages selectively, especially for jobs being particularly low paid, the Democratic Party is prepared to give support.

In the fourth place, it is hoped that the Financial Secretary will review the policy on CSSA. In particular, if need be, elderly people living with their families should be allowed to apply independently. The present position is very difficult as their children are required to fill out a letter of consent. It is also my hope that a system of responsibility welfare can be introduced. That is to say, persons unable to get employment after being on CSSA for a period of time should still get unpaid jobs so that they can build up self-confidence and make contribution to the community.

The work of poverty alleviation is easy to understand but difficult to carry out. However, there definitely will be some social effects so long as we do have the determination and a direction. It is hoped that the work of poverty alleviation can progress further.

Thank you, Madam Deputy.

MR JAMES TIEN (in Cantonese): Madam Deputy, in moving the amendment earlier on, Mrs Selina CHOW already outlined the Liberal Party's views on the original motion. In the course of the debate, I have listened to the speeches of some other Members. I would like to respond to a few points.

Surely, with regard to the issue on poverty alleviation, the first point that we have to establish is how many people in Hong Kong are really very poor.

Just as you all seek to know, is the problem of poverty now under discussion one about absolute poverty or one about relative poverty? The Liberal Party holds that relative poverty based on comparison is in fact not realistic. That is to say, when men make comparison among themselves, surely some will find themselves poorer than others. Also, some will find others richer than themselves. If two public housing residents make comparison with each other and one turns out to be richer than the other, does it matter? If one of them gets better pay from his work, again, does it matter? Therefore, I think we should direct our attention to absolute poverty.

However, we can hardly agree with some Members who said that one million people in Hong Kong have fallen below the poverty line. Certainly, I think that we should not maintain that there is no poverty so long as people have enough to eat, a place to live and enough to wear. I agree that Hong Kong is a sophisticated society as well as a financial centre. It is natural for us to have higher aspirations and demands. However, how high should the demands get before we can pass the judgement that 1 million Hong Kong people are considered to be poor? This figure is, in my opinion, exaggerated. I have, of course, no evidence to prove that it is exaggeration to say that 1 million people are living in poverty. It is equally hard for the Honourable colleague who earlier raised this point to prove that 1 million out of more than 6 million people are really poor given the present condition of Hong Kong. However, if the remark is about relative poverty, then it is definitely correct that 1 million people are poorer than the other several millions. I totally agree with this.

We also disagree with the point raised by some Members for discussion again today, that no one will remain poor with the introduction of minimum wage. I think it is just the other way round. Once a minimum wage is introduced, many businesses may not survive, and they may even have to close down. As a result, workers may be "fired". Under such circumstances, would people in the community not be poorer? On the other hand, in order to increase CSSA to deal with the problems caused, the Government would have to ask the middle class and the business sector to pay more in taxes. And how should we deal with unemployment arising from the introduction of minimum wage? In my opinion, many countries have indeed introduced a minimum wage, each for different reasons. Given the fact that Hong Kong is a small economy, and, in addition, our dollar is linked to the US Dollar, I cannot see how this measure can be of much effect.

I also notice that one of the factors leading to disparity between the rich and the poor over the past few years has something to do with the new arrivals. According to the latest data, new arrivals last year, that is, in 2004, only numbered 35 000. The first possibility is that on account of the vigorous economic development on the Mainland, some people have not come. The second possibility is that most of those coming for reason of family reunion have come already. When viewed from this perspective, in the next few years, new arrivals to Hong Kong, persons who are poorer, less knowledgeable, and not so educated, will probably grow fewer, or fewer than what they were in the past few years. Of course, it can also be said but it is also my feeling that the number of the poor probably will not grow in the next few years. Then the pressure from the wealth gap in the community will be reduced.

Some Members advised the Government to hire all those unemployed. Such a move can, of course, be regarded as a poverty alleviation measure. The Liberal Party, however, dares not concur with this. We think that the Government should practise the policy of "small government, big market". As the Government has promised to cut the size of the Civil Service from 180 000 to 165 000, the Government should, in our opinion, make every effort to achieve this target. We should not ask the Government not to cut further staff or further streamline the structure but instead, as a poverty alleviation measure, to hire more people and pay higher wages. We disagree with such a view.

The recent trend is, of course, showing improvement, the reason being that our economy is picking up. The chief cause is probably the weakening US Dollar, which leads to growth in export, tourism and many other aspects of our economy when compared with the situation in Europe. Precisely because of this, many companies, as noted by us, are in a position to offer pay increases this year. This is good news for wage earners. I am also of the view that, from the perspective of poverty alleviation, this is the best way to alleviate poverty. With better business, there will be more jobs and higher pay.

Madam Deputy, I would like to respond to paragraph (g) in the original motion, the one about involvement of the business sector. The Liberal Party all along finds there is something wrong with the paragraph in the original motion on encouraging the business sector to give support and fulfil their corporate

social responsibility. I have been told by many friends in the business sector that they will try their very best to do well with their business in the community, hire more staff, and, in particular, have wage earners' pay raised. These constitute their biggest responsibility. Surely, it is also their responsibility to reap returns for shareholders. It is also their responsibility to pay tax when profits are made. According to some, they will make donations to the Community Chest when they manage to make profits. These people also deem it their responsibility to do charities. But none of them would say that poverty alleviation has become their responsibility. However, they may feel that so long as the local community and the Legislative Council have come to a consensus that there is a need to alleviate poverty, and the Government has already set up the Commission on Poverty to alleviate poverty, they are happy to get involved.

I would like to say something too. For this very reason, the Liberal Party is actively doing research. If it is found to be feasible, then the Liberal Party will set up within the Party a poverty alleviation fund. We have had discussions with several chambers of commerce in the hope that they will sponsor our Party on a short-term basis, that is, to sponsor our poverty alleviation fund during a so-called non-long-term period of three to five years. We would like to have the problem of poverty alleviation solved within three years, rather than dealing with it on a long-term basis or forever and ever. Our involvement is for the purpose of offering assistance from our poverty alleviation fund to those unable to get help from government departments. We are prepared to help anyone in the community. Surely, upon the establishment of the fund, we will release all relevant details, such as how much money the fund requires and how many people the fund can assist.

In my opinion, as so many people in the business sector are prepared to help us set up the poverty alleviation fund, we hope that Honourable colleagues of this Council would not hesitate to let us know in the event of need. We will try our best to help, regardless of party differences, nor any other (*the buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Mr James TIEN, your speaking time is up.

MR BERNARD CHAN: Madam Deputy, as the Chairperson of the Hong Kong Council of Social Service (HKCSS), I take a special interest in the issue of poverty. There is a serious gap among the different sectors as to what we should do about it. Hopefully, the Commission on Poverty can at least help the different groups to bridge that gap in understanding and help us move forward.

The Honourable Member mentions the need to study the causes of poverty. I think this is extremely important. If we do not know the causes, how can we find the solutions?

It is taken for granted that economic change leaves some people behind, but we must be honest in asking what other factors are at work. We have to ask what role demography and the migration patterns play. We must ask how much of our poverty problem is a legacy of the past policy decisions in education and in other areas. We must ask how much people are trapped in unemployment or poverty as a result of a lack of choice and control over their own lives — where to live, how to travel, where to go to school. We must also accept the reality that the Government is not the whole solution.

There is a pro-welfare lobby which simply calls for more and more recurrent government expenditure. That is not a long-term option. So, if we want more public resources to be channelled towards those who are most in need, we must accept that fewer resources should go to the better off. We have to redistribute wealth in more targeted and effective ways.

At the same time, there is a pro-business lobby which thinks that the problem is exaggerated, or can be ignored and left to the Government and the social service sector. They too are mistaken. The gap between the rich and the poor will affect all of us. It can encourage anti-business feeling and damage Hong Kong as a place to live in and to do business in. I strongly believe that the business community must accept its responsibility to take part in creating a more cohesive society.

This brings me back to the HKCSS. The HKCSS is matching businesses with welfare organizations through the Caring Company scheme. Hundreds of small-scale partnerships have been formed. Thousands of managers and employees are sharing expertise, skills and resources with those who need them — with no huge bureaucracy or government involvement.

George BUSH Senior once referred to this approach as "a thousand points of light". We cannot leave it to the Government. Both the social service sector and the business sector need to work together on this problem.

Thank you.

DR KWOK KA-KI (in Cantonese): Madam Deputy, first of all, I would like to welcome Mr Frederick FUNG for moving a motion on poverty alleviation. The recent establishment of the Commission on Poverty and the discussions about its work, on the one hand, draw much attention from the community, but give me great worry on the other. My worry is that the work of the Commission might become an excuse for dividing the society.

I still recall that following the first meeting of the Commission, many Honourable colleagues commented on it. In fact, those comments, according to my observation, were well-intentioned. If members of the community, including Members, were not expecting much of the Commission, they would not have taken all the trouble to make criticisms. However, it is disappointing to me that Financial Secretary Henry TANG, Chairman of the Commission, made such comments as "(people are) watching the sky from the bottom of a well" and "making irresponsible remarks", which, in my opinion, are quite unacceptable. In fact, those are unnecessary comments.

As a matter of fact, never before has the work of poverty alleviation been led by an official of such a senior rank. If our poverty alleviation measure was one just to dish out money or increase welfare, our Secretary for Health, Welfare and Food Dr York CHOW, who is now present, would have sufficed, and it would have been definitely not necessary to invite the participation of so many economists, or ask the Financial Secretary to take the helm. It is for one simple purpose that the Government has assigned the Financial Secretary to take the lead, and appointed so many economists and members of the community to the Commission, and that is, hopefully, to be really able to alleviate poverty in every area.

We are talking about poverty alleviation, not eradication of poverty. I fully agree with the view that every community, no matter how affluent it is, has a poverty problem. No community (Hong Kong included) can be forever free of the problem of poverty. However, we hope (every community, like Hong

Kong, invariably does have certain expectations) that there can be a community that is fair, harmonious and capable of sustainable development. The work of alleviating poverty and minimizing poverty in the community is actually heading in the direction of that goal.

As we all know, to let the problem of poverty worsen will only undermine social stability and plant a big time bomb for the Administration. Although there have been a lot of expectations, I have yet to see in the Commission any major move or plan that can set our minds at ease. However, that does not mean that the Commission can achieve nothing. I think that now is the time we in the Legislative Council asked the Commission to draw up specific and effective plans for poverty eradication or alleviation.

Apart from certain relatively controversial proposals, including the one on the need to establish a poverty line, there is, I believe, not much disagreement over the seven main points put forward by Mr Frederick FUNG. I have the feeling that Mr Frederick FUNG purposely adopted a relatively low-key approach with regard to the point on poverty line. The reason is that he used the term "benchmark for measuring poverty" instead of "poverty line". I think he just wants to clearly define the target recipients of assistance.

In fact I think that it is necessary for us to clearly define the target recipients of assistance, the reason being that we have got to be clear about this. When deploying resources or increasing funding, the Government must at least have some data to help it or community to determine certain specific plans or financial commitments in respect of poverty alleviation in the days to come. I agree and support the point that there should be a benchmark. Surely, the benchmark does not mean that a poverty line should be rigidly set or in an "across-the-board" manner.

In my opinion, for poverty alleviation, it is most important to do it through certain policies on economy, employment and promotion of industries, and to approach it by addressing the problems of each individual poor family. It is my earnest hope that the Commission led by the Financial Secretary can bring us some specific and positive results through the work in connection with economic development, business involvement, and enhancement of overall employment. I believe and also agree that the ultimate goal is to enhance self-reliance. It is, however, not easy to reach that ultimate goal. In order to do so, it is absolutely necessary for government officials and all members of the Commission to make

concerted efforts. Also, it is necessary to actually carry out some concrete work.

I do not wish, nor like to see, this so-called Commission on Poverty degenerate into a "bragging commission" in a year or so, just like every other commission established by the Government in the past. To address this, I think the Government must look into and find out current factors leading to poverty, and identify within the overall system and structure the ways to help these poor people so that they can have a reasonable standard of living.

I believe a number of Members now present come from humble origins. Because of strenuous efforts on their part, they have managed to reach their present status in the community. If Honourable colleagues are asked to elucidate helping others to become self-reliant, I believe we all know what to do. However, I think that to teach others to become self-reliant is just like what a former Financial Secretary did in teaching others to fish. The advice given will only turn out to be some empty and vague guidance that definitely cannot be of help to the many poor people in Hong Kong. To the destitute, those of low income and those struggling to make ends meet, practical and concrete assistance is essential. It is not my hope that policies to be introduced by the Government in the days to come are merely theories on paper.

Finally, I wish to make one more remark. The higher the expectations for one thing, the louder will be the comments on it. It is hoped that the Financial Secretary will not mind. However, I still have to encourage him to do better in this respect and be able to deliver. Thank you, Madam Deputy.

MR PATRICK LAU (in Cantonese): Madam Deputy, it is earnestly hoped that the establishment of the Commission on Poverty constitutes the Government's determination to put into effect the policy on poverty alleviation. I totally agree with the policy address in saying that it is necessary to study, from a macro perspective, how to help the poor in terms of financial, employment, education and training needs. I, therefore, approve of the recommendation made by the Commission following its first meeting, that quantifiable indicators be established to facilitate public understanding of the progress in poverty alleviation.

Those quantifiable indicators should be manifold, not unitary. They may cover the unemployment rate, the number of children in poverty, and the distribution of low-income families and people in working poverty. To measure and monitor the effectiveness of poverty alleviation, a series of relevant indicators for the reference of the community should be prepared on the basis of the actual situation in Hong Kong and with reference to the different needs of different social groups.

The benchmark for poverty alleviation has to be set on the basis of "absolute poverty" or on that of "relative poverty". In the case of "absolute poverty", the definition is that there is just enough money to maintain subsistence. However, as far as Hong Kong is concerned, there are not many who really cannot make the ends meet. Mr TIEN made mention of this point earlier on. "Relative poverty" means more than subsistence. It also hinges on the disparity between the poor and ordinary households in the community in terms of living standard. However, in a capitalist community like Hong Kong, it is impossible to eradicate the disparity between the rich and the poor. So, our Comprehensive Social Security Assistance (CSSA) Scheme all along adopts the definition of social security, that is, survival needs plus basic necessities of living. I agree that if there is inadequacy, then the current system should be reviewed. In particular, emphasis should be placed on finding ways to help the poor to become self-reliant so as to help those really in need of assistance in different ways and with different focuses in the broad direction of a district-based approach and in accordance with the needs of different districts.

I, therefore, agree with the district-based approach recommended by the Subcommittee on poverty. Earlier on, quite a few Members also mentioned this point, holding that it is most important to study the needs of the poor, that there should be visits to districts to find out from all the districts in Hong Kong the special needs of different communities, and that those challenges ought to be faced squarely. This is exactly what Mr FUNG put forward in the last paragraph of his original motion, that is, the Administration should "respond appropriately to the needs of various districts having regard to their different poverty situations".

As a matter of fact, each of the 18 districts in Hong Kong has its own characteristics. Each district also has its own special needs. So, a single rigid benchmark cannot cater to the different needs of the various districts. Take some examples. In the case of Sham Shui Po, the main problems are those of families of new arrivals and people living in cubicles. We should focus resources on helping the residents to adapt and solve their housing problem. In the case of Tin Shui Wai, the residents' main problem is high travel expenses — Madam Deputy, you may also raise many questions in this respect. Furthermore, there are not many activities in the district. I therefore think that the Government should subsidize their travel expenses. Community activities should also be provided so as to inject life into the entire district. I am in favour of devolving more powers and resources to community organizations and District Councils for them to have sufficient flexibility to encourage participation by all in order to provide assistance congruent with the people's needs.

In reality, the key to helping the community eradicate poverty lies in maintaining equal opportunities of development, especially in education and employment. I, therefore, think that multi-intellectual development is very important. In the case of conventional courses of study, it is not possible to teach students in accordance with their aptitude. Consequently, some students' potentials remain undiscovered. Some, deprived of an equal opportunity of education on account of their inability to catch up with others, are left behind at the lower of the society.

On the other hand, because of economic restructuring, the mainstream is tipped towards certain high value-added technology and financial services, the four pillar industries much talked about in Hong Kong. As a result, trades requiring low skills and intensive labour have long been experiencing high unemployment rates. The construction industry, the constituency represented by me, has been the hardest hit. To ease the problem of unemployment, the Government should introduce more infrastructure projects, and speed up different projects of community building so as to create more employment opportunities to uphold the principle of fair development in society.

Madam Deputy, what they need most are opportunities. With opportunities, they can find positions suitable for them, build up self-reliance, and even break out of poverty. That can contribute to the effectiveness of the work of poverty alleviation. Thank you, Madam Deputy.

MR ALBERT HO (in Cantonese): Madam Deputy, it does not matter whether Hong Kong now has a poverty line or not. The fact is, according to an internationally defined poverty line, about 1.2 million people or 16% of the population in Hong Kong are living below this level. This is unacceptable. Precisely because of this, we agree with certain concluding observations made by the Commission on Human Rights in 2001 after studying the report submitted by the Hong Kong Government pursuant to the International Covenant on Economic, Social and Cultural Rights. I shall read out just two paragraphs. Paragraph 18: "The Committee is gravely concerned about the widespread and unacceptable incidence of poverty in the Hong Kong Special Administrative Region. It is especially concerned that a large number of older persons continue to live in poverty without effective access to social services." Paragraph 19: "The Committee is deeply concerned that the Hong Kong Special Administrative Region lacks adequate, institutional arrangements to ensure the formulation and implementation of comprehensive, integrated, consistent and effective anti-poverty strategies." There are some other paragraphs that talk about the problem of poverty. So, under the part on "opinions and recommendations", the Commission on Human Rights also states that in the case of Hong Kong, the Government should set up an inter-departmental anti-poverty unit. I hope that the Government, in setting up an inter-departmental Commission on Poverty this year, is not just to satisfy the United Nations or just to do something for the sake of the report to be submitted in April, but really means to alleviate poverty out of an intention to comply with the Covenant.

Earlier on, quite a few Honourable colleagues spoke on the modes of operation of the Commission on Poverty, and expressed their expectations. I concur on a number of points. The Commission on Poverty should play the role of leader, with inter-departmental officials arriving at a consensus following adequate consultation and policies formulated to be effectively implemented.

We also attach weight to the point that it is necessary for the Commission on Poverty to have a high degree of transparency. It, therefore, should hold meetings openly, present reports regularly, and have meetings and exchanges with the Legislative Council Subcommittee, the social welfare sector and academics on a regular basis. In addition, we hope to have up-to-standard researches and surveys so as to find out the causes of poverty in Hong Kong. On top of a macro approach to find out if there are structural social factors, there should also be tracking investigations on cases so as to grasp the actual situation of poverty.

There is another point that I would like to raise particularly. It is indeed necessary for this inter-departmental Commission on Poverty to do some education and publicity work to dispel people's discrimination against the poor as well as the label placed on them, and to remove the misconceptions that many Hong Kong people tend to rely on others. It is not so in reality. With regard to these points, I hope that in future the Commission on Poverty will operate with such a goal, in such a direction, and in such a mode.

I know that some Honourable colleagues are not in agreement on the issue of poverty line. In any case, we somehow have to set a work target and benchmark. How are we to set work targets or get an instrument to measure the effectiveness of our work without a poverty line? We must set a line or benchmark. We have to ensure that every person enjoys protection of living not below that of the line, that is, the basic living. This is actually the poverty line. There are, of course, many ways to set that line of minimum level. I hope every person is above it, enjoys at least the most basic protection of living, and thus can lead a respectable life as a person. I, therefore, consider it to be absolutely necessary to set such a line. Surely, we can still set many other lines for use as our work targets at different stages. It is not that we always seek to reach the goal in one step. However, it is difficult to work effectively without a specific goal, or what we consider to be a yardstick like that of a poverty line or poverty benchmark.

Our work in the future has been mentioned by many of our friends. I am not going to repeat that. Surely, the top priority is to take care of the vulnerable groups, the elderly, the feeble, the disabled, single-parent families and new arrivals. The reason is that they are not qualified for certain kinds of assistance and yet they are members of our community. So we have got to help them. Many policies, of course, will have to be revised upon the establishment of new benchmarks, for example, our assistance policies, including that on Comprehensive Social Security Assistance (CSSA). Actions will have to be taken on these immediately. With regard to medium-term measures, including, of course, minimum wages, creation of the secondary safety net, and a review of community facilities, I am not going to discuss those in detail.

Turning now to the long-term direction, with regard to the disparity between the rich and the poor, I very much agree with what Mr Bernard CHAN said earlier. Do not think that this has nothing to do with poverty. Given the grave disparity between the rich and the poor, we are able to see that the

distribution of our wealth and income is uneven, tipped to one side. This can be a factor leading to poverty, which even tends to, unnecessarily, arouse in some people hostility towards the business sector. It is, in my opinion, necessary to correct this point. Mr James TIEN mentioned the moral obligation on the part of corporations. There is one point which, I believe, should call for actions, namely, how our tax regime can be made more equitable. Can corporations making a lot of profit or individuals earning high incomes pay more in tax? We have to think about this, and this is what corporate ethics is about.

In addition, I agree with the proposal of workfare long advocated by the Hong Kong Federation of Trade Unions. As a matter of fact, the workfare advocated by the Democratic Party is more or less a similar concept. The Government may convert welfare into wages so that people can have jobs and wages as well as dignity without receiving CSSA. This should be a win-win option.

Thank you, Madam Deputy.

MR JEFFREY LAM (in Cantonese): Madam Deputy, it is my belief that we all hope that everybody in the community can lead a life of abundance. We, being members of the business sector, strongly support the establishment of the Commission on Poverty by the Hong Kong Special Administrative Region Government.

All along the business sector has been actively taking part in various charitable activities of the community, often unwilling to lag behind others in making donations to charities. Take last Tuesday as an example. At the Third Recognition Ceremony of the Caring Company Scheme held by the Hong Kong Council of Social Service, as many as 679 companies were awarded the recognition, showing a sharp rise of 40% over the figure of last year. Why do members of the business sector get involved so readily? The reason is, I believe, that we understand that full strength will be brought into play so long as the Government and the people make concerted efforts. Being part of the community, the business sector also has the hope that what is taken from society can be used in the interests of society, and more activities for the common good can be conducted. In particular, we too consider it necessary to find ways to help children, future pillars of our community, to break out of poverty.

In view of the fact that many youngsters have difficulty in finding employment because of their low educational attainment and inadequate working experience, the business sector is giving consideration to a "one corporation for one youngster" scheme to encourage corporations to each offer a temporary post to job-seeking youngsters and provide on-the-job training, with work ranging from purchasing, handling of orders, design, and production. I think we should welcome this idea.

This scheme will give each young job-seeker an employment opportunity, thus solving the person's pressing need arising from unemployment. What is more, it is designed to give them a chance to gain more exposure and knowledge when they first join the labour market. The jobs may not meet their aspirations, ideals or dreams. But I still hope that they have the courage to try it out so as to gain some experience of working in society. If every person is choosy about work, and refuses to work at all if it is not to his liking, then there will be no contribution to society. It will also be a loss to society.

Furthermore, the industrial and commercial sectors are considering developing something similar to the Mentorship Programme for SMEs, whereby youngsters from poor families may, through regular meetings and discussions with the management personnel of our commercial and industrial corporations and visits to different corporations, learn things not learned in classrooms, such as the operation of business organizations and new developments in the business sector. Things to be learned also include what employers expect from employees, and what attitudes and tactics should be adopted when working in society. By and by they may have self-confidence to stand on their own feet and help others. This can, I believe, be of considerable help to them in terms of further education, employment and personal development, eventually leading to an ultimate solution to the problem of inter-generational poverty.

It has long been the firm belief of the business sector that, in order that there can be more jobs, in order that there is a correct course for poverty alleviation, and in order that the poor can have the chance to become self-reliant, it is necessary to have a thriving economy and a favourable business environment. It is, therefore, necessary for us to find more ways to solve such a problem. So, it is our hope that the Government, when helping the poor, will also make further efforts to ensure continued economic recovery so as to invigorate the job market and make it possible for more people to free themselves from the predicament of unemployment and low income.

To inspire more members of the business sector to take part in poverty alleviation by contributing money and efforts, the Liberal Party suggests that the Commission on Poverty create for the business sector conditions conducive to poverty alleviation, such as more information on participation and a service platform for poverty alleviation similar to the Caring Company Scheme. As for business organizations helping poverty alleviation financially, we suggest that the Government offer them tax concessions so as to increase their involvement. In this way, the Government's difficulty and burden in poverty alleviation can be reduced. As to how to mobilize the business sector to raise money for poverty alleviation, Mr James TIEN has just explained it in detail.

Madam Deputy, the business sector is an important part of the local community. At a time when all people are taking part in poverty alleviation, we are more than willing to be a force among them so as to work jointly with the poor in our city to open up a path away from poverty.

With these remarks, I support Mrs Selina CHOW's amendment.

MR CHEUNG MAN-KWONG (in Cantonese): Madam Deputy, it is TUNG Chee-hwa's policy to alleviate poverty. It is hoped that it will not vanish upon his departure from office. The reason is that poverty will still be around even after his departure from office. Poverty is still a serious social problem.

Madam Deputy, according to Akira Kurosawa, "Poverty and ignorance are major enemies of human beings."

Education is a path leading away from poverty and ignorance, giving life greater dignity and hope. Education is to pursue equal opportunities, giving students a fair starting line for them to walk towards broader and brighter horizons.

Education is the most important investment of society. The distribution of educational resources reflects social values. In the case of our education system, equality has long been in the classrooms. However, when it is outside the classrooms, family background and financial standing of students do have impact on their opportunities to learn on an equal footing as well as on social mobility, thus leading to a cycle of inter-generational poverty.

The Hong Kong Professional Teachers' Union (HKPTU) recently conducted a survey on "Family Background and Learning". It discovers that 5% of our students, numbering more than 40 000, do not have computers at home, and thus are unable to learn online. 90% of these students are from families on CSSA or earning low incomes. The most pitiable among them are students living in cubicles. They have to study in the most wretched environment, with access to neither computer nor the Internet. They live in modern slums, and are left out of the world of computers. The survey also discovers that students from families on CSSA or earning low incomes do not have enough subsidies for after-school activities. When compared with ordinary students, they noticeably lack opportunities of participation in after-school activities, and are unable to catch up with the trend of diversified education.

Madam Deputy, education and poverty are closely related. According to the HKPTU survey, the lower the parents' educational attainment and financial standing are, the less desirable will be their children's educational pursuits, which may include access to computers and opportunities to take part in after-school activities, when compared with those of ordinary families. So, family background not only impacts on students' learning but also affects social mobility. Failure to get this problem properly tackled will lead to poverty in the next generation and cause the cycle of inter-generational poverty. One of the functions of education is to change a person's fate and promote social mobility so as to make society fairer and more open. However, the situation has changed. There are now equal opportunities of education. However, because of differences in family background, the process of education has lost equality. When education is extending this factor of inequality, then education can no longer alleviate poverty. Instead, it has become a system promoting, accentuating and reinforcing poverty.

Education must take a new course. Equality in the classroom has to be maintained. It is also necessary to develop equality outside the classroom in order that equal opportunities of learning can enter homes and go deep into districts so as to serve as gateways leading to the alleviation of, or delivery from, poverty. The alleviation of poverty through education has a long way to go. It is necessary to make good use of public funds by spending them on areas where there are the most pressing need and where they will be most cost-effective. The survey by the HKPTU has discovered a very peculiar phenomenon. More

than 40% of the 40 000-odd students who have no computers are unwilling to go to schools or community centres to learn online. Are the opening hours of computer rooms in schools too short? Are there long lines of people waiting for their turns to use computers at community centres? Have they resigned themselves to fate and given up the opportunities to use computers?

Anyway, the Commission on Poverty of the Hong Kong Special Administrative Region must face up to this phenomenon and solve the problem by hitting the target. When the Government is to set up more community computer centres, suitable locations should be picked first. There is not much demand in middle-class districts as all families have computers. However, places populated by poor families or households on CSSA, such as impoverished public housing estates and old districts with private buildings, have strong demand for computers, and are suitable locations for community computer centres, where poor students may study at ease, enjoying the convenience of learning, just like the children of ordinary families.

In addition, the Government must also make good use of schools' resources. Every school has a computer room, for which special allowance should be given so that its opening hours can be extended by hiring part-time staff for the evenings and holidays. Each school can thus become a small community computer centre serving its students and members of the district. Schools should also be given allowances for students' activities so that they can subsidize poor students in after-school activities on a reimbursement basis. A school is a place for students. They will try their best to protect students' privacy, and encourage them to join more after-school activities.

Madam Deputy, it is not disgraceful to be poor. It is, however, detestable to condone and turn a blind eye to the spread of poverty. Quite a few Members did spend their childhood in poverty. With the blessing of equal opportunities of education, and through the hard efforts and toil of their own, they ultimately built their careers and realized their dreams. When we look back to the past, we, of course, do feel gratified. However, we should also find ourselves duty-bound not to let poverty burden or bog down our next generation. It is the responsibility of the Commission on Poverty to let the poor, including students living in poverty, have a fair opportunity, a foundation for advancement, and a hope to move on so that they may strive to realize their dreams while growing up, just like what we did when we were young.

LU Xun said: "One must bear the burden of old ways, shoulder against the gate of darkness, and let them out to a broad and bright horizon, where they may live happily after in a reasonable manner." This is the target of education. It should also be the direction of poverty alleviation.

DR RAYMOND HO: Madam Deputy, in the 2005 policy address, the Chief Executive announced that a commission to alleviate poverty was to be established and its task would be to study how to help the poor in terms of employment, education, training and financial needs. Not long after the policy address was released, the Commission on Poverty (the Commission) was formed. The prompt implementation reflects the Government's determination to cope with the problem of poverty.

Hong Kong is a developed economy, but like other developed countries, there is a disparity between the rich and the poor in our society. This problem has existed for a long period of time, but it has further worsened as a result of the economic downturn of recent years. Under these circumstances, in order to solve the problem of poverty, it is imperative for the Government to take all necessary measures to speed up the recovery of the economy as soon as possible.

To achieve economic revival, apart from making every effort to create employment, the Government needs to create a good business environment, including, for instance, upholding the principle of *laissez-faire* (or non-intervention) and the good legal system, as well as offering reasonable and essential support of different kinds to enterprises. Recently, with the joint efforts of the Government, citizens and enterprises, our economy has experienced a satisfactory rebound, and the latest jobless rate has fallen to a three-year low of 6.4%. I hope that this trend will continue. If it does happen, I believe the poverty problem will be alleviated in due course.

Since Hong Kong is in transition to a knowledge-based economy and there is a mismatch of human resources, besides creating a good business environment, the Government also needs to solve the poverty problem by means of education and training. Only by doing so will the currently low-skilled labour be equipped with the necessary and relevant skills to enhance their employment opportunities and prevent their children from suffering from inter-generational poverty.

While many people think that more financial aids should be granted to those in need, I must emphasize that the offering of this type of assistance is only a short-term tactic to relieve poverty. As a long-term solution, the Government must improve the macroeconomic environment and enhance the overall quality of the poor. Therefore, the Commission needs to determine not only who are in need of help, but also what they need to be helped, for instance, the type of training and non-monetary support, and co-ordinate with the relevant bureaux accordingly. As for the poor in the aged group, statistics about them need to be studied and analysed. Based on the data, the Commission is expected to liaise with the relevant bureaux for subsequent policy formulation.

Our resources are limited and must be used effectively. I hope that while helping the poor, the Commission will make sure that the Government's financial aids and the other resources are not abused and should only be used in accordance with the sequence of priority as planned.

Poverty is a common problem around the world. Dealing with it involves a long process, determination and persistence. I hope that the Government, citizens and business enterprises will work together to alleviate this social problem and create a healthy and wealthy society.

Madam Deputy, I so submit. Thank you.

MR FRED LI (in Cantonese): Madam Deputy, Members have spoken a great deal about the functions of the Commission on Poverty (the Commission) and their expectations on it, so I am not going to repeat them. I am going to express my views on the funding and direction of the Commission. In Hong Kong, the definition of poverty is relative, that is, it is relative poverty, and it is unlike the problems involving hunger or the lack of conditions for survival facing the third world. Therefore, the focus of the work of the Commission will inevitably revolve around two areas: to people who lack the abilities, the Government has a duty to offer them assistance, and to people who have the abilities to become self-reliant, the Government should assist them in achieving self-reliance, for instance, to assist unemployed people with a low level of skill by providing practical vocational training.

However, these two areas also inevitably involve money and resources. Although the Commission will be headed by the Financial Secretary, the

Government is already complaining about a lack of money and it has got into the habit of saying that the fiscal deficit is serious. Whenever there are calls in society for increasing resources, it seems that the Government will always turn a deaf ear to them. In 2003, the Government slashed Comprehensive Social Security Assistance (CSSA) payments to the elderly and the disabled by 11%. We still believe in lobbying for a reversion to the previous level but it will be very difficult to make the Administration loosen its purse strings through the Commission.

However, we should not rely solely on the efforts of the Government in helping the poor and we suggest that corporations should also shoulder the responsibility. We Chinese have a tradition of showing greater moral character after getting rich. We suggest that a partnership with the business sector in Hong Kong be established in helping the poor, so that the Government, society and the business sector will all stand to gain. We propose that the Government should establish a fund to help the poor and invite large, medium and small enterprises to make donations. Some multinational corporations and local consortia in Hong Kong have always been happy to make donations and contribute to society. If the Government can take upon itself to make an appeal, many a mickle will make a muckle, so it will be able to achieve double the result with half the effort. Furthermore, we also propose introducing a street naming scheme. If the donation made by an entrepreneur, a businessmen or the business sector reaches a specific amount, then the Government will name some of the newly built roads after them, for example, "Fred Li Road" — if I donate enough money, then a road will be so named — and it would also be fine to call it "Fred Road", as long as the donor likes it. This is just like naming newly constructed buildings, libraries, and so on, after philanthropists. "Henry Road" also sounds quite nice on first impression. If Mr Henry TANG is willing to donate some money, perhaps proposals such as naming a road "Henry Road" can be considered. Each year, dozens of newly built roads come into being in Hong Kong. Of course, we will not change the name of Queen's Road Central. What we are talking about are the newly built roads. When we develop an area, there will be a correspondingly greater number of roads and it is actually possible to attract donations from some rich people by such means. I believe corporations and society will also show their support.

Meanwhile, we must also have a clear goal in collecting all these donations, which is to establish a secondary safety net with the donations to offer subsidies to families that have not applied for CSSA and are living on low

income. At present, the authorities have no intention of establishing a secondary safety net for the poor apart from the policy on CSSA. According to the figures of the Society for Community Organization, at present, there are about 700 000 low-income families which do not receive any assistance from the Government. Therefore, it is actually possible to consider offering assistance through a secondary safety net.

Besides, the donations to the fund can be used to step up training for low-skilled workers in Hong Kong. The latest unemployment rate in Hong Kong is 6.4%. Although it is the lowest in three years, unemployment is concentrated in the retail, welfare and community services sectors and the unemployment rate among low-skilled workers is still high. At present, Hong Kong has developed into a society providing high value-added financial and professional services, so it is obviously very difficult for people with lower qualifications and skill to re-enter the employment market after they become unemployed. Even if they manage to keep their jobs, the room for wage increase remains limited, thus leading to an aggravation of the disparity between the rich and the poor. Therefore, the most effective means to help these people is none other than to help them acquire a higher level of skill and knowledge, so as to meet the needs of the present market in Hong Kong. Therefore, it is necessary to enhance the functions of the Employees Retraining Board, including continually enhancing the practicality and professional nature of existing courses, so that low-skilled company employees can be accorded priority in receiving training and upgrading their skills to keep abreast of the changing skill requirements.

I so submit.

MR ALBERT CHAN (in Cantonese): Madam Deputy, being poor is nothing to be ashamed of, but to refuse to acknowledge the problem of poverty is. If a government refuses to address and ameliorate the problem of poverty, then this is something to be even more ashamed of. Therefore, since our Government has established the Commission on Poverty (the Commission), I believe it will be able to leave the ranks of the shameful, however, whether it can really attain the goal of alleviating poverty remains something to be seen.

In fact, over the years, many people have pointed out the problem of poverty in Hong Kong. I remember that 20 years ago, I read a book written by

Nelson CHOW, *Poverty in an Affluent City*. I believe many people who have studied social work or sociology must have read this book which points out the problem in Hong Kong. In the past 10 to 20 years, many Members have used the expression "wine and meat behind the red door smelled foul, while on the road there were frozen dead bones" in this Chamber innumerable times. This revealed the existence of a wealth gap in Hong Kong. I believe that establishing the Commission will make it possible to do some work targeting the problem of poverty. However, if we want to do some solid work, it is necessary to identify the source of the ailment, like a doctor treating a patient, by asking what the causes of poverty actually are. In addition, the Commission also has to define what poverty is, otherwise, when dozens of people hold a meeting together, everybody may seem to be talking about the same thing but is in fact referring to different things. In the end, when the work has to be decided, there will be great confusions. In particular, under the existing structure of three Secretaries of Departments and 11 Directors of Bureaux, without a clear definition, different bureaux may have different interpretations of how the problem should be addressed and may assume different roles. In that event, the decisions and policies made may lead to a waste of resources and manpower.

The prevailing problem of poverty in Hong Kong has recently seen aggravation. Of all factors, economic recession and economic restructuring is one of the factors, however, the most significant factor is the Government's inaction in purposefully or readily formulating any policy to assist low-income families, in particular, working people more advanced in age who are in their forties or fifties. In addition, the Government has not put in place any particular policy to assist non-skilled or semi-skilled labourers. The issue of a minimum wage has been discussed numerous times. If the Government wants to help the poor, one of the most direct and the simplest way is to specify a reasonable statutory wage so that the majority of low-income people and non-skilled labourers can have a reasonable income to live on. Because of low wages, these people are forced to live in poverty.

Addressing poverty is an arduous and long-term task. Therefore, I do not expect the Commission to find a panacea to the problem of poverty in a year or two. I remember that in Canada, reports on poverty were already written as early as in the '60s. Various provinces and the Federal Government also formulated policies to address the problem of poverty. However, at present, the problem of poverty is still widespread in Canada and millions of children are

still living in poverty. However, with policies or measures in place, it can be ensured that this group of children or people defined as living in poverty will receive appropriate care, so that they will have the opportunity to live in a more humane society, receive government support and have the opportunity to break away from poverty. I believe that the Commission should, firstly, draw a definition of poverty; secondly, lay down objectives, including short-term, medium-term and long-term ones; thirdly, draw up a plan. I believe some tasks can be accomplished in the very short term, that is, the Government can specify a minimum wage in all public works, including works projects and projects put out to tender, to ensure that this group of people (in particular, formal full-time workers) will not be obligated to live in poverty.

In addition, I believe that the Government should abolish the outsourcing system gradually because outsourcing is often precisely the cause of poverty. There are many causes leading to poverty in Hong Kong, therefore, if there are measures which will solve part of the problem of poverty right away, then the Government should take them as soon as possible, otherwise, it will be tied down by other policies. Since the Government has vigorously promoted outsourcing and contracting out for a number of years, this has made many workers lose their stable income and their livelihood was affected.

Meanwhile, the Government also has an important role to play in the distribution and redistribution of resources through arrangements in the tax regime. One of the reasons for the emergence of poverty in Hong Kong is the mode of operation in the Hong Kong society according to social Darwinism, with the strong preying on the weak and the rich getting richer and the poor, poorer. Under the monopolization by several consortia, the average members of the public will never be able to get to their feet. Therefore, it is the role of the Government to formulate a fair competition law, an essential measure which will ensure that with competition, average members of the public or small shop-owners will have a fighting chance. In that event, members of the public in the lower stratum will not be deprived of their livelihood because of the monopolization by consortia. Please look at our newspaper vendors. In Hong Kong, there are over 3 000 newspaper stalls but they are being gradually gobbled up by consortia, for example, by 7-11, OK Convenience Stores and supermarkets, such that newspaper vendors are gradually losing their means of living. There is no need to talk about the newspaper vendors in markets, whereas stores selling newspapers will soon be a thing of the past. Therefore,

only by eliminating monopolization can the numerous poor people stand a chance to get to their feet again. I hope the Financial Secretary can examine this problem. Thank you, Madam Deputy.

MR ALAN LEONG (in Cantonese): Madam Deputy, according to a survey conducted by the Hong Kong Council of Social Service, at present, there are more than 1.1 million poor people in the population of Hong Kong and one in six persons in the Hong Kong public lives in poverty. In my East Kowloon constituency, the problem of children living in poverty is also very serious. In every 100 children, 25 are born to low-income families. What is most worrying is that the problem of wealth gap is becoming increasingly serious, that is, the poor is getting poorer and the rich, richer.

Some sociologists use the term "rupture" to describe some people in society who can never compete with other people because they have missed out on some opportunities. Consequently, they are forced to remain at the bottom of society forever. It seems that this phenomenon of rupture is emerging in Hong Kong. Some people remain forever at the bottom of society not because they lack the abilities but because their starting points are different from those of other people, consequently, they cannot compete with others on the same plane. This is what we do not wish to see and also the situation that I hope the Commission on Poverty (the Commission) can avert as far as possible through its work.

Madam Deputy, some people in society has the misunderstanding that any policy on helping the poor is tantamount to "a policy to dole out money". In fact, this is not necessarily the case. Let me give a simple example. For instance, some students do not have enough money, so they cannot install a computer at home to access the Internet for learning purposes. However, the solution to this problem does not necessarily lie in giving them money to buy computers. The solution is perhaps for the Government to put in place support measures policy-wise so that schools will extend the opening hours of some computer rooms, or to designate an area in public libraries to enable these students to access the Internet, so as to give them opportunities of using computers at places outside their homes. In citing such an example, I merely want to illustrate that a policy on helping the poor does not necessarily involve doling out money.

The Commission has specified three areas of responsibility in its terms of reference and they include: (1) to study and identify the needs of the poor; (2) to make policy recommendations to prevent and alleviate poverty, and promote self-reliance; and (3) to encourage community engagement; delineate responsibility between the Government, social welfare sector and community organizations; foster public-private partnerships and mobilize social capital in alleviating poverty.

However, in order to effectively accomplish tasks in these three areas in its terms of reference, it is necessary to set indicators on necessities of life, which can serve to define the service targets of the Commission. If we do not have any objective indicator for the purpose of identifying the recipients of services to be provided by the Commission, then the Commission is prone to shooting its arrows without a clearly-defined target. With the indicators on the necessities of life, the Commission, the Administration and civil society can examine the results of the work done by the Commission, with a view to conducting a review of its work.

Of course, some people are concerned that specifying the indicators on necessities of life may have a stigmatization effect and some people in society will be labelled as poor people. However, this should in no way be a reason for refusing to set indicators on the necessities of life. The Government and the Commission can educate the public adequately to make them understand that the main aim is in fact to help people in society who face financial difficulties as a result of economic restructuring and globalization. The public should also understand that to establish a caring and just society and to completely solve the difficulties of people who cannot meet their necessities of life for the time being is the prerequisite to Hong Kong managing put down its baggage and embark on a new journey.

Madam Deputy, after the indicators on the necessities of life have been set, we can then define the different needs of different types of poor people. Maybe the abodes of some people are too cramped, other people do not have any employment opportunity, and others may have other needs because of their paltry income. The Commission may then co-ordinate various bureaux in formulating policies according to the different needs of poor people under different circumstances, in order to attain the goal of helping the poor.

Furthermore, after setting a number of indicators on the necessities of life, we will then have a basis to assess the problem of poverty in different districts. For example, in East Kowloon, special attention can be given to the needs of the elderly, the unemployed and new immigrants. The needs in other districts may be different and may involve considerations in other aspects such as housing, early childhood education, and so on.

In order to enhance the flexibility and mobility in helping the poor, I hope the Health, Welfare and Food Bureau can consider devolving power of discretion to front-line workers, so as to cater to the different needs in different areas according to the different circumstances of individual cases.

I very much hope that the Commission can lay down a set of objective indicators on the necessities of life and allow various Policy Bureaux to take the lead in formulating the relevant policies according to the needs of different groups. Together with the arrangement to devolve a greater power of discretion to front-line organizations and workers, more flexible and effective services can be launched to help the poor.

Madam Deputy, I very much hope that the SAR Government will have the courage, commitment and resolve to help the poor, so that they can see a way out. This is what a responsible Government should be committed to doing.

With these remarks, Madam Deputy, I support Mr Frederick FUNG's original motion.

MR ABRAHAM SHEK: Madam Deputy, poverty among the underprivileged is not a shame, nor is it a crime, but it would be shameful and wrong of our Government if it allows poverty to grow, especially at the expense of the aged and the young.

Madam Deputy, in this spirit of care and benevolence, our Chief Executive has in his last policy speech set up the Commission on Poverty (the Commission) to be headed by the Financial Secretary. The Commission comprises government officials, Legislative Council Members, business people, non-governmental organizations, and every relevant party under the sun. Its goal is to provide opportunities for such a diverse group of representatives to sit

together and explore specific policies and measures to help the poor, the elderly, the disabled and the single-parent families in terms of financial, employment, education and training assistance. I very much appreciate the setting up of such an apolitical commission. I sincerely hope that it will achieve great success in its task to alleviate the problem of poverty in Hong Kong. At the same time, I also hope that this government-led initiative can alter the discriminatory and lukewarm attitude towards the poor, and raise the level of concern and care for the underprivileged. In this way, Hong Kong will truly be a harmonious, caring and equitable society.

However, there are some people who do not hold high expectations for the new Commission. They question the Government's commitment in alleviating poverty. In addition, they are worried that the Commission will simply become another forum for political squabbles, as representatives of different interests will hold on to their views and the Commission will not accomplish its goals.

In reality, such concerns are not groundless in the present circumstances. In the past, we know that the various sectors of our society, the grassroots, the middle class, the social welfare sector, the business community and the Government all have very different views on welfare policies and the allocation of public money. Last Wednesday, in this Chamber, discussion about long-term policies to tackle poverty flared into an exchange of heated arguments between the Financial Secretary and the Honourable LEE Cheuk-yan as both were standing firm by their beliefs. Naturally, no conclusion was reached on the matter. If similar stand-offs are to repeat at the Commission's meetings, it will surely be nothing but a forum for orator.

Of course, nobody wants to see such prophecy come true. In fact, the poor, who are in genuine need of assistance, have great expectations for the Commission. Do they really have a choice? Therefore, members of the Commission should take very seriously their responsibility to try to alleviate poverty, bearing in mind that they should act in the best interests of those people whom they are charged to help. They should apply diligence and wisdom in tackling the task.

In terms of expectation, I hope that the Commission members from different strata of the community will aim at helping the poor as their first primary objective. I also hope that they can be less insistent in holding on to their own ideology, and can find out the root of the problem of local poverty and

formulate appropriate policies. If no compromise can be arrived at, it will be very difficult for the Commission to achieve its targets.

The first meeting of the Commission was held last month. In the meeting, the Government held the opinion that a multiple of socio-economic indicators should be adopted to more effectively define target recipients of assistance, as opposed to setting up a poverty line. However, some members insisted that an official poverty line should be established.

But, if — as they argue — the poverty line is defined as half of the median per capita income of a family, about 1.1 million people in the territory will then fall under this definition. If such a population needed public assistance — my God, I hope this would not happen — both the public and the private sector might go broke. In light of this, the Government's decision to adopt various socio-economic indicators to define target recipients appears to be a more reasonable and effective way to deploy our resources. When considering policies for alleviating poverty, the Commission members should take into account the community's overall interests instead of just fighting for measures which will benefit themselves or the sectors they represent.

Madam Deputy, part (a) of the motion talks about "setting a clear and definite direction for alleviating poverty, and defining the Commission's role and the values behind it". I think this point is crucial. The Commission should have a very clear direction and clear objectives, otherwise, the poverty problem cannot be resolved no matter how much resources we utilize. I agree that the Government's poverty alleviating work should not only be aimed at assisting the poor, but should also provide more opportunities for their children to improve their skills and abilities so that they can become self-reliant and pull themselves out of poverty. Education is the best tool to eradicate poverty.

As regards the direction which the Commission should adopt, this is another area to be considered seriously. The function of the Commission is to study the cause of poverty and formulate effective measures to ease the problem. Assisting the poor does not simply imply increasing the delivery of social welfare services. The cause of poverty should be investigated and diagnosed. In this way, remedy can be found. Therefore, alleviating poverty is not simply advocating welfare ideology. It does not imply spending vast amounts of public funds without considering society's overall interests. Such a conception shall only result in more social polarization. It also encourages recipients to

conceive that the community is obliged to offer hand-outs. It will give rise to ingratitude and loss of impetus on the part of the recipients to help themselves.

Thank you, Madam Deputy.

DR FERNANDO CHEUNG (in Cantonese): Madam Deputy, we have high hopes for the Commission on Poverty (the Commission) and it is also an important component of government policy. We understand that the poverty situation in Hong Kong is grave. Although up to this day, we are still debating whether a poverty line should be set, in the international community, many countries are already using various measurement tools in an attempt to set a line. Take the Organization for Economic Co-operation and Development as an example, it uses 50% of the median of all household income in defining poverty. In fact, we should understand that about 18% of the households in Hong Kong are living below this line. Even if we make the delineation according to the CSSA line mentioned by Secretary Dr York CHOW earlier, it seems that there are still over 1.18 million Hong Kong people who fall below this straight poverty line.

No matter what our views are or whether a poverty line is to be set or not, and even if the Government does not set a poverty line, scholars or other people concerned about the problem of poverty will still attempt to gauge the extent of poverty. What is our view? The present poverty situation in Hong Kong is extremely serious. Looking at the developed countries or regions around us, we will not be able to find a region with such a high proportion of poor people. If we leaf through the information provided by the Census and Statistics Department, as far as the incomes by decile group in the past decade is concerned, not only can we find that the poverty situation is deteriorating, furthermore, the disparity between the rich and the poor is also growing bigger. The income of the decile group with the lowest income against the total income of all households has kept decreasing. Recent statistics indicate that in 2001, their income against the total income of all households was less than 1% and was only 0.9%. However, the income of the decile group with the highest income accounted for 41.1% of the total income of all households. With the ever greater wealth gap and increasingly serious problem of poverty, Hong Kong has no choice but to face this problem. Of course, I am very glad that the Government is willing to establish the Commission, to be headed by the Financial Secretary personally. We have high expectations on it and hope that

the Commission can really try to solve the problems of poverty and wealth disparity in Hong Kong.

Of course, we know that the problem of poverty cannot be solved in a day or two. However, it is necessary for us to adopt a good attitude and have a correct understanding of poverty. From the proposal in the policy address and a paper submitted by the Government to the Panel on Welfare recently, we found that the Government still adopts a negative attitude towards disadvantaged groups and recipients of CSSA and "fruit grant", or Old Age Allowance. Why? In this paper submitted by the Government, the spending on CSSA, Disability Allowance and Old Age Allowance is twice expressed as a ratio to the total tax revenue that the Hong Kong Government derives from salaries tax, and the spending on helping the poor is compared a number of times to the tax revenue paid by the Hong Kong public. I find such an attitude most unacceptable. We hope that the attitude adopted by the Government is that of genuine understanding and compassion for the poor in Hong Kong. At present, over half of the CSSA recipients are elderly people and the rest are disabled people, people suffering from chronic diseases, single parents, and so on. In fact, these people already account for the majority of cases of monetary assistance provided by the Government. We cannot look at these people from a discriminatory or negative viewpoint, even though we do not expect them to have the traditional Hong Kong spirit of achieving self-reliance. In fact, no matter under what circumstances, we should still help them as far as possible. The remaining small proportion of CSSA cases involves unemployment and past experience shows that when the unemployment rate fell, the number of such cases also kept decreasing.

Therefore, I believe that first of all, the Government must have the correct attitude. As to the Commission, I believe that, as Mr Frederick FUNG pointed out in his motion, it is a must to have a clear and measurable target. Without a target, there will not be any direction and I am afraid the work of the Commission in the next few years may not produce any pronounced result and still less will we be able to assess if the Government's policy or measure to help the poor has achieved any result.

In addition, I hope the Commission will be directly accountable to the public and attend Council meetings to give an account of its work. I also expect the Commission to prepare a consultation paper in the near future and enable the public to express their views through different channels. What is more, I hope

that the Commission will have the capability to formulate and implement policies. I hope that the Commission will not be purely advisory in nature. Since one Secretary of Department and four Directors of Bureaux are serving on it as members, it is definitely capable of formulating effective policies to co-ordinate the work on alleviating poverty.

Therefore, Madam Deputy, I wish that the future work of the Commission will be a success and that with the co-operation between the civil society and the legislature, the work on alleviating poverty will be an even greater success. Thank you.

MR LEE CHEUK-YAN (in Cantonese): Madam Deputy, I remember that last time when the Legislative Council Subcommittee on Combating Poverty convened a meeting, the Financial Secretary cast a glance upwards, indicating that the ceiling was high and he considered me to be someone observing the sky from the bottom of a well. Certainly, I admit that I am observing the sky from the bottom of a well because, unlike the Financial Secretary, I am someone living at the bottom of a well. A photo has left a deep impression in my mind. It is a photo of "stargazing from a sofa", in which the Financial Secretary was sitting in a sofa in his official residence, his legs crossed, gazing at the sky.

I am someone at the bottom of a well, whereas the Financial Secretary lives in his official residence, where he can gaze at the stars from a sofa. Someone at the bottom of a well like me will naturally look at the sky from it. Financial Secretary, in fact, existence at the bottom of a well and an official residence are worlds apart. One of them is the bottom of a well. There, I saw many other people and also many phenomena of poverty. Some people live on leftovers, and many families with several members live on \$2,000 or \$3,000 a month. Many unemployed people live in despair, others commit suicide by burning charcoal and there are also many problems relating to wages in arrears. It is of course very much unlike the world in an official residence. The people whom the Financial Secretary meets are, as Stanley HO said, so fat that they cannot even put on their socks. These are indeed two worlds apart. Since the Secretary has taken up the post of the Chairman of the Commission on Poverty, I sincerely hope that you will go and have a look at the bottom of the well and that you know your mission is to deliver those people at the bottom of the well to the ground.

How can the people be delivered from the well to the ground? The Government often talks about helping the poor extricate themselves from poverty through economic development and training. I believe this is not putting things correctly. I do not mean that it is not necessary to do these two things, only that these two things will not be enough to help the poor escape from poverty. I only want to point out that if anyone believes that it is possible to help people extricate themselves from poverty merely through these two measures, he is being self-deceptive. I do not oppose economic development or training. In fact, even Mr TUNG or the Government often says that Hong Kong as a whole is undergoing economic restructuring and globalization. Under economic restructuring and globalization, of course, there will be a group of people who can get on board the locomotive of globalization. However, there are also many people with not very high academic qualifications who have contributed their entire lifetime to Hong Kong and who will be left behind by this locomotive. It is this group of people whom we have to care about. In the course of economic development, there is always a group of people who will be left behind. Therefore, the crux of the problem is that in economic development, there are always some people who cannot ride on the train. Even the Government admits that an estimated 230 000 people will be eliminated in future.

On training, the Government has done a great deal of work in the past seven years, including the upgrading of skills, the establishment the Continuous Education Fund amounting to \$5 billion and retraining. However, according to an analysis conducted by the Government itself, even with so much training, the average wage of the 300 000 poorest employees was \$4,900 in 1997. However, by 2003, the average wage of the poorest employees was \$3,900, with a drop of 20%. In other words, such is the outcome of providing training for seven years. In the second poorest group, the average wage was originally \$6,800, by 2003, it was only \$6,000, with a drop of 11.8%, so the wage has also decreased. Therefore, no matter what kind of training is provided, it cannot help boost wages because the training provided cannot turn primary school graduates into university graduates. If the training can train middle-aged workers so that they attain tertiary standards, I can guarantee that they can definitely extricate themselves from poverty. However, the real situation is not like this. Merely through a course that lasts 12 days or several weeks, it is not possible for them to climb onto the locomotive of economic restructuring. Therefore, I hope we will not talk about training anymore.

On the other hand, the Government often says that its overall policy is to help people achieve self-reliance. However, I really wish to remind the Government that these people have all along been helping themselves. No matter if the working hours of many people in the salaried class are extended to 12 hours, 14 hours, 15 or 16 hours, they are still very poor and their wages are still very low. If the problem of low wages is not solved, how can they rely on themselves? Since their wages are indeed far too low, it is impossible for them to rely on themselves. I wish to remind the Government that it must formulate a policy to assist low-income people, not just by training but also by policy intervention, for example, by setting a minimum wage, as we have always been advocating. If the market keeps suppressing wages, this group of self-reliant people will never be able to escape from poverty.

In addition, I also hope that the Government will conceive more safety nets for people on low income, for example, by waiving tuition fees, medical fees and charges or rent, so that they can receive better assistance in living. This is our expectation on the Commission on Poverty insofar as helping people on low income is concerned.

Finally, earlier on, I heard the Liberal Party talk about a fund on helping the poor. Of course, I very much welcome this suggestion made by the Liberal Party, however, Madam Deputy, I wish to remind them that if the business sector still employs the tactic of suppressing wages in their business operation, it is in fact creating poverty. Therefore, on the one hand, I welcome the suggestion of the Liberal Party on establishing a fund to help the poor, and on the other, I also hope that many Members of the Liberal Party, who come from a business background, can appeal to the business sector not to continue to adopt the business tactic of reducing wages, laying off employees and suppressing wages. We will already be very grateful if they do not create poverty.

Finally, I also call on the Government to set a poverty line. If there are no objective criteria, we will not be able to know who the service recipients are. The Government has now said that it will identify a target in each group, however, what are the objective criteria in identifying them? Which low-income people will be considered poor? Which elderly people will be considered poor? Is it the case that different delineations will be adopted for different groups? Even if the delineations will be different, in the final analysis, it is still necessary to have an objective criterion. We should identify this objective criterion and then assist these recipients jointly. Thank you, Madam Deputy.

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

MR ALBERT CHENG (in Cantonese): Madam Deputy, I strongly welcome Mr Frederick FUNG's move in proposing today's motion on alleviating poverty. This is because, despite the recent economic improvement, the socially disadvantaged in our community so far has not been able to enjoy the fruits of such improvement.

When a Member has moved a motion, if we do not like it, we may move an amendment to it, instead of criticizing it. I think Mrs Selina CHOW should not act in such an overbearing manner. Although she is a Member of the Executive Council or a prominent fresh Deputy to the National People's Congress, she should not criticize the motion moved by other colleagues. She may instead choose to amend it, or if she is dissatisfied with it, she may oppose it.

On the issue of alleviating poverty, I also agree with Mrs Selina CHOW in saying that "Rome is not built in a day." However, the problem is, as a Chinese saying goes, "If you are not hurt by the needle, you will not feel the pain." Right now, the poor people are living in desperate straits; they cannot wait until Rome is built. It takes many generations before Rome is built, does it mean that the poor people have to endure the poverty and continue to suffer inter-generational poverty?

According to this year's Budget, there should be structural deficits, and that the Government needs to open new sources of income and cut spendings. There are increases and reductions. But the most affected people must be those from the socially disadvantaged group. The poor people do not have a job, and even for those who have a job, their earnings are insufficient to meet their expenses. But even for the poorest people, the CSSA recipients or the disabled, they have to face slashes to their allowances as well. We once moved a motion debate in this Council to ask the Government not to cut CSSA payments, the allowances for the disabled as well as their transportation subsidies. In this Council, the majority of Members supported the motion, but unfortunately, when we proceeded to vote by division, the side with more Members was bullied by the side with fewer Members, and the result could not reflect public opinion.

Now the Budget will soon be released, and we all have an expectation — a reasonable expectation — that is, not only have we eliminated fiscal deficits, but also we can have some surplus. Under such circumstances, I would like to ask the Government, especially the Commission on Poverty (the Commission), "Will it suggest providing some assistance to certain cases according to their urgency under the new Budget?" For example, for the most socially disadvantaged group in our society, including CSSA recipients, disabled persons, and so on, should we restore their allowances to their original levels? In other words, shall we restore the slashed allowances and the transportation subsidies to the original levels?

Besides, inter-generational poverty is also an important item on the agenda of the Commission. If the poor people want to get rid of poverty, they must be able to cope with the demands of economic restructuring. In this knowledge-based economy, everyone must keep on pursuing further studies. Only by doing so can we better equip ourselves with more knowledge, thus enabling us to find employment in society. However, we have many young people who have to study associate degree programmes because they cannot pursue studies in universities. Associate degree programmes were first proposed by the Government with the purpose of enabling those who cannot enter universities to have the chance of receiving university education and finding jobs after graduation. In this way, they can get rid of poverty. However, the Government has made these associate degree programmes self-financing. What do we mean by "self-financing"? In other words, they are not subsidized at all. Those who fail to get a place in the universities can of course further their studies in overseas countries, if their families are well-off. Those who fail to get a place in the universities and have to stay in Hong Kong to pursue associate degree programmes will definitely fall into the following two categories. First, they do not have any chance to further their studies in overseas countries; and secondly, though they want to pursue further studies, most of them are children of grass-roots people or socially disadvantaged groups.

I think the Commission should study the issue of associate degree programmes. Those poor students want to pursue further education in order to get rid of poverty, and they want to gain admission to the universities. Should the Commission not discuss this matter? Should we not, at the time of financial affluence, when the financial conditions of the SAR Government have improved, give them some financial assistance?

Rome is not built in a day. But the poor people cannot wait anymore. For these CSSA recipients, disabled persons, the weak and the old, and those who need to further their studies, should we give them some extra care? In this Budget, I hope this Commission set up by the Government can really make some improvement and extend its helping hand to people from the socially disadvantaged who are in dire need of assistance.

I so submit. Thank you, Madam Deputy.

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

MR HOWARD YOUNG (in Cantonese): Madam Deputy, on today's subject of alleviating poverty, we have had a very thorough discussion. Earlier, when Mrs Selina CHOW discussed her amendment, she raised one point: Has Mr Frederick FUNG drawn a premature conclusion on the Commission on Poverty (the Commission)?

According to press reports, they have held only one meeting so far. I hope Mr Frederick FUNG can use the remaining one minute of his summing-up time to tell us: Had he raised many subjects during the first meeting, but was rejected or told that they could not be implemented, so that he had to put forward a motion with some rather negative wordings as its preamble? Or was it because the questions he raised were not discussed at all?

I have also taken part in many committees set up by the Government. According to my personal observation, very often, the discussion in first meetings will only be about forthcoming meeting schedules and then next on the determination of subject matters and scope of deliberation, and so on. Only on some very rare occasions that we would see actual, extensive and concrete discussions, or even the drawing of a conclusion by one of its members that the commission seems unable to play any useful role at the first meeting. If the commission had really been so efficient in its deliberation of matters, this was indeed a blessing. I hope later on when the Secretary replies, he can tell us whether this Commission, which all of us are very concerned about, obviously turned down many subject matters similar to this motion proposed by Mr Frederick FUNG, thus consequently making him think that its effectiveness would only be very limited. I so submit.

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): Mr Frederick FUNG, you may now speak on Mrs Selina CHOW's amendment. You have up to five minutes to speak.

MR FREDERICK FUNG (in Cantonese): Madam Deputy, from the speech of Mrs Selina CHOW, we can see that, first, she does not understand the timing; that is, the timing of my submission of this motion. By the time the Commission on Poverty (the Commission) was established, actually my motion had already been pending here. I had already proposed this motion once last December (so this is the second time I had proposed the motion) without being selected, so I had been waiting for another chance since then, though I had no idea when I would have the chance to propose a motion debate on this subject matter. Three weeks ago, I happened to learn that a Member originally assigned with this slot had given up his turn, so a slot had become available for me to insert this motion debate. I started to draft the wording of the motion, and when I was drafting it, the Commission had already held its first meeting. Therefore, the wording is by no means predictive, that is, it did not predict what the Commission could not do before it had ever held its first meeting.

Second, Mrs Selina CHOW has not read the wording of my motion carefully. I hope she can read it again. Or maybe I should read it to her, shouldn't I? But, she is not in this Chamber now. What I would like to discuss is the second sentence of the motion, let me read it aloud once, "That, as the Chief Executive announced in his policy address delivered early this year the establishment of the Commission on Poverty, and the Commission, from its incubation to its present inception.....". What I am saying is "to its present inception", so I have not made any conclusion that it would remain so in future. But it is really so insofar as the present conditions are concerned. For example, I asked, "What is poverty?" I have never heard of something like this after the Government has established a certain committee — now, the Commission specifies that its objective is to alleviate poverty. Next, if someone asks what is alleviating poverty all about? What is poverty? Sorry, we do not know yet. Let us conduct a study first.

In fact, the conclusion drawn at the first meeting was that a study had to be conducted to establish some benchmarks for measuring poverty, which are still not the definitions of poverty. It would take another two months before a document is compiled for discussion on what the benchmarks are. The Commission is established to alleviate poverty, but when the Government held the meeting, they told me that the definitions of poverty were still unavailable, though it had established its target as alleviating poverty. In other words, the Government is saying that you are coming to assist me to do the work of alleviating poverty, but I still do not know what poverty is, so I need to study it first.

I have heard some speculations — I hope the Secretary can clarify them later because such speculations may not be accurate. Someone told me that the document to be tabled at the next meeting might still not specify what those benchmarks are. Instead, it would just be a study on how to establish such benchmarks. If so, it will really pose a major problem. It takes two months for them to think of an approach, which will then be adopted to conduct the study, and no one knows whether it will take another two months or three months to complete this study; and the definitions of the benchmarks determined by the study may have to go through some consultation. So one can see that even the study of the benchmarks alone can take as long as a year or even longer. I am afraid the situation could develop into that sort of pattern. So maybe the Secretary had better tell me what I had heard is completely inaccurate, and that the document to be submitted at the next meeting will contain all the benchmarks, and that they will be itemized. That way, the work will be proceeded with much faster.

Yet, I still find that approach of work totally incredible: How can the people who are doing the work of alleviating poverty do not know what "poverty" is. Do you know what it is? I believe all those who are present do not know it — you still have not known it yet. Therefore, I feel that, as I said in the motion, the Commission, from its incubation to its present inception, lacks a clear positioning (that is exactly my impression) and specific plans in regard to the direction for alleviating poverty as well as its mode of operation. Of course, the Secretary may say, "Give me three more months and I can come up with some specific plans." If he does say that, fine, I have no further questions. Then let us wait for three more months for the specific plans. But I can definitely say that the plans are not available now. Therefore, as far as my

description of the state of the Commission is concerned, I have not made any mistake.

On the contrary, I do have some opinions on several points of the amendments made by Mrs Selina CHOW to my motion. Among the amendments she made to (a) to (g) of my motion, the only amendment I can accept with some reluctance is (d), that is, not to include representatives of those relevant executive departments and public transport operators into the Commission. Why did I include them into it in the first place? It was because I hoped that even officers responsible for implementing the relevant initiatives could also grasp the spirit of alleviating poverty, and that they could understand why the Commission would make certain suggestions, why they have to be so implemented and why they have to be so defined. After they have realized the reasons behind them, they would not become simply the tools (like robots) when they enforce the work of the Commission. They would not act like robots which can start working at the touch of a button. Instead, they will have a clear understanding of concepts like the values and directions. And they will feel that there must be some people in Hong Kong who will do something to improve our society. They will become totally dedicated. On the contrary, if they are not involved at this stage, they would become too detached. And they would not be so efficient in discharging their duties in future. If they simply enforce the work by following the instructions of the Commission after it has completed its discussion, then they will certainly have no idea of the background of its decisions, the process of the discussion as well as the related information, and so on. Therefore, I think there are some advantages in including these people into the Commission. Of course, if some people find it definitely unacceptable to include such people into the Commission, I can accept this point though not without some reluctance.

However, I cannot accept the amendments made to (b) and (g). If no benchmark is formulated, how can we know whether these policies are efficient when we assess these policies in future? But, Mrs Selina CHOW, on the contrary, mentioned the outcomes of the study. In fact, these outcomes could become her benchmarks, such as no cash subsidies should be given away; employment is most important; the elderly and the unemployed are the people badly in need; and 8.7% of the low-income group also needs help, and so on. When we mentioned this figure of 8.7%, is this 8.7% really adequate? To a certain extent, it requires different kinds of benchmarks to define the low-income

group and the unemployed. I do not understand why the Liberal Party can put forward such benchmarks when they discussed the motion, but when I put them down in black and white as wording of my motion, then they become unacceptable?

Regarding full participation of the people, I think, even at the district level, they should be given the power to make decisions. At present, very often, when people at the district level wish to do something, even if they engage in discussion with the highest official in the district to request him, for example, to relax certain policies or government regulations, they would invariably say that they do not have such authority and they have to seek the approval of their superiors. If the District Officers can be authorized (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Mr Frederick FUNG, your speaking time is up.

MR FREDERICK FUNG (in Cantonese): I so submit. Thank you, Madam Deputy.

FINANCIAL SECRETARY (in Cantonese): Madam Deputy, I am grateful to Members for expressing their valuable opinions on and expectations for the future work of the Commission on Poverty (the Commission).

In his policy address on 12 January this year, the Chief Executive announced the establishment of the Commission to co-ordinate and promote poverty alleviation efforts and to encourage self-reliance, with a view to achieving the objective of helping the poor and needy and working together to build a harmonious society.

Poverty alleviation has indeed aroused extensive discussion in the community. Given that the problem of poverty in Hong Kong is not just a question of abject poverty or whether the people has enough food and clothing, views are diverse among Hong Kong people as to what poverty means, who will need the support of the community, how assistance should be provided, and so on. Some members of the community are worried that helping the poor will

only encourage reliance and increase the burden on the middle class. Some people are worried that helping the poor will bring about a labelling effect, which goes against the objective of building a harmonious society.

In view of these concerns and worries, many people have expected the Commission to set out clear objectives as soon as possible to define who need assistance and also to draw up specific measures. Besides, some people have misgivings about whether the Commission can perform its function.

The Commission held its first meeting on 18 February. As the Chairman of the Commission, I think the first meeting has successfully marked a very important first step taken by the Commission. I will share with Members the preliminary discussion of the Commission in respect of the targets, objectives and direction of poverty alleviation, the review of existing policies, public-private partnership as well as the operation of the Commission.

- (1) Firstly, I am very glad to see that members of the Commission can treat the problem with a pragmatic, open and proactive attitude. They do not aim solely to come up with new poverty alleviation measures hastily, that is, to "hand in their homework", so to speak, and they do not seek to draw a poverty line in a broad-brush manner to define the targets of assistance. While drawing a poverty line is simple and easy to understand, it is nevertheless too generalized. In this connection, most members prefer to give up the easy way and take the difficult route. They consider that emphasis should not be excessively placed on discussion about whether or not a simple poverty line should be drawn, for it is more important to identify and respond to the different needs of different groups in the community and also draw up multi-dimensional indicators of poverty. I have asked the Government Economist to work out indicators that can help reflect the situation of poverty in Hong Kong, so as to enable the Commission to grasp a fuller picture of poverty in Hong Kong. This paper will be available for our further discussion in the next meeting scheduled in April.
- (2) Secondly, the Commission has established poverty prevention and promotion of self-reliance as its work objectives. Helping the poor does not mean "doling out money". Rather, it means combating

poverty through various ways and channels, and coupled with community engagement, people in need of assistance in the community will have development opportunities, thus enabling them to live a fulfilling life and continuously move up the economic ladder, and hence preventing them from falling into the vicious cycle of reliance.

The SAR Government is working towards these objectives in some of its policies. The Community Investment and Inclusion Fund is a good example. The Fund encourages the mobilization of social resources to help individuals and social groups to enhance their ability, so that they can more effectively help each other in the face of adversities. There are at present a total of 72 selected projects under the Fund. Recently, I have also seen for myself a successful project, namely, "Outstanding After School Care", in Tuen Mun District. I saw that the volunteer parents and children can achieve empowerment through the project. Improvement has been made to the homework and academic achievement of the children, and parents have also positively recognized their own capabilities. I am very glad to see this. I hope that similar projects and activities can be further extended to various communities.

- (3) Thirdly, members have agreed to adopt a district-based direction for studying and identifying the needs of the poor. It is very important to set this policy direction. Through district co-operation and participation, we can identify the different needs of the districts more accurately, formulate measures that can cater for the special circumstances of the districts more flexibly, and capitalize on district resources to provide assistance to the needy more effectively.

The Commission will conduct a visit to Tin Shui Wai next Monday (7 March) as a first step. We will observe an intensive employment assistance project and exchange views with members of the district on the challenges faced by them. I wish to emphasize that a district-based direction, as I mentioned when explaining the objectives of poverty alleviation, does not mean "doling out money" in various districts. We hope that through district co-operation, we

can assist the districts to more effectively provide support to people in need and facilitate a review of inter-district policy measures.

After the SAR Government announced the establishment of the Commission, there have been great reverberations in society opposing a "doling out money" approach. I do appreciate this feedback in the community, for every single cent spent by the Government is taxpayers' hard-earned money which must be used prudently. So, how the Government should spend the money and where the money will come from are questions that we must consider.

- (4) Fourthly, the Commission has also discussed the many policies and measures currently implemented by the Government to alleviate poverty. Members generally consider that there is already in place a sound and solid safety net to ensure that nobody (including non-CSSA recipients) will be unable to meet the basic needs of living, medical services, education, and so on, due to financial difficulties.

The Commission will study how the existing policies can be better co-ordinated and improved and in particular, consideration will be given to the needs of certain social groups. Here, I would like to give a brief account of the social groups which, in the view of the Commission, are most in need of assistance.

- (i) Inter-generational poverty — The Commission generally agrees that education is a way to help the poor get rid of poverty and hence prevent inter-generational poverty. The Commission will, in its discussion at the meeting in April, focus on the policy measures for preventing inter-generational poverty, including how the needs of children and young people can be assessed more systematically, with a view to providing appropriate learning and development opportunities to children and young people, thereby encouraging them to strive for continuous improvement. Providing assistance in terms of money or materials to poor children direct is often not the only or the best way to help them get rid of poverty.

In this connection, the Central Policy Unit is conducting a study of child poverty to explore ways to assist children in poverty by non-money means.

- (ii) Working poverty — The globalization of world economy and the restructuring of job types have affected the income of local low-skilled workers. Despite continuous improvement in the local economy and the unemployment rate in Hong Kong during the past year, some low-skilled workers still cannot share the fruits of economic recovery. Apart from the creation of employment opportunities by continuously facilitating economic growth, the Commission agrees to explore the needs of the working poor and review the existing policies and social resources to identify ways to improve their living.
- (iii) Welfare-to-work — The Commission supports the provision of employment assistance to the able-bodied to equip them for employment, thus enabling them to leave the welfare net and live a fulfilling life. The Social Welfare Department has launched a diversity of services in this regard, including commissioning non-governmental organizations to run intensive employment assistance projects to help welfare recipients rejoin the labour market. The Commission will in the future examine how the welfare-to-work objective can be achieved more effectively.

Apart from these social groups, the Commission will also take into consideration other social groups most in need of social support (such as the poor elderly who do not receive CSSA) when formulating work plans for the next two years.

- (5) It is also important to mobilize social capital and foster public-private partnership. The Commission has proposed ways to promote the fulfilling of corporate social responsibility by the industrial and business sector, thereby encouraging the sector to participate in poverty alleviation as a way to show their care and

concern for the community. I am glad to see that some chambers of commerce and organizations have expressed the wish to contribute to society by, among other things, actively participating in mentorship schemes, in order to mobilize social resources to take care of our next generation, rather than just providing greater monetary assistance. The Commission will consider how participation from the industrial and business sector can best be promoted in providing assistance to the disadvantaged groups, including ways to meet the needs of different districts and formulating best models of social involvement for the reference of enterprises.

To promote tripartite co-operation among the Government, the business community and the social welfare sector and to build up a partnership relationship among them, so that concerted effort can be made to assist the disadvantaged groups, the Government has set up a \$200-million Partnership Fund for the Disadvantaged, which will be formally open for application on 7 March. I hope that the establishment of this Fund can further promote public-private partnership to greatly benefit the disadvantaged groups.

- (6) The Commission very much appreciate the concern of the public over the discussion on poverty alleviation. That is why the Commission, at its first meeting, agreed that discussions should be made transparent by, among other things, uploading onto the Commission's website the agenda of the meeting beforehand and also making public the non-classified papers as well as a gist of discussion for public information after the meeting. The Commission will also consult the public and listen to their views, in order to forge a consensus in society on the policy and direction of poverty alleviation. Consultation will be conducted at different levels. For example, the Commission will, in its visit to Tin Shui Wai next week, exchange views with members of the district. The Commission will also consider setting up working groups later to consult the relevant organizations on different issues. Members of the public are very much welcome to put forward their proposals to the Secretariat through our website.

The Commission is currently composed of 24 members, including four Directors of Bureau and the Head of the Central Policy Unit. To ensure efficiency in the operation of the Commission, if our future discussion involve the purviews of other Directors of Bureau, I will invite the relevant Directors to attend discussion at the relevant meetings.

I believe Hong Kong does have the conditions and ability to become a truly caring society where the needy will be given assistance to help themselves and to improve themselves:

- (1) Hong Kong is a caring and compassionate society. This can be clearly seen from the response in society in the wake of the tsunami attack in South Asia and also from a recent report about 31% of the employees and 19% of the retirees interviewed having the wish to take up volunteer work after retirement;
- (2) It is a traditional core value of Hong Kong to improve one's lot by one's own efforts and to work with perseverance and diligence; and
- (3) The Hong Kong Government has included helping the poor as a key objective of its administration, reflecting the determination of the Government to address squarely the needs of the poor in society.

(THE PRESIDENT resumed the Chair)

I hope that through the endeavours and facilitation of the Commission, we can resolve conflicts in society and reaffirm the concept that being poor is not shameful and being rich is not a crime, and forge a consensus in the community on how assistance should be provided to the disadvantaged groups. The Commission has just embarked on its work and will formulate its work plans in the next meeting. Honourable Members and the public are welcome to express their views on the work of the Commission, and I hope that the Legislative Council and members of the public will support and participate in the work of the Commission, so that we can join hands to build a harmonious society.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mrs Selina CHOW to Mr Frederick FUNG's motion, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr James TIEN rose to claim a division.

PRESIDENT (in Cantonese): Mr James TIEN has claimed a division. The division bell will ring for three minutes, after which the division will start.

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

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

Functional Constituencies:

Dr Raymond HO, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong and Mr Patrick LAU voted for the amendment.

Ms Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr KWONG Chi-kin and Miss TAM Heung-man voted against the amendment.

Mr CHIM Pui-chung abstained.

Geographical Constituencies:

Mr James TIEN, Mrs Selina CHOW, Mr CHAN Kam-lam and Mr LAU Kong-wah voted for the amendment.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Miss CHAN Yuen-han, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr Alan LEONG, Mr Ronny TONG and Mr Albert CHENG voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 14 were in favour of the amendment, nine against it and one abstained; while among the Members returned by geographical constituencies through direct elections, 20 were present, four were in favour of the amendment and 15 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr Frederick FUNG, you may now reply, you have one minute two seconds.

MR FREDERICK FUNG (in Cantonese): Madam President, I hope the Secretary will appreciate that Members only hold different views on certain parts mentioned in the amendment, and that most Members of this Council agree with the rest of the motion that have not been amended. Therefore, I hope the Secretary will consider those parts that have not been amended in the motion. Secondly, parts (d), (e) and (f) are mainly related to the power of the Commission on Poverty. I always consider the present role of the Commission carries a much too strong tone of consultation, while the power for the Commission to carry out poverty-alleviation work seems inadequate. I hope the Secretary may help to straighten this out and put in more efforts in this respect.

I would like to make one final point. Regarding most of the targets mentioned by the Financial Secretary in his speech, the Financial Secretary has mentioned nothing about the primary yardstick by which achievement of targets can be assessed in the future. In this connection, I hope the Financial Secretary can do more in the Commission on Poverty, for the acceptance of this yardstick in future will be of great importance to us. As for the engagement of the community, the Financial Secretary does have mentioned it. However, I think it just does not work if the Financial Secretary has to visit different districts every time to inspect the work in the district. If he does not devolve the authority to the officers of the districts or District Councils, he can hardly get the job done. I hope the Financial Secretary will note these points. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Frederick FUNG, as set out on the Agenda, 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, who are present. I declare the motion passed.

MR LEE WING-TAT (in Cantonese): Madam President, in accordance with the power conferred upon us by Rule 16 of the Rules of Procedure on Motions for the Adjournment of the Council, I request to move the above motion according to Rule 16(2) without notice. The reason is that in the past two days I would like to, regarding this request of mine

PRESIDENT (in Cantonese): Should you first read out the wordings of the motion once so that Members will know what you wish to do?

MR LEE WING-TAT (in Cantonese): In fact, I would like to read out the wordings of the motion. The motion I propose for adjournment debate is about the rumoured resignation of the Chief Executive as well as the clarification should be made and measures should be taken by the Government. Madam President, I propose the motion for adjournment debate in accordance with Rule 16(2) for three reasons. First, in the past two days, the media have extensively reported that the Chief Executive, Mr TUNG Chee-hwa, will resign. This has not only led to extensive discussion in society, while the fact that neither the Chief Executive nor the Central Government has made any clarification has resulted in very widespread social unrest; second, I hope that the Central Government and Chief Executive TUNG Chee-hwa can make clarification as soon as possible so as to put a stop to such social unrest; third, I think any election of the successor of the Chief Executive should be conducted in an orderly manner, and time should be allowed for all candidates and the public to thoroughly discuss and participate. In view of the urgency of this matter which has extensive social interests involved, I therefore request the President to approve this motion in accordance with Rule 16(2). Thank you.

PRESIDENT (in Cantonese): Members, as I was taking a break just now, at around 7 pm, Mr LEE Wing-tat came to my office with four other Members to raise the abovementioned request. At that time, Mr LEE Wing-tat did not yet have the contents of his motion properly set out in writing. Thus, I asked Mr LEE to write down the contents properly. Ten-odd minutes later, I received the contents of this motion and considered it forthwith. I hastily entered the Chamber after having given due consideration. Therefore, I knew about this motion just proposed by Mr LEE Wing-tat and have considered it in detail. Mr LEE wished to propose a motion for the adjournment of the Council according to Rule 16(2), which requires that if the President is satisfied that the adjournment is for the purpose of discussing a specific issue of urgent public importance, the President may permit the moving of a motion for the adjournment of the Council. However, the proposed subject for debate is merely a rumour not supported by facts. In the absence of factual evidence, I cannot be satisfied that this issue is

of urgency and importance. Therefore, I do not allow this motion for adjournment debate proposed by Mr LEE Wing-tat.

Now we proceed to the second motion

MR LEE WING-TAT (in Cantonese): Madam President, can I make an enquiry about procedure? I propose this motion for adjournment debate in order to have this rumour clarified. If this rumour goes unclarified, it is not possible to pacify the unrest of the general public at large and, indeed of all sectors. Therefore, while I am not denying support for the line taken by the President, this rumour itself has stirred up much discussions and unrest. Madam President, would you please consider once again whether this motion for adjournment debate can be accepted as a motion of urgent public importance and is of substantial interest to the public? Thank you, Madam President.

MS MARGARET NG (in Cantonese): Madam President, can I ask a question? Would the President please clarify the ruling made just now? Of course, there is no factual evidence as to whether or not Mr TUNG Chee-hwa has resigned

PRESIDENT (in Cantonese): If it is a point of order, you may raise it. If this is a matter which you want to discuss or debate regarding the motion itself, then I do not think you should raise it here because I have already made a ruling.

MS MARGARET NG (in Cantonese): Madam President, I

PRESIDENT (in Cantonese): If you respect the ruling made by the President, please do as I ask.

MS MARGARET NG (in Cantonese): Madam President, I understand that; I am not deliberately taking this chance to engage in a debate. Madam President, my focus is on the point that there is no factual evidence (that is, as to whether or not Mr TUNG Chee-hwa has already resigned). Madam President, have you

considered the fact that there is a rumour going around and that it is turning fierce? I would like the President to clarify this issue, and would like to ask, Madam President, if you have considered this respect? If not, I hope the President can consider it from this angle.

PRESIDENT (in Cantonese): I hope that we can proceed to the next item on the Agenda after what I am going to say. My consideration is: Is the Legislative Council going to use this Council's time to conduct a debate on a rumour that has no factual basis — no matter how heated and how extensive the rumour has spread — but just because of its urgency and importance? Without a factual basis, I can neither decide nor rule whether or not an issue is urgent and important. For, without the basis of facts, it will be arbitrary simply to rely on the rumour to decide whether or not there is urgency and importance.

I believe that in this Chamber, there are colleagues who feel that there is urgency and importance and those who do not think the same. Yet, according to Rule 44 of the Rules of Procedure, this is a decision for the President to make and I will surely take up this responsibility. No matter whether or not this decision is to your liking, no matter whether this decision is difficult or easy, this is a responsibility that the President must shoulder, and also a task entrusted to me by Members. I have considered the request made by Mr LEE Wing-tat, so this decision is final and I will not alter this decision.

Second motion: Scheme of Control Agreements of the two power companies and the long-term energy policy.

SCHEME OF CONTROL AGREEMENTS OF THE TWO POWER COMPANIES AND THE LONG-TERM ENERGY POLICY

MR LEE WING-TAT (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

The profit control schemes applicable to the CLP Power Hong Kong Limited (CLP) and the Hongkong Electric Company Limited (HEC) were introduced in 1964 and 1978 respectively. Since the economy was not net fully developed at that time and the construction of power plants and electricity grids would require enormous investments, the Government, in a bid to attract

investments, permitted investors to gain a certain rate of guaranteed return over a prescribed period of time. The idea of a scheme of control agreement (SCA) was first proposed by the CLP to the Government. Lord KADOORIE, then Chairman of the CLP, made it very clear in the CLP Annual Report of 1964 that the permitted rate of return set down in the SCA was simply a profit ceiling, not any profit guarantee. However, the two power companies have by now come to regard their rates of permitted return as *de facto* indicators of tariff increases. If they fail in any year to attain these indicators in their tariff increases, they will always talk as if they have betrayed their shareholders. The two power companies have certainly distorted the original intent of Lord KADOORIE years back, but equally, the Government has itself misinterpreted the rationale behind it.

I shall first discuss seven of the principles involved, leaving the remaining two to Mr Fred LI. The principles I am going to discuss are:

- (1) tariffs charged by the power companies should be reasonable;
- (2) the mechanism for tariff adjustments should be more transparent;
- (3) any new scheme of control agreements should have adequate flexibility and should allow for a review within a reasonable number of years;
- (4) more considerations should be taken into account in determining the rate of return; and
- (5) the stability and safety in the supply of electricity should be maintained;
- (6) the feasibility of establishing an energy authority with the responsibility of formulating a long-term and comprehensive energy policy should be studied; and
- (7) environmentally-friendly electricity generation and renewable energy resources should be developed.

First, we demand the power companies to charge reasonable tariffs. In January 2005, the Democratic Party conducted a random survey on 764 people.

According to the findings, 59% of the respondents are of the view that electricity tariffs are much too high, and 58% of them also think that the levels of local tariffs have adversely affected the competitiveness of Hong Kong. Besides, 74% of the respondents agree to the liberalization of electricity grids, so that customers can enjoy the freedom of choice. In regard to the current levels of permitted profit, which range from 13.5% to 15%, 69% of the respondents comment that they are too high and must be adjusted downward. According to a report of the Hong Kong Government, the tariffs charged by the two local power companies are higher than those charged in neighbouring Taipei and Singapore, and their rates of return are also higher than those of their counterparts in Europe, the United States and Australia. Since the profit and assets value of a power company are directly linked under its SCA, as long as the power company can keep on expanding its assets, it can go on raising its profit, but in that case, electricity tariffs will also rise in tandem. In this way, people are forced to pay exorbitant tariffs, and not only this, our industrial and commercial development is also hindered, as the overall competitiveness of Hong Kong is adversely affected. The Government is duty-bound to maintain electricity tariffs at a reasonable level so as to protect the people's living and the business environment.

Secondly, we demand the Government to increase the transparency of the mechanism for tariff adjustments. Under their respective SCAs with the Government, the CLP and the HEC have managed to make enormous profits. The HEC, for example, made a profit of \$2,228 million in the first half of last year, and it is estimated that the total profit in a full year will be as high as \$6 billion. As for the CLP, its net profit for 2004 is estimated to be as huge as \$8,609 million, representing a rise of 12% against the \$7,687 million recorded in 2003. However, this year, despite people's opposition, the two power companies still went separately ahead with tariff adjustments and rebate withdrawal in January. On average, the tariffs charged by the HEC have been raised by 6.5%, with the result that 70% of its household customers must each pay \$13 more a month in electricity tariff and the tariff expenditure of 70% of its commercial customers also rises by \$136 a month. As for the CLP, since the tariff rebate is withdrawn, its tariffs have in effect been raised by 2%.

The two power companies are obviously trying to reap as much profit as possible before the expiry of their SCAs in 2008. Their closed tariff reviews have long since attracted criticisms from different social sectors. In 2002, for example, seven major property developers, namely, the Great Eagle, Hang

Lung, Hong Kong Land, Hysan, Sun Hung Kai, Tai Koo and Kowloon Wharf even issued a joint statement, saying that the Government must formulate a long-term, transparent and effective monitoring mechanism for assessing the operational efficiency and capital investments of the power companies, and that the results of assessment must be made public. The Government should therefore formulate a reasonable tariff adjustment mechanism marked by increased transparency, so that both the general public and the industrial and commercial sector can monitor the two power companies and prevent any profiteering.

Third, any SCA should have adequate flexibility and should allow for a review within a reasonable number of years. Ever since the 1960s, the Government has executed SCAs, and the guaranteed level of profit ranges from 13.5% to 15% of the net fixed assets value of the power company concerned. The intention is to encourage the two power companies to invest in power generation units and thus ensure an adequate supply of electricity in Hong Kong.

However, as the economy of Hong Kong matures and there is just a steady, low single-digit growth in the demand for electricity, the existing regulatory mechanism has instead induced the two power companies to expand their fixed asset investment incessantly as a means of ensuring a high level of guaranteed return. The review period of 15 years set down in the past has deprived the Hong Kong Government of any flexibility in tackling issues. For this reason, we maintain that the review period should be shortened. We agree that before the complete liberalization of the electricity market, the conditional extension of the SCAs applicable to the two power companies should be supported. However, certain parts of the existing agreements must be amended, so that appropriate provisions can be introduced to pave the way for the future liberalization of the electricity market. Madam President, we would like to propose the Government to divide the 15-year extension period into five three-year periods and offer this to the two power companies in exchange for their acceptance of amendments to their SCAs.

Fourth, more considerations should be taken into account in determining the rate of return. On the adjustments of the rates of return for the two power companies, the consultation paper recommends that a composite asset indicator should be adopted to replace the current practice of fixing the rates of return at 13.5% to 15% of the fixed assets of the power companies. It is also mentioned

that we may also consider adopting the mechanisms in Australia and the United Kingdom, whereby electricity tariffs are linked with various economic indicators (such as the consumer price index and the retail price index) and tariff ceilings or business revenue ceilings are prescribed. We basically agree to the linkage of tariffs and economic indicators and the consideration of more factors, such as operational efficiency and environmental performance, in the determination of tariffs.

Fifth, the stability and safety in the supply of electricity should be maintained. The stability rate of electricity supply in Hong Kong is 99.999%, one of the highest among all the major cities in the world. In Hong Kong, the financial, banking and capital-raising centre of the Asia-Pacific Region, the reliability of electricity supply is of crucial importance. But some have pointed out that the direct linkage of profit and asset value under the existing SCAs has induced the power companies to obtain high profit return by over-investing, thus leading to an excessive supply of electricity in Hong Kong. This is harmful to the interests of both the small shareholders of the two power companies and general consumers.

The Government should also study the feasibility of establishing an energy authority. Energy development is a complex issue, so the Government should study the feasibility of establishing an energy authority with the responsibility of formulating a long-term energy policy covering the supply of electricity, liquefied petroleum gas, towngas and fuel and also the development of renewable energy resources.

To grasp the opportunity arising in 2008 from the expiry of the SCAs executed between the Government and the two power companies, the proposed energy authority should focus on the important task of studying the liberalization of the electricity market, with a view to introducing elements of competition.

At present, the regulation of the local electricity market is undertaken by major government authorities such as the Economic Development and Labour Bureau and also the Environment, Transport and Works Bureau. The consultation document describes the existing framework as functioning satisfactorily, implying that the framework can be maintained. However, the case in reality is clearly very different from what the authorities think. To begin with, government officials do not have an adequate understanding of the

electricity issue; in other words, laymen are put in charge of professionals, thus leading to a myriad of problems. The tenure of the non-civil-service Electricity Advisor will end very shortly, so the Government is bound to rely on the advice of outside consultants in the future. This may significantly increase administrative expenses and easily lead to the re-emergence of consultants ruling Hong Kong. Therefore, it is necessary to study the establishment of an independent energy authority comprising experts and representatives of the executive and customers, so as to formulate a long-term energy policy covering the supply of electricity, town gas and fuel and make preparations for a transition to market liberalization in the long run.

Finally, I wish to say a few words on renewable energy and the reduction of pollutants. In the Study on the Potential Applications of Renewable Energy in Hong Kong, the Government proposes to set the target of contribution from renewable energy at a mere 1% by 2012. And, the two power companies, which discharge huge quantities of air pollutants, are likewise extremely slow in action, conducting just a token study on wind power generation. Therefore, it is necessary for Hong Kong to establish an energy authority to oversee and expedite the development of renewable energy resources. Situated in the sub-tropical region, where daylight hours are long, Hong Kong is fully capable of developing solar energy. Besides, owing to its coastal location, there is also sufficient wind power for electricity generation. In Germany and Taiwan, many people have installed solar panels for electricity generation, mainly because a 50% government subsidy is available. This can show us the difference made by government leadership and support. Of all renewable energy resources, wind power electricity generation is the most feasible and cost-effective option. The initial costs may be comparatively high, but thereafter, as long as there are winds, electricity can be generated endlessly with very low operating costs. In the long run, it will pay off many times over. We therefore propose the Government to consider the idea of granting land free of charge for wind power electricity generation in the future; this will help promote the development of renewable energy resources. As for reducing the pollutants discharged by the two power companies, the target should be to limit the emission of carbon dioxide. If the emission of carbon dioxide is reduced to a certain target, the permitted profit of the power company concerned may be raised by 2% to 5%. Foggy days in Hong Kong are getting increasingly frequent, so the Government must make much more determined efforts to promote the use of renewable energy.

Mr Fred LI of the Democratic Party shall speak in detail on the interconnection of electricity grids. We hope that the authorities can consider all our proposals.

Madam President, I so submit.

Mr LEE Wing-tat moved the following motion: (Translation)

"That, as the Scheme of Control Agreements of the two power companies will expire in 2008, this Council requests the Government to seriously consider the following principles in order to decide on the way forward for the future development of the electricity market:

- (a) tariffs charged by the power companies should be reasonable;
- (b) the mechanism for tariff adjustments should be more transparent;
- (c) any new scheme of control agreements should have adequate flexibility and should allow for a review within a reasonable number of years;
- (d) more considerations should be taken into account in determining the rate of return; and
- (e) the stability and safety in the supply of electricity should be maintained;

furthermore, the Government should also study the feasibility of establishing an energy authority with the responsibility of formulating a long-term and comprehensive energy policy."

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

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, Mr Tommy CHEUNG and Mr WONG Kwok-hing will move amendments to this motion respectively, and Mr Fred LI will move an amendment to Mr Tommy CHEUNG's amendment.

Their amendments have been printed on the Agenda. The motion and the amendments will now be debated together in a joint debate.

I now call upon Mr CHAN Kam-lam to speak first, to be followed by Mr Tommy CHEUNG, Mr WONG Kwok-hing and Mr Fred LI; but no amendments are to be moved at this stage.

MR CHAN KAM-LAM (in Cantonese): Madam President, the two power companies have been supplying electricity to Hong Kong for more than a century. All of us agree that they have grown up hand in hand with Hong Kong and have contributed to our economic success. But it is also a fact that owing to the high levels of profits permitted under the SCAs of the two power companies, people are made to bear a very heavy burden year after year.

In the past few years, the economy of Hong Kong was plunged into a state of recession by the financial turmoil, but the two power companies never reduced their tariffs in response to the severe deflation. Quite the contrary, in the case of the Hongkong Electric Company Limited (HEC), the adoption of a certain measure over the past few years has even led to a *de facto* tariff increase. To members of the public, such acts of the two power companies are downright robbery, which is why they are highly discontented. Consequently, everybody very much hopes that the expiry of the SCAs in 2008 can bring about a revolutionary change in the local electricity market. In particular, for quite some time, many people have been expressing the hope that new electricity suppliers or the interconnection of electricity grids can be introduced to alter the current state of market monopolization by the two power companies.

Naturally, we do understand that since electricity supply involves enormous investments, it will be very difficult to attract new investments or new investors, and in a tiny market like Hong Kong, this may even be impossible. There have been many heated discussions on interconnection. Put simply, interconnection is taken to mean a merger of the two power companies. This sounds quite easy, because the two electricity grids are already connected by grid cables. But the interconnection which people have been advocating may not be desirable to the electricity market and Hong Kong consumers, because following a merger of the two power companies, only one company will be left, and the healthy competition which may be in existence now will be replaced by the

monopolization of one single power company. This will not be in the interest of consumers.

The DAB will also conduct studies on interconnection. We agree that interconnection is possible in Hong Kong, but the interconnection we should aim at should be a regional interconnection of grids. For this reason, we will shortly visit Guangdong Province, so as to study its power market and electricity supply developments in the next 10 or 15 years. We will also explore the feasibility of connecting the grids of Hong Kong with the existing interconnected grids in Guangdong Province. We hope that we will be able to put forward our views sometime later.

Moreover, a more important question that must be considered is: What shall we do when the SCAs expire in 2008? A simple answer seems to be that we may continue to adopt the present profit control model and reach new agreements with the two power companies after amending certain provisions. This is a simple way and also a feasible way. But we must also consider how we can protect the interests of consumers while giving assurance to investors. This is also an important consideration and also the core issue of the motion debate today.

Madam President, I am sure that profit-making should rightly be the aim of all commercial organizations in Hong Kong, or anywhere else in the world for that matter. The two power companies should be no exception, so we have never requested them to ignore the interests of their shareholders. We only hope that they can earn reasonable profits and charge reasonable tariffs. This is the most important point we have been driving at.

Over the past few years, the CLP Power Hong Kong Limited has been earning very handsome profits. As announced recently, in 2004 alone, its annual profits (generated by local electricity business) was already as high as \$6.788 billion. As for the HEC, its annual profits from electricity business in 2003 was \$5.6 billion, and in the first half of 2004, the figure was \$2.2 billion. It is estimated in the market that its annual profits in 2004 will not be lower than the level of 2003. We can thus see that the two power companies have been earning very high profits, being able to reap a profit of as much as \$10 billion from all Hong Kong people every year. It can be said that the profits are extremely high, bearing in mind that electricity is just a single item in people's expenditure on living. Despite deflation, there were no reductions of tariffs.

Quite the contrary, they were increased while the economy declined. This is in fact the greatest advantage the power companies enjoy under their SCAs. We should consider a major revision in this respect when drawing up new agreements in 2008.

The major development directions advocated by the motion today are basically the same as those held by the DAB. Whatever new developments there may be in the future — interconnection, new mechanisms or the continued operation of the two existing power companies — our primary concern should be to make sure that power companies must not be allowed to earn excessive profits and must only charge reasonable tariffs. The mechanism for increasing or adjusting electricity tariffs must be endowed with a high degree of transparency. But this alone is not enough; the mechanism must also be reasonable to both investors and consumers, and it must at the same time allow for easy monitoring by the Government. Only all this can make transparency meaningful. If not, any new agreements that continue to permit high levels of profit will be harmful to the interests of consumers.

I have just heard the Democratic Party's proposal on the adoption of "5+5+5" agreements. But we are of the view that the conducting of a comprehensive review once every five years may not necessarily be good to investors. We think that under the existing situation, no new players will possibly enter the market. Since our market is already very mature, we of course find it acceptable to conduct a review once every five years, but we must at the same time point out that this may not necessarily be good to the public at large.

The current rate of permitted return for the two power companies is 13.5%. We maintain that this rate is more on the high side. We therefore think that it should be lowered to 8%. In the electricity markets of foreign countries, the profit rates are usually single-digit, lower than 10%. We therefore think that it is more reasonable to fix the rate at 8% in our case.

Furthermore, the formula for profit computation should also be revised. The existing formula is based on overall investments. We think that huge surplus output is found in both power companies, and excessive investments are one of the main reasons for the unduly heavy burden borne by consumers. We hope that when working out a new formula in the future, the Government can exclude any investments in surplus output.

Madam President, our market upholds environmentalism, and we know only too well that electricity generation has been contributing significantly to air pollution. In the future, the Government must properly monitor the use of coal and oil for electricity generation and even the pollutants emitted by the electricity generation units of the power companies. That way, while ensuring a sufficient supply of electricity, it will also enable us to live in a clean environment. Therefore, we hope that after completing the Stage I consultation, the Government can make a decision as soon as possible. Thank you, Madam President.

MR TOMMY CHEUNG (in Cantonese): Madam President, the SCAs executed between the Government and the two power companies will expire in 2008. What development direction will the Hong Kong electricity market follow? Will the burden of the public and the industrial and commercial sector be lightened? I believe that Members are all very concerned about these questions.

Many people and the industrial and commercial sector have complained to us that the current levels of electricity tariffs are unreasonable. Why do they think so? We may first take a look at the levels of tariffs in recent years. The economy of Hong Kong started to plummet in 1998, leading to a cumulative deflation rate of 15% over a continuous period of 68 months, from 1999 to 2004. But the two power companies have never reduced their tariffs since the onset of economic downturn in 1998. The levels of electricity tariffs have remained on the high side, and the Hongkong Electric Company Limited (HEC) has even increased its tariffs twice. Many people thus think that the two power companies have never tried to join hands with the people in overcoming their difficulties.

The CLP Power Hong Kong Limited (CLP) has not introduced any blatant tariff increases (It even froze its tariffs for seven years in a row and implemented many rebate schemes during the period), but Members should know very well that all such rebates in fact came from its development fund, meaning that it was just returning its surplus profits to the people. And, on my part, I have one further grievance. I am dissatisfied that instead of returning its surplus profits to the customers according to their volumes of electricity consumption, the CLP simply introduced uniform rebates for all in a bid to win public acclaim. This is not only downright robbery but also a trick meant to win public acclaim at the

expense of those customers having to bear a heavy burden because of their high electricity consumption.

This year, the HEC has increased its tariffs by 6.5%. In the case of the CLP, tariffs are nominally maintained at the same levels, but since all rebates have been withdrawn, tariffs have been increased in actual effect.

We do understand that energy prices and prices of coal in the world market have increased very significantly these days. But since the two power companies have still recorded enormous profits (the CLP, for example, recorded a huge profit of \$8.61 billion last year), we do doubt whether they really have to shift all the rising operating costs onto their customers.

Despite the recent economic recovery, the market in Hong Kong is still basically very frail. In the case of many restaurants, high patronage has not brought them high revenue. Since the Chinese New Year, quite a number of restaurants have closed down due to their inability to make ends meet. We can see that some restaurants are unable to pay wages to their employees, so they have to close down, and even those which can cope with their overheads must close down all the same. We simply do not know how many such restaurants there are. I believe that when June approaches, more than 700 restaurants will have to close down. So, we can see that the situation of the catering industry is really not so good. Thinking that the economy has recovered and many visitors are coming under the Individual Visit Scheme, many landlords have hastened to increase their rents drastically. What is more, prices of supplies are on the rise and so are wages. To make things worse, one power company has increased its tariffs and the other has withdrawn its rebates. But in the meantime, since the time when SARS was over, several thousand restaurants have opened. The total number of restaurants now is even larger than that before the outbreak of SARS. Owing to fierce competition, restaurant operators are unable to increase food prices or shift their costs onto customers and consumers. Their only alternative is to swallow all the cost increases, but once they are unable to do so anymore, they will have to fold.

As a matter of fact, electricity tariffs occupy a large proportion in the operating costs of the industrial and commercial sector. In the case of the catering industry, for example, an average restaurant has to pay an electricity bill of \$100,000 to \$200,000 a month, and the expenses on water, electricity and town gas actually amount to 10% to 20% of the total turnover of the catering

industry. Those restaurants that operate round the clock will have to pay even more tariffs. High tariffs will also adversely affect retail businesses. We all know that the retail businesses in Hong Kong are noted for their long operating hours. As a result, they also have to bear a heavy burden of electricity tariffs.

Under the existing SCAs, the permitted rate of return enjoyed by the two power companies is 13.5% of their fixed assets. If their fixed assets are financed by shareholders' funds, the rate of return may even be as high as 15%. The SCAs were signed in 1993, when the economic conditions were far better. There were high rates of growth, inflation and interests at that time, so a return rate of 13.5% was not considered particularly high. But in the United Kingdom, the return rate for public utilities like power companies is generally just 6% to 7%. Nowadays, when the rates of growth, inflation and interests have become so low, a return rate of 13.5% is obviously unacceptable.

But the two power companies have never stopped maximizing their profits under this mechanism, turning the ceiling of permitted profits into the minimum level of profits and regarding "profit control" as "profit guarantee". That being the case, it is small wonder that electricity tariffs are so high and the burdens of business operators and the public are ever-increasing.

How much should the rate of return be lowered in the future? The Liberal Party thinks that a rate of 8% to 9% should be reasonable. The interest rate has gone down very drastically by now, and it will definitely not be as high as 8% as originally expected. And, one can say that for quite some time to come, the age of high interest rates will not return. In other words, conditions are just right for lowering the permitted rate of return to a single-digit level, and it is also in line with the wish of all.

Another criticism frequently levelled at the SCAs is that the rate of return is computed on the basis of fixed assets. Many experts have in fact pointed out that the linkage of the rate of return and fixed assets will encourage the power companies to seek higher profits by over-investing. In the case of the HEC, for example, its actual volume of electricity sale has been lower than the expected levels over the past three years. In the past, the demand for electricity increased at very high rates and power companies thus had to make heavy investments, so the linkage of permitted profits and fixed assets might have been an appropriate means of encouraging investment by power companies. But the demand for electricity in Hong Kong has stabilized by now. As a result, should

this return mechanism for encouraging investments continue to exist after 2008? This is a question we must seriously consider.

On the tenure of the new agreements, some think that a period of 15 years is too long. But we understand that electricity generation is an industry with a relatively long payback period; in the case of many projects, the time from planning to eventual completion is often as long as six to seven years, and the payback period is even longer. For this reason, we suppose the tenure of the new agreements should be roughly the same as that of the existing ones. But there must be interim reviews to ensure that the new agreements can be suitably adjusted in the light of economic development.

Madam President, the Liberal Party has always maintained that the introduction of interconnection should be actively explored. And, this is precisely the reason why I wish to move an amendment. One advantage of interconnection is that consumers can be given choices. At present, the tariffs of the HEC are 30% higher than those of the CLP. But the residents of Hong Kong Island do not have any alternative, and since electricity is a necessity, they are forced to pay the high tariffs.

In theory, if the electricity grids of the two power companies can be connected and both sides can rent the grids of the other at reasonable prices, people will enjoy the right to choose the electricity suppliers they want. Such a degree of competition, though minimal, is still better than no competition after all. This is quite similar to the liberalization of the telecommunications market several years ago. The Telecommunications Authority at that time also played the role of the monitoring authority. The success experience of the telecommunications market can be applied to the electricity market.

But it will require additional investments to bring about the "total interconnection" of the electricity grids of the two power companies. We must conduct further studies on how best to achieve cost-effectiveness for interconnection and make sure that the additional investments required will not add to the burden of customers.

As for the points on requesting the power companies to reduce the emission of pollutants as soon as possible and encouraging them to make more

use of renewable and environmentally-friendly energy, other Members from the Liberal Party will speak in great detail.

The reliability of electricity supply in Hong Kong is one of the highest among all the cities in the world. Members should still remember very vividly the blackouts in North America and Italy back in 2003. But no matter how the agreements are to be amended to ensure the stability and safety of electricity supply, tariffs must still be reasonable. This is the premise of any review of the development of the electricity market.

Madam President, I so submit.

MR WONG KWOK-HING (in Cantonese): Madam President, times change and the world moves on. In the past when society was comparatively secluded, some large-scale infrastructure relating to the people's livelihood must require government investment, or only a few financially strong private companies had the ability to build such infrastructure. In order to attract investment from companies with the financial strength, the Government was forced to offer more generous terms to them.

The Scheme of Control Agreements (SCAs) of the two power companies, which allow the two companies to receive a 13.5% permitted rate of return on their fixed assets and last for as long as 15 years, were precisely introduced with the objective of attracting corporate investment. With regard to these SCAs, instead of saying that they are profit control agreements, it is better to say that they are profit guarantee agreements to protect the profit of monopolistic companies.

Nevertheless, times have changed and the circumstances in society have also changed considerably. In an open market, powerful and well-financed private consortiums abound. Once the electricity market is liberalized, I believe both local and international consortiums would very much wish to secure a place in the electricity supply market of Hong Kong when seeing that the market is profitable. Only when the market is liberalized can electricity tariffs be adjusted downward.

Therefore, the expiry of the SCAs of the two power companies in 2008 will provide a very good opportunity for reform, and I hope the Secretary can

seize this opportunity. It is indeed necessary for us to discuss in detail whether the SCAs can meet the needs of the time. When discussing the way forward for the development of the electricity market, the Government must attach importance to the opinions of all sides. Particularly, it cannot ignore the opinions of trade unions and participation from trade unions and workers' representatives. I, therefore, propose an amendment to particularly emphasize this point. There are two reasons: First, industrial democracy and good labour relations are important elements of the sound development of large-scale modern public utilities. With close co-operation between employers and employees, and when a mechanism is put in place for good communication and co-operation between employers and employees, or between management and workers, employees can actively take part in democratic management and bring their talents into play. The implementation of measures for the democratic management of a company, such as a quality circle, can certainly upgrade the productivity of the company and at the same time reduce internal friction and loss, thus enabling the company to make great strides forward. This is the proven, indisputable experience of all companies which have achieved success in corporate management in the world. Second, participation from the labour side, including participation from employees, professionals or representatives of trade unions, to perform internal checks on these public utilities. Such checks are irreplaceable by any external check. So, the Government must attach great importance to this. For example, with regard to the safety-related incidents of the two railway corporations recently, have Members thought about why there was such a big difference? The outsiders cannot tell the reason, but people engaging in the internal operation can point out the problem. What is the problem? It is because the MTR Corporation Limited (MTRCL) has over the years continuously outsourced safety-related repairs and maintenance work in a bid to cut the number of staff, resulting in the continued occurrence of safety-related incidents in the MTR operation. But in its explanation to the Legislative Council, the MTRCL certainly will not make undertakings and the transport authorities of the Government certainly will not admit the problem. Only people engaging in the internal operation can reveal the truth of it. So, I think internal monitoring is very important.

The Hong Kong Federation of Trade Unions considers that in the long run, the Government should set up an energy authority to take up the role of monitoring and regulating the supply of energy. Apart from including government representatives, employers and experts as members of the energy

authority, representatives of staff unions should also play an important role in it. Staff unions will represent the voice of the employees. As employees know the operation of electricity supply inside out, they can put forward better proposals on how best the Government can improve its regulation.

Participation from trade unions can also overcome the inadequacy of laymen leading professionals in the Government. The Government and major enterprises often blindly believe in the opinions of overseas experts. While it is certainly necessary to consider the opinions of overseas experts, workers are the master of the company's day-to-day operation and so, they are in a better position to hit the nail on the head in expressing their professional opinions, and their input will be very valuable. I urge colleagues to support my amendment.

Next, I will turn to the regulation of electricity tariffs. Under the umbrella of the SCAs, the electricity tariffs of the two power companies had remained on the high side even during the period when a deflation prevailed, putting a heavy burden on the grassroots, particularly the poor. Even though many elders who live alone have a refrigerator, washing machine or fan, they prefer not to switch them on in order to consume a few units of electricity less. The reason is very simple. They simply cannot afford the exorbitant electricity tariffs. Citizens living on Hong Kong Island are most dissatisfied. They said that they are given different treatment, for they have to shoulder more expensive electricity tariffs than citizens living in Kowloon and the New Territories, although they all are Hong Kong people. Why? They really do not understand the reason.

In this connection, the existing SCAs should be discarded, and with regard to the adjustment of electricity tariffs, a mechanism should be put in place to allow both upward and downward adjustments in tariff, so that when the economy is in a bad shape, citizens can enjoy a lower rate of electricity tariff resulting from a downward tariff adjustment in line with deflation.

Madam President, the Secretary said on Monday at a meeting of the Panel on Economic Services that the Government had no established position on setting up an independent monitoring mechanism and that this would depend on the views to be collected, adding that if a monitoring mechanism were established, consideration would be given to absorbing representatives of staff unions. This

is exactly a demand that I put forward at that time. I hope that the Secretary will not just pay lip service to this, but to truly accede to the demands of the staff unions and attach importance to their views.

Madam President, I will move an amendment to today's motion. Two staff unions are here at the entrance of the Legislative Council staging a petition. They are the Chinese Employees Union of CLP Power Hong Kong Limited and the Workers Union of Hong Kong Electric Holdings Limited. They are here to stage a petition to Members. In their statement, apart from the views in support of today's motion and amendments, there are three points in particular that I must read out. They said that any amendment to the SCAs must ensure a stable and safe supply of electricity. This shows that the staff unions do have regard to the needs of society. Furthermore, they called on the Government to give full regard to a balance of the interests of investors, consumers and employees when considering the policy on electricity and energy. From this, we can see that the staff unions have taken account of the overall interest and this also explains why participation from the trade unions has to be absorbed. Finally, the staff unions said that any amendment to the policy cannot render the posts of employees affected or result in job loss to employees. I hope that Secretary Stephen IP can listen very clearly to these strong voices of the two staff unions conveyed by us at this meeting today.

With these remarks, Madam President, I support the original motion and all the amendments. Thank you, Madam President.

MR FRED LI (in Cantonese): Madam President, the consultation is somewhat negative towards the development of interconnection, deeming that this will affect the supply reliability of the two power companies. And, the interconnection between the Mainland and Hong Kong grids is even considered a very remote possibility. This explains why, in order to make clear the whole idea, I have included "power interconnection should be fully implemented so as to introduce competition" in my amendment. Interconnection is the very basis on which competition can be introduced to the electricity market, and since it will take a long time to make preparations for this, the Government should now start to finalize the planning and details of enhancing the interconnection between the two power companies.

As can be noticed from the consultation document, the Government is rather negative towards the interconnection between the two power companies and market liberalization. As mentioned in the consultation document, the Government does not think that there is any monopolization in the local electricity market, because other interested electricity suppliers are free to compete in the market at any time they like. Honestly, the Government has simply failed to see the market entry obstacles faced by new operators, if any. The existing electricity grids are owned by the two power companies. And, even if any new market entrants are prepared to install additional grids, they will ultimately find it difficult to compete with the existing two power companies in terms of operating costs. In the end, the "natural monopolization" of the two power companies is bound to result. Besides, the consultation document also queries the supply reliability of any interconnection between the two power companies. It is repeatedly said in the document that interconnection will necessarily lead to confusion over the ownership rights of electricity grids. And, it is pointed out, once anything goes wrong, problems of maintenance and responsibility will surely arise.

However, we are sure that interconnection will not be as dreadful as "a scourge", so to speak. As long as the Government can proceed properly and set the priorities right in the liberalization of the electricity market, it will be able to achieve a win-win situation of fair competition and stable electricity supply. Our recommendation is that the Government should negotiate with the two power companies on splitting their respective business into two parts — one on electricity generation and the other electricity distribution and supply. Each power company is to set up two subsidiary companies with separate books. The subsidiary company responsible for electricity distribution and supply should take charge of the electricity grids. And, while engaging itself in electricity supply, it should also open up its grids and rent them to other power companies on fair terms. As for the new submerged cable used for connecting the electricity grids of the two power companies, the Government may consider the possibility of inviting construction tenders from independent companies. That way, interconnection can be enhanced. This can reduce the risks resulting from market monopolization on the one hand and increase the competitiveness of new market entrants on the other, thus introducing sound competition. Under our proposal, the ownership rights of power grids are very clear. Therefore, even if incidents do arise as feared by the Government, it will not be difficult for the authorities to identify the problems and ascertain who should be held responsible.

Recently, following the relaxation of the restrictions on fixed network telephone charges, the PCCW has for the first time reduced its charges, and other fixed network telephone service providers have introduced various concessions one after another, so as to compete in a new round of price wars. The advantages of market liberalization and the introduction of competition are therefore more than obvious. The argument that market liberalization may not necessarily lead to price adjustments is indeed highly questionable. What is more, the interconnection between the Mainland and Hong Kong grids should not be considered so impossible. According to the information provided by the electricity authorities of the Chinese Government, the electricity grids of Yunnan already started to supply 49.43 million kW of electricity to Vietnam in autumn and winter last year, thus setting the first example of large-scale electricity supply by China to peripheral countries. And, there is also a plan to extend the sale of electricity to Southeast Asian countries. Although Guangdong Province will not have sufficient capacity to supply electricity to Hong Kong in the short-term future, grid interconnection between the two places can still be incorporated into the long-term development strategy. And, in the meantime, SCAs and review periods can be formulated, taking into account the possibility of outside electricity supply. That way, once Guangdong is ready, interconnection can be implemented at any time to achieve market liberalization.

We in the Democratic Party hope that there can be more transparency with this consultation document and the formulation of new SCAs in the future. Since Legislative Council Members are the representatives of Hong Kong people, any new SCAs and market liberalization policies should be put before the Legislative Council for passage, so that they can obtain the support of the Council and the public.

Lastly, I wish to settle an old score. But this has nothing to do with the incumbent Secretary. The existing SCAs, each with a tenure of 15 years, was signed in 1992. The then Financial Secretary, Sir Piers. JACOBS, joined the CLP as a Director soon after his retirement. This did arouse some suspicions at that time. Were there any collusion between the Government and business and transfer of benefits? One cannot help question why such agreements should be signed in the very first place. I believe Members should all see the hidden reason. I think the incumbent Secretary will never do something like this.

I so submit.

MR LAU CHIN-SHEK (in Cantonese): Madam President, the existing SCAs of the two power companies are in substance a scheme of high guaranteed return. The demerit of this scheme is that it has structural problems in three areas:

First, the permitted rate of return is too high, thus unreasonably pushing up the electricity tariffs;

Second, a SCA, once executed, will last for 15 years, and any amendment to its terms will require the consent of both the Government and the power company, showing a lack of flexibility in the entire SCA; and

Third, the calculation of profit on the basis of fixed assets has induced the power companies to continuously expand their assets in an effort to make more profit. As a result of excessive asset expansion, users are unduly made to pay exorbitant electricity tariffs.

Madam President, after I joined this Council in 1991, the first motion that I moved was to call for a review of the SCAs. But on the day just before the debate, the Government hastily extended the SCAs of the two power companies. This move of the Government has enabled the two power companies to enjoy excessive guaranteed profits every year in the past decade or so, irrespective of whether the economy is good or bad, whether there is an inflation or deflation, and whether their service quality is satisfactory or otherwise.

At present, the shareholders of the CLP Power Hong Kong Limited (CLP) and the Hongkong Electric Company Limited (HEC) can receive a guaranteed return between 13.5% and 15% on average a year. If we do some calculation based on the shareholders' fund which reflects the actual investment of shareholders, the rate of return even exceeds 20%. If the permitted rate of profit of the two power companies is reduced from the range between 13.5% and 15% to 10%, the CLP can reduce its tariff by 10% immediately, whereas the HEC can reduce its tariff likewise by about 15%. If the rate of return is further lowered to 7%, then the electricity tariff of the CLP can be reduced by 20% across the board, whereas that of the HEC can even be lowered by about 30%.

The power companies have often said that their rate of return is reasonable and that such a rate is close to that of other major corporations. I must say that this view is entirely disagreeable to me.

Madam President, the MTR Corporation Limited (MTRCL), which published its results yesterday, made a profit to the tune of \$4.5 billion last year, and this level of profit is already very desirable. But if we calculate its rate of return, the rate of return of the MTRCL last year was about 4% on its fixed assets, and even if we use the shareholders' fund as the basis for calculation, the rate of return was about 7%. For the HSBC Holdings which published its results a day earlier, the rate of return on after-tax average risk-weighted assets was 2%, and if the average investment capital is used as the basis for calculation, the rate of return was still less than 14%.

So, irrespective of how we look at it, the present rate of return of the two power companies is unreasonably high.

As we all know, the economy of Hong Kong has been very volatile over the past few years, with fluctuations even in the profit of some major public utilities, including the MTRCL and the Kowloon Motor Bus Company (1933) Limited. But the two power companies have exceptionally registered an increase in profit year after year. The only exception was a slight drop in the profit of the HEC in 2003 as a result of its Development Fund being exhausted. This shows that the SCAs have indeed blatantly turned into a profit guarantee.

Now, the senior management of the HEC has openly expressed opposition to an amendment of the SCA. I feel very disappointed and dissatisfied with it. In fact, a few years ago, I had repeatedly exchanged views with Mr SAYERS, the then Managing Director of the HEC. He said that his company was open to a review of the SCA. I must remind the two power companies that the situation is already beyond the tolerance of the people now. It is imperative to drastically amend or even abolish the SCAs, in order for the electricity tariffs to come down across the board. If the two power companies still think that everything can remain unchanged, I think that is absolutely impossible.

Madam President, apart from a review of the SCAs, I think increasing interconnection between the two power companies is worthy of consideration. Although I have misgivings about whether an interconnection between the two power companies can certainly cause electricity tariffs to come down, increasing interconnection can at least facilitate more effective deployment of resources for power generation, which can in turn reduce unnecessary waste. As regards renewable energy, I think the Government should more actively conduct studies. Efforts can be stepped up to enhance exchanges and discussion with local and even mainland academics, with a view to studying the various possibilities of increasing the use of renewable energy.

However, I have great reservations about a full interconnection with the Mainland and bringing in full competition. In fact, the electricity market is very unique and competition cannot be easily introduced to it. Moreover, nobody can guarantee that competition will lead to a downward adjustment in electricity tariffs. I do have concerns about implementing interconnection with the Mainland hastily. First, the Mainland (particularly Guangdong Province) may not have surplus electricity for supply to Hong Kong; second, the supply of electricity is currently very unstable in the Mainland; and third, the supply of electricity to Hong Kong by the Mainland will not be conducive to the employment of local workers.

I must reiterate that if the "guaranteed profit" cannot be abolished in the review of electricity control and if the electricity tariffs cannot be lowered in the foreseeable future, members of the public will certainly persist and will not just let it go.

I urge the Government and the two power companies to clearly find out what the people think and fully respond to public opinions.

Thank you, Madam President.

MR WONG TING-KWONG (in Cantonese): Madam President, in ancient China there was a man called KUANG Heng and he was well-known for digging a hole in the wall to steal light from his neighbour to study in the night. At last he became a famous scholar. Lamp light is therefore very important to a person's future. We are very grateful to EDISON for inventing the electric bulb, and that invention has changed the life of mankind completely. Now in

this time and age, the use of electricity has become an inalienable part of our daily life. In this Chamber, there are chandeliers hanging from the ceiling, and for the microphones, electronic display boards, computers, and so on, which Members use, they are all powered by electricity. Electricity serves to prolong the hours of economic activities, making business vibrant. Growth in the economy accounts for present-day achievements.

Given this close relationship between electricity and our life, matters concerning electricity supply naturally become a centre of attention. The Economic Development and Labour Bureau has launched a consultation on the future development of the electricity market in Hong Kong. The scope of the consultation is very wide. Of the many issues included, the one which attracts the greatest attention is the permitted rate of return on investment for the Hongkong Electric Company Limited (HEC) and CLP Power Hong Kong Limited (CLP) which presently stands as much as 13.5%. Many Members have expressed their views on this issue earlier. After studying the information on Hong Kong, the Mainland and overseas countries and places, we conclude that this rate of return should be adjusted downwards to about 8% which in my opinion is reasonable.

Parts of the consultation paper say that in general, household expenses on electricity tariff only take up less than 2% of the total monthly household expenditure. In other words, a household with a monthly income of \$10,000 would need to spend only about \$200 monthly on electricity tariff. But is the proportion taken up by electricity tariff in total household expenditure so low in real life? I think that this is very unreasonable. This consultation paper is misleading. It compares the electricity tariff of domestic consumers in Hong Kong with that in seven other major cities. Findings show that the electricity tariff in Hong Kong is 60% to 80% more than that in Taipei. This indicates that electricity tariff in Hong Kong is not cheap at all.

Therefore, I think the Administration should strive to reduce the permitted rate of return of the power companies in the near future and hence ease the financial burden of the public. The Administration should also launch reforms in the interest of the future development of the electricity market in Hong Kong. Apart from regulating profits, it should also study into and promote renewable energy, as well as speed up interconnection with the Mainland. In the long run, it can also look into the feasibility of separating power plants from electricity grids.

The consultation paper on the electricity market points out that increasing the interconnection capability to "full access" level though technically possible, would be very costly. It is because the interconnection capacity as well as supply networks of the two power companies would have to be enhanced. There would also be significant environmental and space requirement issues associated with the grid enhancement. In addition, a large amount of upfront cost would have to be borne by all consumers while the perceived benefits would be uncertain and long in coming. Despite these arguments, I think that the issue is worth exploring into in the long run.

Judging from the current conditions, interconnection facilities here in Hong Kong are yet to complete, therefore, it would be unrealistic to aim at interconnection with the Mainland. When this is coupled with the tight power supply on the Mainland in general and Guangdong Province in particular, it would not be feasible in the near future to achieve interconnection with the Mainland.

However, as we talk about the concept of a "Nine plus Two" Pan-Pearl River Delta Region, that is, the nine provinces and the two SARs, what can be done is to grasp the opportunity of reform in the electricity markets in Guangdong Province and Hong Kong to the mutual benefit of both places. What the Hong Kong SAR Government can do is to work on the basis of the existing grid of the CLP which is interconnected with the power system in Guangdong Province and speed up their integration with the objective of formulating a regional energy supply strategy.

On the issue of separating the power plants from the transmission networks, the benefits are that theoretically, it can shatter the unitary management in power generation, transmission and distribution. When management and operation as a natural monopoly are broken as the plants are separated from the grids, subscription to the grid will depend on the tariff charged. The lower the tariff, the greater will be the grid subscription. However, this is not the case as we can see from overseas experience. In Australia, power plants and grids used to be run by separate companies, but the desired benefits failed to materialize because of a number of reasons. So there was a need to revamp the national electricity supply policy again. After a number of changes, the situation returned to square one, that is, the power plants and the networks are now not run by separate companies. A lot of time is required to research into and implement the concept of separating the power

plants from the grids. Actually, irrespective of whether or not the two are to be separated, the ultimate goal is to enable consumers to use inexpensive electricity and to achieve 100% reliability in supply.

Overall, the consultation document on the future development of the electricity market released by the Government is biased in the sense that it only guides the public through discussions on the permitted rate of return while other aspects are to be kept as they are and the issue of reforms in the electricity market is simply avoided. In my opinion, reforms in the electricity market over the long run should be discussed from all aspects.

Madam President, I so submit.

MR LEUNG KWOK-HUNG (in Cantonese): Madam President, there are two topics for motion debate today. One is on alleviating poverty and the other is on the two power companies. These two topics are in fact interrelated. When Members spoke on the topic of alleviating poverty, they all gave very moving speeches. Many Members who come from a business background or representing the business sector said that aiding the poor did not mean doling out money to them. They also talked about how the poor should be assisted. But they did not do anything to establish a poverty line. Mr TUNG may not have to come here to speak anymore. But how the poor can be assisted when the Commission on Poverty he initiated and set up has not even drawn up a poverty line?

On the contrary, with respect to assisting the rich, the Government has been doing an excellent job. If I may use a jargon commonly used in our Motherland, the two power companies can be aptly described as tyrants of electricity. They act on the permitted profits approved by the Government and they are constantly inflating their investments on their fixed assets without any restraint and in total disregard of economic and environmental protection factors. They are reaping colossal profits under this shameful system. This system gives them a line — one which is exactly opposite to the poverty line. This line is devised for the rich. It will not do if they do not make profits fixed by this line. But for the poor, it is sickening to see that they are so poor. Even when they have nothing to eat, it is thought that there is no need to establish a poverty line for them. What a society we are living in!

What we do in this assembly when we discuss how the poor can be assisted is to be concerned about the minor and trivial things for fear that the poor may go astray, that they will go astray if they are given more to eat and they will not want to work. But for the giant consortia, they are given such a different treatment, for fear that the profits they get are too small, that they will be unhappy and refuse to provide enough electricity. The HEC has made it clear that if its operations are interfered, there would be no guarantee that there will be a reliable supply of electricity. There must not be any attempts to separate power plants from the grids. That is out of the question. To suggest power interconnection is also out of the question.

In the debate today, many basic facts of life are forgotten. Let me cite an example. As compared to our neighbours, electricity tariff in Hong Kong is the most expensive, that on Hong Kong island is so bloody expensive. When we pay the electricity bill, we would feel like our blood is sucked by this vampire power company. This is what many people have told me. We need to know that not only will members of the public have to pay for exorbitant electricity tariffs when they turn on the air-conditioners, fans, and so on, the small investors will have to place themselves at the mercy of these electricity tyrants when they use this energy to manufacture goods or provide services. All they can do is to writhe and groan in pain. What a society we are living in!

There is one thing I want to know very much and that is, given the existence of so many political elites and parties, so many maverick politicians, and so on, in Hong Kong, why do they not lead the Hong Kong people and fight against these electricity tyrants? I am also at a loss as to why the Government will stick to this practice. It goes all the way back to the British Hong Kong Government, or the colonial government rather, that nothing was done to finance this kind of infrastructure and to invest in it. This policy blunder was allowed to continue. In my career as a social activist for more than 30 years, I have taken part in countless actions to oppose tariff hikes. Mr LAU Chin-shek becomes a more or less well-known public figure because of what he did in the 1980s to monitor the two power companies. All through these years, apart from some people getting known and elected as Members because of this, things as they are today are sad to say, worse off than before. Why? The reason is that there are too many cases of mega profits. These two power companies act on behalf of many mega consortia and what the latter do is to hold shares or invest directly in these two power companies and engage in profiteering. They

are building their pleasure on the pains suffered by the small businessmen and ordinary people.

The SCAs will expire in 2008. For any responsible government, what it must do is to rectify its wrongs. The two power companies must be required to charge reasonable tariffs. Their mega profits must be reduced. For even a blind man can see that it is cheap to invest in power grids in Hong Kong because it is such a small and densely-populated place. In the United States, it would be a great trouble to lay a cable because the place is so huge. But why are electricity tariffs in the United States cheaper? The reason is that power supply in Hong Kong is tied with mega profits. The present system enables these companies to know that they can engage in profiteering. This is as simple as that. Their past experience shows that in order to transmit electricity to the Mainland, they have built a power plant and achieved interconnection with the mainland grids. They have reaped profits from the Mainland, but we are asked to pay for the costs. The power plant on Lamma Island is expanded for no reason and we are asked to pay for the investment made. All these are totally unreasonable. These electricity tyrants have turned into vampires. They are sucking the blood of the ordinary people, the small investors and operators of small businesses.

Therefore, I think the Government should impose a sanction on the two power companies and reduce their profits. Otherwise, the only way out for the Government is not to privatize but to nationalize. What this means is that the Government can redeem and purchase these power companies to subdue these two electricity tyrants. Their assets will then be turned into public assets and hence all the profits made will be used to enable the people to have a better living. Thank you.

MS AUDREY EU (in Cantonese): Madam President, I would like to discuss the motion today from the perspective of environmental protection. The consultation paper on the electricity market in Hong Kong released by the Government recently sets out many factors for consideration with respect to the future regulatory regime, but not much is said on environmental protection and no specific pledge is made.

We know that power plants are the greatest source of air pollution in Hong Kong by virtue of the pollutants they emit. In recent years, the power

companies have been using coal-fired generation to a greater extent and so air in Hong Kong has become more polluted. However, members of the public may not be aware of the fact that as they turn on the air-conditioner at home, they are actually obliging the power plants to emit pollution.

Actually, there would be no need to wait until 2008 to improve the air quality. What the Government can do immediately is to enforce the Air Pollution Control Ordinance and require the two power companies to employ the best practicable means as stipulated in the Ordinance to improve air quality. These means setting a ceiling for emissions and installing desulphurization facilities in the coal-fired generators. Actually, if all the coal-fired power plants in Guangdong Province with a high capacity will install desulphurization facilities by end 2007, I cannot see why the power plants in Hong Kong cannot follow suit.

In addition, the Government should make good use of the impending expiry of the SCAs and formulate a long-term energy policy and promote the use of clean and renewable energy.

In advanced countries like the United States, Britain and Australia, some mandatory standards have been imposed to require electricity retailers to provide a certain proportion or amount of renewable energy. In this regard, much has been said by the Hong Kong Government for many years but no such standards have ever been devised.

The consultant firm hired by the Government has made some prudent recommendations, using 1999 as the base year and hopes that 1% to 3% of renewable energy against the total consumption would be provided gradually from 2012 onward to 2017 and 2022. However, the projections made by the consultancy are based on the assumption that high temperature incinerators will be built to produce a lot of electricity. The results would be vastly different if we do not build such kind of incinerators or do not adopt such kind of technology. The consultation paper released by the Council for Sustainable Development last year also points out that wind power can meet 1% of the total demand for electricity in Hong Kong, however, an area equal to 240 Victoria Parks would have to be found to install the wind turbines.

The Government may consider the practice in Britain and Australia and permit the power suppliers to purchase certificates of responsibility on renewable

energy as an alternative to producing such energy by the suppliers themselves. The suppliers may be allowed to purchase electricity from the wind power sites on the Mainland. It remains, of course, that when this is to be done, the electricity grids will have to be opened to permit electricity generated by other companies in Hong Kong or on the Mainland to be transmitted to the grids of the two power companies.

In addition, the use of clean energy like natural gas should also be promoted in Hong Kong. The Government has been saying that a steady source of natural gas supply is not available. As we know, the liquefied natural gas (LNG) reception terminal in Shenzhen is due to complete next year. The CLP Power Hong Kong Limited also has a plan to build a LNG reception terminal in Hong Kong. It is expected that all these developments would reduce coal-fired power generation.

I should like to mention in passing that the Hong Kong and China Gas Company Limited will start to import LNG from Shenzhen next year as raw material to produce town gas. Such a move is tantamount to converting readily available clean energy into another form of energy which creates more pollution. This is not environmentally-friendly. The Government should discuss this with the gas company to convert town gas pipelines into natural gas pipelines gradually.

The greatest problem with the introduction of clean energy or renewable energy is the relatively expensive cost. Conventional fossil fuels are cheaper, but the air pollution that they create is harmful to everyone. In devising the future regulatory regime for the electricity market, considerations should be made to resort to taxation or the offer of financial incentives to encourage power plants to provide cleaner energy.

It is indeed a daunting task for a weak government to try to bargain with two powerful electricity companies and launch reforms in the electricity market. As the consultation paper says, "Market reform is not a one-off exercise, but a continuous process" . In view of this, the Government should actively consider setting up an independent energy authority tasked with the responsibility of doing monitoring work. In addition, as the town gas network takes up a lot of public space and the gas company is competing with the power companies to a considerable extent, it is only natural that the gas company should also be subject to regulation. Madam President, I so submit.

MR FREDERICK FUNG (in Cantonese): Madam President, electricity is integral to the life of the people of Hong Kong and business operation. As such, the tariff levels of electricity supply mean very much to the people. As the saying goes, a slight move in one part may affect the situation as a whole. In particular, the amount of tariffs paid have a profound impact on the daily operating costs of Hong Kong industries and public organizations. It was revealed in a survey conducted by the Economic Development and Labour Bureau last year that nearly 25% of the commercial and industrial organizations interviewed saw their monthly electricity bills accounting for 10% or more of their total operating costs. In view of this, the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I consider this motion a valuable opportunity to allow various sectors of the community to debate the existing *modus operandi* of the two power companies and the macroscopic way forward of the local electricity market as the Stage I consultation on the future development of the local electricity market is still underway.

Insofar as the present conditions of the local electricity market are concerned, the tariff levels of the two power companies are a matter of the gravest concern to the ADPL and me. According to a research report compiled by a foreign-funded securities company in 2002, Hong Kong ranked third internationally, only next to Italy and Japan, in terms of tariff levels. In the final analysis, both the ADPL and I share the view that people from all sectors of the community have to bear with the exorbitant electricity tariffs mainly because of the SCAs executed between the Government and the two power companies. Under the SCAs, the two companies are allowed to make a 13.5% permitted rate of return on their fixed assets value, with an additional 1.5% for assets financed by shareholders' funds.

The profits control system imposed on the two power companies dates back to 1964. The hope of the British Hong Kong Government in introducing this system at that time was to allow the shareholders of the electricity suppliers to receive reasonable investment returns while protecting the interest of the grassroots. In the opinion of the ADPL and me, however, the goodwill of allowing the two companies to peg their profits with their investment has, given the economic conditions in recent years, indirectly done "a disservice out of good intentions", thereby turning profits "control" into profits "guarantee". Members of the public are ultimately made to pay exorbitant electricity tariffs.

Although the two power companies have, over the past couple of years, launched a variety of discounts and rebates, and concessionary schemes in the light of the economic doldrums, they have evidently reaped growing profits by expanding their fixed assets annually. For instance, the total value of the fixed assets of the CLP expanded by more than 60% in the past decade, yet its total electricity sales in the corresponding period increased by less than 20%. The same applied to the HEC. The total value of its fixed assets more than doubled in the past decade, yet its total electricity sales in the corresponding period increased by less than 40%. In view of this, both the ADPL and I consider the existing SCAs for the two power companies no longer in step with present-day circumstances. A review is thus called for. In particular, it is essential to lower the rate of return to a reasonable level, or even abolish the existing mechanism.

In addition to the agreements between the Government and the two power companies, the ADPL and I would like to urge the authorities to, in the light of public sentiment, pursue the matter with the two power companies to enable more numerous and more direct concessionary plans for tariff reduction can be offered to the public in the short run. In the long run, it is essential to establish a mechanism allowing both upward and downward tariff adjustments according to different indicators of economic performance, such as the data reflecting the public's livelihood and economic development, including inflation rate, deflation rate, Consumer Price Index, the wage levels of the people, and so on. This will, on the one hand, enhance the transparency in determining tariff levels and, on the other, deter the two power companies from, under the existing SCAs, inflating their total profits by calculating merely on the basis of the total value of their fixed assets.

In the long run, although the stability of renewable energy resources remains a matter of concern, the ADPL and I hope that the authorities can study the feasibility of introducing renewable energy because it is more environmentally-friendly than coal, a major fuel presently used for generating electricity. Moreover, it will lower the cost price significantly. It can be said that it is going to be very helpful to lowering electricity tariffs in the future.

For these reasons, the ADPL and I very much approve of the spirit of the original motion and the amendments. The Government is indeed duty-bound to expeditiously discuss the existing SCAs with the two power companies with a view to introducing arrangements with adequate flexibility into new agreements

to be formulated in the future so as to plug the loophole of the existing system and alleviate the electricity burden on the public and business sector.

Madam President, I so submit.

MR JEFFREY LAM (in Cantonese): Madam President, electricity is absolutely indispensable to modern society. We cannot do without electricity, even for a minute, in business development, or even our daily lives. Precisely because electricity is so important, it is imperative for us to incorporate the concept of sustainable development in formulating a long-term policy on energy. Otherwise, we may sooner or later incur more losses than gains as a result of the damage done by electricity generation to the environment, and even to social development.

At present, Hong Kong and Guangdong Province rely mainly on the burning of fossil fuels, such as coal and fuel gas, for generating electricity. Of the two fossil fuels, coal has been one of the culprits of air pollution in the region. According to the figures published by the Environmental Protection Department in 2002, sulphur dioxide emissions by power plants accounted for 89% of the total emissions of the territory. Other pollutants, such as nitrogen oxide and suspended particulates, also accounted for 40% or so. It is thus evident that air pollution can be ameliorated if the emission of pollutants by the two power companies can be reduced.

Although the two power companies have made a lot of effort in reducing their emission of pollutants, gas, a cleaner fuel, was replaced by coal last year for the purpose of generating electricity as the storage of natural gas was found to be lower than expected. As a result, the emission of pollutants rose again. For these reasons, apart from hoping that the power companies can continue to employ different technologies, such as installing additional desulphurization facilities, to reduce pollution, the Liberal Party further hopes that the Government can, in issuing licences for power plants in the future, stipulate an upper limit on the total emissions by power plants rather than adhering to the existing practice of using discharge concentration as the standard.

In addition to environmental protection consideration, another consideration for sustainable development is to ensure energy resources can be sustained. We must understand that coal or natural gas will be exhausted one day. Moreover, their prices can fluctuate very vigorously. As such, in the

long run, we should actively consider exploring and introducing renewable energy.

It is proposed by the "Study on the Potential Applications of Renewable Energy in Hong Kong" completed in 2002 that the target of local generating capacity of renewable energy be set at satisfying 1% of electricity demand in 2012, and further up to 3% in 2022.

Nonetheless, the relevant target is lower than those in our neighbours and other parts of the world. Although we understand that Hong Kong is geographically constrained and it is impossible for such facilities as major hydro-power electricity-generating facilities to be developed, it is still necessary for the Government and the power companies to actively explore the feasibility of generating electricity by solar energy and wind power as well as promoting the development of these energies if it is cost-effective to do so. Furthermore, the large amount of landfill gas can be tapped for generating electricity too. However, as power grid is an asset of the power companies, the Government has no bargaining power when it comes to how electricity should be transmitted back to the power grid. As such, the Government should, in signing new agreements with power companies in the future, include conditions conducive to the development of renewable energy resources.

We understand that using natural gas, which is cleaner and more environmentally-friendly, or other renewable energy resources will inevitably lead to a rise in the cost of electricity generation. As such, the Government should find the point of equilibrium by fully consulting members of the public to find out if they are willing to pay higher electricity tariffs in exchange for better, cleaner air.

At present, the electricity policy is mainly regulated by two Policy Bureaux of the Government. Although the operation of the two bureaux can still be considered quite well, it takes time for various bureaux and departments to communicate and co-ordinate. Efficiency is inevitably affected by administrative procedures. For these reasons, I propose that an energy agency be set up to take full charge of co-ordination in future and perform one-stop management and regulatory functions. Whether this agency should be set up as a government department or an independent watchdog can be further examined.

The Liberal Party has no objection to Mr WONG Kwok-hing's proposal of including representatives of staff unions in the future regulatory framework.

We believe this proposal is helpful to tapping advices from even more parties. Nevertheless, we still have to emphasize that the new regulatory framework must adhere to the principle of providing the territory with a stable supply of electricity. It must not become an arena for power struggles among various parties fighting for their own interest. Only in doing so can it bring maximum benefit to social development.

Madam President, I so submit.

MR PATRICK LAU (in Cantonese): Madam President, I believe it is the hope of every citizen to strive for a reasonable electricity tariff level. In this connection, making the tariff adjustment mechanism more transparent and introducing a mechanism allowing both upward and downward tariff adjustments are vital to achieving a reasonable tariff level. For these reasons, these proposals merit our support.

A number of incidents which have attracted public criticisms recently, including the ones relating to the Hunghom Peninsula, the Cyberport, Discovery Bay, and so on, can all be attributed to the Government's lack of transparency in signing agreements. As the public is unable to monitor the Government, there arise such accusations as black-box operation, unequal treaties, collusion between business and the Government, illicit transfer of benefit, and so on. Therefore, I am of the opinion that the Government should, in signing new SCAs, introduce adequate transparency and flexibility and stipulate conditions of conducting reviews within a reasonable number of years to avoid, as far as possible, any public misunderstanding or suspicion.

According to a report published by the Audit Commission, owing to a significant slow down in the growth of demand for electricity, the new units of the Black Point Power Plant operated by the CLP, which went into production successively during the period 1996 to 1999, saw their reserve capacity reaching up to 70%, which was triple the ordinary international level. According to a conservative estimate, customers of the CLP were thus required to pay an extra \$3 billion or so in electricity bills during the three years. Furthermore, according to a market analysis, should the two power companies lower their permitted rate of return from 13.5% at present by one third or so, to between 9% and 10%, electricity tariffs may become one third cheaper accordingly. In

other words, each unit of electricity will be 10 to 20 cents cheaper on average. Therefore, I agree that more factors should be considered in determining the rate of permitted return. Moreover, the rate should be lowered to achieve a reasonable tariff level.

Like many other Members, I agree that the Government should, for the purpose of making more effective use of natural resources in line with an environmentally-friendly policy on energy, actively examine the feasibility of reducing the emission of pollutants in the course of generating electricity. Moreover, it should double its effort in researching, developing and applying renewable energy in order to provide Hong Kong with a sustainable, ideal living environment.

According to the information provided to this Council by the Economic Development and Labour Bureau, in terms of domestic electricity tariffs of major cities, the HEC ranked fifth, and the CLP seventh, on the chart of electricity suppliers charging the highest electricity tariffs. The tariff levels of the two companies are higher than those of our regional rivals, Singapore and Taiwan. Although the data has revealed the domestic electricity tariffs only, it is shown that, relatively speaking, Hong Kong's competitive edge has, to a certain extent, been undermined.

Madam President, it is extremely important for Hong Kong, as an international city, to maintain a stable and safe supply of electricity. However, I have reservations about the establishment of an energy authority. This is because the Government is obligated to formulate a long-term and comprehensive energy policy to ensure that Hong Kong has a stable supply of electricity and the electricity tariff levels be maintained at a competitive level. Thank you, Madam President.

MISS CHOY SO-YUK (in Cantonese): Madam President, colleagues of the DAB have earlier on stated very clearly the unreasonable situation of the public being made to pay expensive electricity tariffs. I wish to declare an interest here. I have also been made to pay expensive electricity tariffs to the HEC for decades, and I am still paying expensive electricity tariffs now. I would like to focus on the SCAs of the two power companies and the major drawback of the long-term energy policy in respect of environmental protection.

As Members have noticed, the Kyoto Protocol has come into effect since the middle of last month. It shows that the international community has clearly recognized that the continuous unrestrained emission of greenhouse gas would only lead to dire consequences. I am pleased to learn that although China, a signatory to the Protocol, is not required to reach the emission reduction target in stage 1 in principle, the Central Government has explicitly stated that it will fulfil its obligations in the Protocol, fully demonstrating its commitment and courage in fulfilling its international obligations.

In Hong Kong, however, although the emission requirement of the Kyoto Protocol has long been met, it is only the by-product of the northward relocation of local factories, rather than the result of government effort. In fact, compared with the unparalleled resolve of the Central Government, the Hong Kong Government is nevertheless hesitant and timid in dealing with the two power companies, and this has indeed shown before the eyes of the public "one country, two systems" in another sense.

I found it strange indeed as to why the Government, in order to improve air quality, can repeatedly target actions at local vehicle owners and the transport sector, proposing a host of reforms which have eventually achieved the desired results, but when facing these financially strong power companies, it is invariably making concessions and showing connivance. As a result, work in this respect has remained stagnant over the years.

As we all know, power plants are a major source of many pollutants in Hong Kong, such as carbon dioxide, sulphur dioxide, nitrogen oxides and suspended particulates. Particularly as the emission of carbon dioxide and sulphur dioxide, which are greenhouse gases and major culprits of air pollution, by power plants have continued to rise in recent years, they should be subject to very stringent regulation. Regrettably, the SCAs concluded between the Government and the two power companies have set eyes only on money, putting emphasis only on profit control and brushing aside all the other responsibilities in respect of society, environmental protection, sustainable development, and so on. Under this mentality or logic of "focusing on the economy to the neglect of environmental protection", it may be a bit impractical indeed to ask the Government to break away from its old thinking and come up with a long-term policy on electricity and energy in the overall interest of society.

In fact, it is obvious that the Government has been condoning the two power companies. First, in the face of increasingly serious global warming and air pollution, the Government has neither required the two power companies to set a ceiling on the emission of carbon dioxide nor mandate the two power companies to retrofit desulphurization facilities in their power generation systems. More outrageous still, even if the power companies do have desulphurization facilities, every single cent paid by the power companies can be shifted onto the public through their electricity tariffs under the current terms, and the power companies can still pocket all the profits made originally.

Besides, the development of clean, safe and inexhaustible renewable energy resources has been commonly recognized as the most effective means to reduce greenhouse gas emission and tackle air pollution. Moreover, the development of green energy resources is also a consensus in the community. Some time ago, the Council for Sustainable Development urged the Government to set specific indicators for and formulate policies on the development of renewable energy, and two motions were also passed in this Council in early 2001 and end 2002 respectively, urging the Government to support the development of a market of renewable energy.

However, in order to facilitate the extensive application of renewable energy, the Government must take on an active role by, for instance, requiring power companies to provide a certain proportion of renewable energy and to open up their power grids to allow connection by companies generating renewable energy. Regrettably, in a market monopolized by the two power companies, the so-called government facilitation appears to be virtually non-existent. For example, the target set by the Government is so low that it can be said as a laughing stock. At first, it was proposed that electricity generated by renewable energy should account for 1% of the total electricity demand by 2012 and to date, the percentage is proposed to be further increased only by 1% to reach 2%. This figure is only around one tenth of the standard of the European Union and about one third of the Shenzhen standard. The opening of the power grids is even more unlikely to materialize in the foreseeable future.

In fact, although the Mainland started later than Hong Kong, they are progressing at a speed comparable to, if not faster, than that of Hong Kong. For example, desulphurization facilities have already been provided for 10% of power generation in Guangdong Province. The proportion will further increase

to 30% by 2006, and by 2009, all major power plants will have been equipped with desulphurization facilities. Meanwhile, the electricity grid in Guangdong Province has already allowed priority access by renewable energy generation. But in Hong Kong, after many years of debate and contention, monopolization by the two power companies still exists. It is not easy indeed to effectively promote green energy.

Madam President, if the Government allows this to continue, it is tantamount to sending a clear message to the world that Hong Kong refuses to fulfil its international obligations and that it is conniving at the two power companies continuously doing damages to the health of the citizens.

Members may have noted that almost at the same time when the Kyoto Protocol came into effect, a local environmental group conducted a survey among residents in Tung Chung. Results show that the family members of a quarter of the residents interviewed had thought about moving out of Tung Chung because of air pollution. I am worried that today's Tung Chung may be tomorrow's Hong Kong and by then, where can we escape?

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

DR RAYMOND HO: Madam President, during the motion debate on the expectation for the implementation of policies held at this Chamber a few months ago, I expressed my wish that the Government would, after negotiating with the power companies, come up with arrangements for the post-2008 era to ensure that the public will continue to enjoy a reliable and adequate power supply at reasonable price levels.

Indeed, it will not be an easy task. The Government has to walk on a fine line in its negotiations with the two power companies so as to ensure a balance between the interests of the consumers and those of the investors of these companies. The growing public concern on environmental protection has brought a new dimension to the complexity of the issue. The call for a reduction in pollutants and greenhouse gas emissions and the development of renewable energy has significant implications on capital costs, supply reliability, tariff, and so on.

Regulating the power companies' return will definitely be one of the main focuses of the Government's review, as the permitted rate of return under the current Scheme of Control Agreements has long been criticized as unreasonable. While the Government has the responsibility to strike a fair deal with the power companies, it must provide the latter with incentives to ensure continued and adequate investment for maintaining a safe and reliable electricity supply.

On the other hand, a more transparent mechanism for tariff adjustments is also necessary. The arrangement will not only safeguard the interests of consumers, but also free the power companies from unnecessary political pressure on tariff adjustments. Some have suggested a mechanism which allows both upward and downward tariff adjustments. We note that similar debates on public transport fares tell us that a consensus is not easy to reach. It is not easy to strike a good balance.

To introduce some kind of competition and allow consumers to have a choice of power, some suggest increasing interconnection between the two existing electricity supply networks to beyond just mutual emergency support. Extreme care must be exercised in the consideration of having interconnector, if provided, to be undertaken jointly by the two power companies or, in particular, by a third party.

Some people find the latter option particularly appealing, as it would introduce additional market players. But interchangeability of electricity would certainly involve complex technical and interface issues. We have not forgotten the massive blackout in North America in 2003. That is definitely something which we do not want to happen. Reliability of power supply must be ensured in any future arrangement.

The Government's move of passing its responsibility of formulating a long-term and comprehensive energy policy to a new energy authority should not be a viable solution.

Madam President, the Government could conduct more in-depth studies on local as well as overseas electricity markets based on the public views collected during this round of consultation. If necessary, it may consider borrowing a few pages from other countries' experiences, whichever are relevant and

applicable. The public will then be presented with its essential findings and possible options in the second round of the consultation.

With these remarks, I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, then Mr LEE Wing-tat, you may now speak on the amendments. You have five minutes.

MR LEE WING-TAT (in Cantonese): Madam President, first of all, I would like to thank the large number of Members who have spoken on this motion. I would now talk about what I think of the amendments proposed by a number of Honourable colleagues. As a matter of fact, the amendments proposed are basically similar to my view. What these Honourable colleagues have done is merely to elaborate or explain on certain specific examples.

First, on the amendment proposed by Mr Tommy CHEUNG on reducing the emission of sulphur dioxide and using more environmentally-friendly energy sources, I am supportive of it. However, in his amendment, he adds item (f) "the full implementation of power interconnection should be actively studied". We think that such a study has been going on for a long time. Before I left the Legislative Council, in 1998-99, the topic seemed to have been discussed. That is why I think there would be no need to study it anymore. I therefore think that the proposal made by Mr Fred LI is more practical as it is time to implement power interconnection.

However, we know that interconnection would require some large-scale capital investments, but as a policy direction, interconnection is not only confined to interconnection in Hong Kong, Kowloon and the New Territories but between the Hong Kong SAR and Guangdong Province which is of far greater significance in the long run. So with respect to this point, we do not quite agree with Mr Tommy CHEUNG. It is because we think that studies on interconnection are adequate and no further studies are required.

As for the amendment proposed by Mr WONG Kwok-hing, I agree with this proposal on formulating operation and development strategies as well as on the participation of staff unions in the same.

We also agree to the amendment proposed by Mr CHAN Kam-lam. However, I do not quite understand what Mr CHAN meant when he talked about power interconnection earlier. He said that the effect of interconnection was like combining two companies into one. We know that at a later stage of development in interconnection, and provided that sound arrangements are in place, the consumers may choose electricity supplied by different companies through the interconnection arrangements. In this way consumers can choose more affordable power supply and it would be conducive to competition and efficiency enhancement.

When Mr WONG Kwok-hing spoke on his amendment, there was a remark he made that I like very much and that is, he said that he would hope very much to see democracy in the industries. He is not here now. It is because it would be more beneficial to internal monitoring. Actually, I hope Mr WONG Kwok-hing will not only like to see democracy in the industries but also democracy in the community. This is not only beneficial to monitoring the power companies but also the monitoring of the Government by the community. So we agree very much with Mr WONG.

Lastly, on the point made by Mr CHAN Kam-lam that a study should be conducted on the introduction of a mechanism that allows both upward and downward tariff adjustments, actually, the same idea is found in our motion. Therefore, we do not oppose this. Madam President, the Democratic Party supports every amendment. I hope Members will support my original motion and all the amendments. Thank you.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, first of all, I would like to thank Members for expressing their views on the Scheme of Control Agreements (SCAs) of the two power companies and the long-term energy policy. As Members are aware, we are now engaged in the Stage I consultation on the future development of the electricity market. The valuable opinions put forward by Honourable Members earlier are very useful to our consultation.

Madam President, today I shall speak without the aid of a prepared script, just in the same way as Honourable Members have done. So if my speech is not delivered very smoothly, I hope Honourable Members can bear with me.

Our current review mainly comprises three parts. Firstly, it is about how the present regulatory mechanism can be improved and exploring how some new elements can be incorporated, such as increasing power interconnection between the two power companies, bringing in new sources of power supply, promoting the use of renewable energy and opening up the power grids, and so on. Secondly, it is about exploring the future regulatory arrangement. For example, should we continue adopting the existing regulatory approach by way of the SCAs? Or should we formulate a regulatory framework based on legislation? In fact, there are many ways of enforcing regulatory control, and we shall explore all kinds of possibilities. Thirdly, it is about a point just mentioned by Honourable Members: Should we continue adopting the existing regulatory approach by way of the SCAs? Or should we set up a new independent regulatory agency? We have already examined the above questions and issued a consultative paper. As we had mentioned in the meeting of the Panel on Economic Services this Monday, the present Stage I consultation is a more "general" consultation, and we do not have any formed view. However, after collecting views in Stage I, we shall recommend a future direction in Stage II, and then we shall put forward some concrete proposals for consultation.

I would like to stress that, at present, we really hold an open mind towards the future market development. Therefore, regarding the questions just raised by Members, I find it very difficult to make any response. But still I will give some responses to the suggestions made by Members. In fact, I think the most important point is — as pointed out in the paper — to ensure that the public can continue to enjoy steady, reliable and safe electricity supply at reasonable tariffs. Of course, the environmental aspect is also very important. As for the views put forward by Members, such as reducing the permitted rate of return, or whether we should continue calculating the rate of return on the basis of the fixed assets, we have heard them very clearly. I believe the views of Honourable Members can help us in deciding the future development direction.

I would like to respond to views put forward by Members just now, which can be classified into many different aspects — about eight or nine of them. I shall respond to them *seriatim*.

First, we think it is very important to maintain a stable and safe electricity supply. Up to the present moment, the views we have heard in this regard are unanimous. I believe everyone would agree that it is most important to have a steady and reliable electricity supply. No matter how low the tariffs are, if the electricity supply is not reliable, it is something none of us would like to see. The reliability of electricity supply in Hong Kong has always been very high. All along, our reliability exceeds 99.99%, and Hong Kong is one of the cities with the highest reliability of electricity supply in the world. I believe the target of preserving the stability of electricity must be maintained.

Second, Members have just said that the power companies should charge only reasonable tariffs, and they should at the same time enhance the transparency in making adjustments to the tariffs. I think everyone will agree to this principle. Of course, we understand the people's aspiration for more reasonable tariffs. This is also a government objective. I have just mentioned that we must ensure that the tariffs can be maintained at a reasonable level. Insofar as the mechanism is concerned, under the present SCAs, every year we will examine the tariff proposals put forward by the power companies for the following year. When we consider the tariff proposals, we would take many factors into consideration, including estimates on electricity demand and electricity sales, the operating costs of the companies, capital investments, cost control, productivity enhancement measures, return for shareholders, fuel prices and affordability of the customers, and so on. At present, such issues as whether this mechanism should continue to be adopted and whether this mechanism has sufficient transparency are all subject matters that fall within the scope of our consultation. Members have also mentioned that everyone hopes to see a mechanism with higher transparency. I believe this is the common aspiration of the people. I believe when we consider the mechanism to be adopted in future, we would definitely contemplate how to enhance the transparency.

With regard to the criteria for determining tariffs, certainly we can have many different proposals. For example, we can make reference to the mechanisms used in Britain and Australia that link the tariffs with certain economic indices, such as the consumer price index and the retail price index. This is an approach. Alternatively, we may link the tariffs with the extent of improvement in the efficiency of the power companies, which may become a kind of incentive to make the power companies improve their own efficiency. This is another approach. Of course, some people may say that linking the

tariffs with the consumer price index may not be as suitable as a peg with the fuel prices. In fact, there are many possible ways of handling it. Therefore, it is specifically pointed out in the consultative paper that, after examining the various approaches adopted by the many different countries, we may decide how the tariffs should be determined in Hong Kong.

The third point I would like to discuss is also a point frequently mentioned by Members, that is, how the rate of return should be determined. Now, according to the SCAs, we use the average net value of fixed assets as the basis of calculation. Many Members have expressed their viewpoints on this. The present permitted rate of return is between 13.5% and 15%. Many Members have said that this rate of return is too high under the present investment environment in Hong Kong and should be adjusted downward. However, some other Members have also raised the question of whether we should continue using the average value of net fixed assets as the basis of calculating the rate of return or whether we should consider adopting other methods of calculation, such as using the investment share capital as the basis for calculating the rate of return, or we may consider linking the rates of return of power companies with their performances. In fact, there are many approaches we may consider. In the aspect of determining the rates of return, I believe we may make reference to the practices adopted by other public utilities, or we may link the rate of return with the capital costs required for setting up the facilities for power generation and supply. If we can learn from the experience of overseas electricity markets, we may consider the case of the domestic electricity market of the United States which is subject to regulatory control. In this case, usually capital costs are used to determine the permitted rate of return. In the United States, usually the permitted rate of return is roughly between 6% and 13%. As for the cases of Britain and Australia, the electricity public utilities are still subject to regulatory control and the usual permitted rate of return is between 6% and 9%. Of course, it is very difficult for us to decide that the rate of return in Hong Kong should follow those of Britain, Australia or the United States because different situations will emerge in different economies. So even a direct comparison with any of them may not be appropriate. However, I believe that, under the present economic climate, on the question of whether the permitted rate of return between 13.5% and 15% is too high, I think all of us must have the answer in our heart. Members have put forward a lot of opinions and I also understand that it is the common aspiration of the people for a reduction of the rate of return. I am sure the two power companies have heard this viewpoint very clearly, and I

also believe that no one would expect everything to remain unchanged after a review of the SCAs has been conducted. If everything is to remain unchanged, then we do not need to conduct any review indeed.

The fourth point is about the regulatory arrangement. Many Members think that there should be adequate flexibility in the new arrangement and that it should be reviewed within a reasonable number of years. Of course, this is based on the assumption that the SCAs will continue to exist. If the SCAs continue to exist, just as Members have also mentioned, should they be executed on a term of 15 years still? The Democratic Party has just asked whether this could be reviewed every five years. I believe our case is different from those in overseas countries, and the tenure can be shortened. But it cannot be too short because the power companies will do their own calculations when they make the investments. With regard to what is considered "reasonable", I hope Members can provide more opinions to us in this regard.

The fifth point, as Members have frequently referred to, is about increasing the power interconnection between the two power companies. In fact, we all know that the two power companies have already implemented interconnection in preparation for emergency support. Earlier on, I heard that some Members seemed to have some misunderstanding. They feel that we oppose interconnection, and we dislike the idea of interconnection. I would like to take this opportunity to reiterate our stance once again. I really do not know why there is such a misunderstanding. I said very clearly on Monday that, in the long run, interconnection is absolutely a worthy proposal that we should consider. The interconnection we would like to propose is not just an interconnection between the two local power companies. We feel that the implications behind the interconnection just between the two power companies are not significant enough. In the long run, we should examine whether it is possible to implement interconnection between Hong Kong and the Mainland, so as to bring in the electricity from the Mainland, thus enhancing competition in the market. I believe this is a long-term feasible proposal that all of us would like to see because it will enable us to optimize the use of our reserve electricity capacity. However, all along we have wished to point out this: Unless they boost up their power generation capacity, interconnection between the two power companies does not mean that all the customers can freely choose their electricity supplier. I believe Members can all understand that the reserve capacity of the

CLP, the power supplier of Kowloon, is inadequate for providing electricity supply to all the customers on Hong Kong Island. If the CLP has to make further investments, it is highly probable that it will be reflected in the tariffs. Therefore, in the short term, the customers may not necessarily be benefited immediately. However, this does not mean that we oppose interconnection. We are absolutely holding an open attitude. I would like to clarify and reiterate once again that, in the long term, power interconnection between Hong Kong and the Mainland is a most worthy proposal that we should consider.

As for when interconnection can be implemented, we have to wait until the conditions are ripe. I trust Members will appreciate that we have done all the lead work, and we have conducted a feasibility study and found that it is technically feasible. However, if interconnection really has to be implemented, we have to wait until electricity can be transmitted from the Mainland to Hong Kong. We all know that, what happens now in reality is exactly the opposite. The electricity supply in Guangdong Province is very much stretched, and that electricity is now being purchased from Hong Kong for supply to Guangdong Province. I heard some Members say that we have not done any work. I believe Members must understand that the conditions are not yet ripe at the moment. Guangdong Province is still unable to sell electricity to Hong Kong now. I believe that, if we really want to implement it, we must wait until all the conditions are ripe. I agree that at present we must do all the preparatory work, that is, everything has to be ready, and when the conditions are ripe, then we can implement it as soon as possible. I hope Members may provide us with more opinions, and point out whether we should proceed with interconnection.

The seventh point is related to environmental protection and the promotion of renewable energy. In this aspect, I wish to state clearly that we absolutely agree that it is very important to protect the environment and to promote clean energy as well as renewable energy. This is a very important objective in our energy policy. In respect of controlling air pollution, Madam President, the Government has already prescribed the maximum emission limits for the power companies. In terms of policy, we have continued making the request of using natural gas as far as possible, as well as promoting the development of renewable energy resources. The SAR Government and the Guangdong Government have agreed to reduce with best effort the emissions of sulphur dioxide, nitrogen oxide and respirable suspended particulates before 2010. We shall work closely with

the power companies to introduce measures and new technologies, so as to achieve the emission reduction target.

The consultation document has also explored the issue of introducing renewable energy into Hong Kong. All along, we have supported the power companies in adopting diversified fuels in generating electricity, including utilizing renewable energy resources. Of course, the prerequisite is that the utilization of renewable energy in electricity generation must not affect the reliability and stability of our electricity supply. We also encourage the two power companies to open up their power grids, so as to allow the entry of renewable energy. When we conducted an interim review on the SCAs in 2003, the two power companies had pledged to construct two commercial-scale wind power generators, and one of them will commence operation next year.

The Council for Sustainable Development conducted a public consultation last year on the use of renewable energy in Hong Kong, and defined the role to be played by renewable energy in the future electricity market. We shall make reference to the opinions collected by the Council for Sustainable Development. Madam President, I would like to stress that we attach great significance to the reduction of pollution and the use of renewable energy. This is a very significant part of our energy policy.

The eighth point I wish to discuss is the regulatory arrangement and framework. Many Honourable Members have said that we should establish an energy authority. In fact, we have also explored the issue of regulatory arrangement for the future electricity market in the consultation document. If we decide to implement power interconnection and the separation of the power plants and the grids, then we shall need an authority to ensure that competitive prices are offered for access to the grids, to ensure the stability of power supply when the power plants and grids are separated; and there must be stringent regulatory control on the formulation of safety and stability standards. We understand that independent energy authorities do exist in some other places. In this aspect, I have mentioned that we keep an open mind. The most important point is that we must identify the way forward for our electricity market in the future. If we choose to implement interconnection, then we may need to have a new independent regulatory body. In this connection, what I would like to say today is, we have heard the views put forward by Honourable Members, and we shall consider the future regulatory arrangement and framework very carefully.

As I have just said, in the Stage II consultation, we shall study which approach will be most suitable for Hong Kong in this regard, and then we shall make some concrete proposals.

Lastly, I would like to discuss the opinion put forward by Mr WONG Kwok-hing. He proposes that, in the process of formulating operation and development strategies, the power companies should enhance the participation of labour unions and absorb the opinions made by employees. I am responsible for labour affairs, and I agree that employees are important assets of the companies, and that effective communication between employers and employees and good labour relations are beneficial to both the companies and the employees. I will certainly encourage employers to maintain close communication and contact with employees through various channels. Labour unions will definitely play a positive role in the communication and co-operation between employers and employees, and all along we have encouraged employers to strengthen their communication and co-operation with labour unions, thus benefiting both parties. I hope the two power companies can progress along this track. At present, we still have not decided whether an independent energy authority will be established. Therefore, regarding Mr WONG Kwok-hing's suggestion of enhancing the participation of labour unions, I believe it is still too early for us to say anything on this. If such an authority were to be established, we shall surely consider Mr WONG's view.

Madam President, I believe Members are all aware that the SCAs of the two power companies, being discussed today, are in fact regulatory agreements inherited from the past. These agreements will expire in 2008, and we are facing an opportune time. We must grasp this great opportunity in front of us to examine in which direction the future electricity market should move and whether it is necessary to preserve these agreements; and even if we decide to preserve them, whether we should make some appropriate amendments; and whether we need to understand the expectations of the public. As I said earlier, and maybe let me reiterate it, the most important target is, first of all, the stable and reliable electricity supply. This is the most important target. The second target is to introduce reasonable tariffs, and I believe this is also the expectation of the public. I believe that reasonable tariffs also include the rate of return, which is between 13.5% and 15% now. Is this reasonable? We all have the answer in our heart. Third, in the environmental aspect, our objective is to minimize pollution in the process of generating electricity, and to promote the

use of green energy and renewable energy. Besides, we also want to have more choices. That is why we have to consider power interconnection and other possibilities. Finally, we also cannot ignore the interests of investors (the power companies and their shareholders), and that they should have a reasonable rate of return. I stress, a reasonable rate of return. What we have discussed today is how to strike a balance among the various targets I have just mentioned, and then bring about a proposal that is acceptable to everyone. I believe my speech is coming to an end very soon. *(Laughter)*

Madam President, I would like to thank Honourable Members once again for providing us with many valuable opinions on the development of the future electricity market. After listening to my speech, Honourable Members may find that actually it is not necessary to hold today's debate because I have no objection to your views in general, and I have agreed to consider all the views raised by Members. So I believe, I have to stop now. And in future, if Members have any more opinions, I hope Mr LEE Wing-tat can advance them again when we conduct the Stage II consultation. Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr CHAN Kam-lam to move his amendment to the motion.

MR CHAN KAM-LAM (in Cantonese): Madam President, I move that Mr LEE Wing-tat's motion be amended, as set out on the Agenda.

Mr CHAN Kam-lam moved the following amendment: (Translation)

"To add ", and a study should be conducted on the introduction of a mechanism that allows both upward and downward tariff adjustments" after "should be more transparent"; to add "permitted" after "should be taken into account in determining the"; to delete "; and" after "rate of return" and substitute with ", and the rate should be reduced; (e) effective measures should be adopted to minimize the emissions of pollutants in the generation of electricity; (f) the power companies should be encouraged to develop and introduce the use of renewable energy; and"; and to delete the original "(e)" and substitute with "(g)"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr CHAN Kam-lam to Mr LEE Wing-tat'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, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG.

(Mr Tommy CHEUNG was not in the Chamber)

PRESIDENT (in Cantonese): Since Mr Tommy CHEUNG is not in the Chamber, I can only declare that the meeting be suspended in order to find him. I know Members all want to go home early, however, we can only try to find him as quickly as possible.

9.59 pm

Meeting suspended.

10.03 pm

Council then resumed.

PRESIDENT (in Cantonese): I have done a rough head count and found that a quorum is not present. Will the Clerk please ring the bell to summon Members back to the Chamber. The summoning bell will ring for 15 minutes but once a quorum is present, the meeting will resume.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

PRESIDENT (in Cantonese): A quorum is now present. The meeting will continue.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG, as Mr CHAN Kam-lam's amendment has been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members on 28 February. 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. You may now move your revised amendment.

MR TOMMY CHEUNG (in Cantonese): Madam President, first of all, I have to apologize. I was not here in this Chamber just now because I had a foot problem and I had gone out to consult the doctor for an injection. Again, because I have difficulty moving around, I have returned late. I would like to apologize to you, Madam President, and Honourable colleagues.

Madam President, I move that the motion, as amended by Mr CHAN Kam-lam, be further amended by my revised amendment, as set out in the paper circularized to Members.

Madam President, my original amendment contains three main points, namely the implementation of power interconnection should be actively studied; the power companies should expeditiously reduce the emissions of such pollutants as sulphur dioxide and use more environmentally-friendly energy sources; and enhanced efforts should be made in the research, development and

application of renewable energy. As CHAN Kam-lam's amendment has included reducing the emissions of pollutants by power plants and applying renewable energy, my amendment will only emphasize two points, namely power interconnection and use of more environmentally-friendly energy sources.

As I said earlier, it is extremely worthwhile to actively study the implementation of power interconnection because the public will be benefited if competition, though small, can be induced. What is more, encouraging power plants to use more environmentally-friendly energy sources to reduce air pollution has a direct bearing on public health.

I hope Honourable colleagues can support my amendment. Thank you, Madam President.

Mr Tommy CHEUNG moved the following further amendment to the motion as amended by Mr CHAN Kam-lam: (Translation)

"to delete "and" after "renewable energy;" and to add "(h) the full implementation of power interconnection should be actively studied; and (i) the power companies should use more environmentally friendly energy sources;" after "should be maintained;"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Tommy CHEUNG's amendment to Mr LEE Wing-tat's motion as amended by Mr CHAN Kam-lam, be passed.

PRESIDENT (in Cantonese): Mr Fred LI, you may move your revised amendment to Mr Tommy CHEUNG's 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 FRED LI (in Cantonese): Madam President, with respect to the terms in Mr Tommy CHEUNG's amendment, I have simply deleted "actively studied" from "the full implementation of power interconnection should be actively studied". Actually, the Secretary has, throughout his speech, repeatedly stated that the

opportunity is not yet ripe. When it comes to interconnection, I have heard about it for at least six or seven years. I wonder when the opportunity would be considered ripe. It can be said that interconnection may not necessarily come into being even when there is universal suffrage. In my opinion, interconnection is absolutely feasible from the technical point of view. Even the two consultancy reports compiled by the Government thought the same way and considered it necessary to do so in the long run. The Government also indicated earlier that it had no objection to the idea, saying that we had some misunderstanding. It is good if this is really the case.

Therefore, I hope Honourable colleagues can lend me their support and stop advocating further studies. Actually, we should immediately commence and implement interconnection because it takes time for the relevant work to be completed and many details need further deliberation. Therefore, there is no need to study the matter further. Thank you, Madam President.

Mr Fred LI moved the following further amendment to Mr Tommy CHEUNG's amendment: (Translation)

"To delete "the full implementation of" after "(h)"; and to delete "actively studied" after "power interconnection should be" and substitute with "fully implemented so as to introduce competition"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the revised amendment, moved by Mr Fred LI to Mr Tommy CHEUNG's amendment, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Selina CHOW rose to claim a division.

PRESIDENT (in Cantonese): Mrs Selina CHOW has claimed a division. The division will start after the division bell has been rung for three minutes.

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

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

Functional Constituencies:

Ms Margaret NG, Mr WONG Yung-kan, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr Joseph LEE, Dr KWOK Ka-ki and Miss TAM Heung-man voted for the amendment.

Dr Raymond HO, Mr Bernard CHAN, Mr Abraham SHEK and Mr Patrick LAU voted against the amendment.

Mr Howard YOUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Jeffrey LAM and Dr Fernando CHEUNG abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Ms Audrey EU, Mr LEE Wing-tat, Mr Alan LEONG and Mr Albert CHENG voted for the amendment.

Mr LEE Cheuk-yan, Mrs Selina CHOW, Mr LAU Chin-shek, Mr Albert CHAN, Mr Frederick FUNG and Mr LEUNG Kwok-hung abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 16 were present, seven were in favour of the amendment, four against it and five abstained; while among the Members returned by geographical constituencies through direct elections, 19 were present, 12 were in favour of the amendment and six abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

MS MIRIAM LAU (in Cantonese): Madam President, I move that in the event of further divisions being claimed in respect of the motion on "Scheme of Control Agreements of the two power companies and the long-term energy policy" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by

functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of the motion on "Scheme of Control Agreements of the two power companies and the long-term energy policy" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now put the question to you and that is: That Mr Tommy CHEUNG's amendment to Mr LEE Wing-tat's motion as amended by Mr CHAN Kam-lam, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is.....

(Mr Albert CHENG raised his hand to claim a division)

PRESIDENT (in Cantonese): You have to rise as quickly as possible to claim a division.

MR ALBERT CHENG (in Cantonese): I had already risen, only that you did not see me.

Mr Albert CHENG rose to claim a division.

PRESIDENT (in Cantonese): In order to be fair, we will still have a division. The division bell will ring for one minute, after which the division will start.

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

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

Functional Constituencies:

Ms Margaret NG, Mr WONG Yung-kan, Mr Howard YOUNG, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr WONG Kwok-hing, Dr Joseph LEE, Mr Jeffrey LAM, Dr KWOK Ka-ki and Miss TAM Heung-man voted for the amendment.

Dr Raymond HO, Mr Bernard CHAN, Mr Abraham SHEK and Mr Patrick LAU voted against the amendment.

Dr Fernando CHEUNG abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mrs Selina CHOW, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Ms Audrey EU, Mr LEE Wing-tat and Mr Alan LEONG voted for the amendment.

Mr LEUNG Kwok-hung and Mr Albert CHENG voted against the amendment.

Mr LEE Cheuk-yan, Mr LAU Chin-shek, Mr Albert CHAN and Mr Frederick FUNG abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 16 were present, 11 were in favour of the amendment, four against it and one abstained; while among the Members returned by geographical constituencies through direct elections, 19 were present, 12 were in favour of the amendment, two against it and four abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, as Mr CHAN Kam-lam's amendment and Mr Tommy CHEUNG's amendment have been passed, I have given leave for you to revise the terms of your amendment, as set out in the papers circularized to Members. 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 WONG Kwok-hing, you may now move your revised amendment.

MR WONG KWOK-HING (in Cantonese): Madam President, I move that Mr LEE Wing-tat's motion as amended by Mr CHAN Kam-lam and Mr Tommy CHEUNG, be further amended by my revised amendment. I move this amendment because it is different from all of the other amendments, in which I proposed the participation of staff unions in particular. I consider that only the participation of staff unions can realize the democratization of industries in the modern corporate world on the one hand, and maintain good labour relations on the other. For that reason, I hope Members will support my amendment.

Thank you, Madam President.

Mr WONG Kwok-hing moved the following further amendment to the motion as amended by Mr CHAN Kam-lam and Mr Tommy CHEUNG: (Translation)

"To delete "and" after "should be actively studied;"; and to add "and (j) the power companies must allow greater participation of staff unions in formulating their operation and development strategies, so as to tap the

professional input from their staff;" after "environmentally friendly energy sources;".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr WONG Kwok-hing's amendment to Mr LEE Wing-tat's motion as amended by Mr CHAN Kam-lam and Mr Tommy CHEUNG, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Selina CHOW rose to claim a division.

PRESIDENT (in Cantonese): Mrs Selina CHOW has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Ms Margaret NG, Mr WONG Yung-kan, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr KWOK Ka-ki, Dr Fernando CHEUNG and Miss TAM Heung-man voted for the amendment.

Dr Raymond HO, Mr Bernard CHAN, Mr Abraham SHEK, Dr Joseph LEE and Mr Patrick LAU voted against the amendment.

Mr Howard YOUNG, Ms Miriam LAU, Mr Tommy CHEUNG and Mr Jeffrey LAM abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung and Mr Albert CHENG voted for the amendment.

Mrs Selina CHOW abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 16 were present, seven were in favour of the amendment, five against it and four abstained; while among the Members returned by geographical constituencies through direct elections, 19 were present, 17 were in favour of the amendment and one abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr LEE Wing-tat, you may now reply and you have three minutes eighteen seconds.

MR LEE WING-TAT (in Cantonese): Madam President, I will not use up all my speaking time, because I know Members are rather fatigued already.

I only wish to speak in response to the Secretary's point on the issue of power interconnection. The Secretary always says that we should consider

from the long-term perspective, but by then we would probably be meeting God and Marx, it is only a matter of time, or we would probably be meeting Chairman MAO and the loved ones. Moreover, speaking from the long-term perspective, we would probably have universal suffrage well before a power interconnection is established. Thirdly, the Secretary would have become Chief Executive by then, and that is another possibility.

Furthermore, I do not know whether the Secretary remember a person by the name LEE Lo-tung. The Secretary nods his head to show that he remembers that name, right? LEE Lo-tung was the former Assistant Director of Electrical and Mechanical Services Department (EMSD) who made the power interconnection proposal at that time, and it has been many years since then. You also nod your head to acknowledge that. Should I raise the proposal by the time you retire or I retire? For that reason, please do not say "long term" again. It is time we took action. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LEE Wing-tat, as amended by Mr CHAN Kam-lam and Mr Tommy CHEUNG, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mrs Selina CHOW rose to claim a division.

PRESIDENT (in Cantonese): Mrs Selina CHOW has claimed a division. The division will start after the division bell has been rung for one minute.

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

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

Functional Constituencies:

Ms Margaret NG, Mr WONG Yung-kan, Mr Howard YOUNG, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr WONG Kwok-hing, Dr Joseph LEE, Mr Jeffrey LAM, Dr KWOK Ka-ki, Dr Fernando CHEUNG and Miss TAM Heung-man voted for the motion as amended.

Dr Raymond HO, Mr Bernard CHAN, Mr Abraham SHEK and Mr Patrick LAU abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mrs Selina CHOW, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat and Mr Alan LEONG voted for the motion as amended.

Mr LEUNG Kwok-hung and Mr Albert CHENG voted against the motion as amended.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 16 were present, 12 were in favour of the motion as amended and four abstained; while among the Members returned by geographical constituencies through direct elections, 19 were present, 16 were in favour of the motion as amended and two against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion as amended was carried.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 9 March 2005.

Adjourned accordingly at twenty-five minutes past Ten o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr TAM Yiu-chung's supplementary question to Question 6**

As regards cases in which the identity (ID) card holder had lost and replaced his ID card on three or more occasions and the relevant breakdown, statistics show that from January to December 2004, there were 124 cases where ID card holders had their ID cards replaced three or more times. Details are as follows:

Cases involving ID card holders
who had reported loss of their ID cards on three or more occasions
(January to December 2004)

<i>No. of occasions on which a card holder reported loss of his/her ID card</i>	<i>No. of persons</i>
3	105
4	15
more than 4	4
Total	124

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr WONG Ting-kwong's supplementary question to Question 6**

As regards the 9 900 cases involving loss of identity (ID) cards since the introduction of smart ID cards, the number of cases related to smart ID cards and to traditional ID cards respectively, statistics show some 1 600 cases for the former and 8 300 for the latter.