

**OFFICIAL RECORD OF PROCEEDINGS****Wednesday, 3 November 2004****The Council met at half-past Two o'clock****MEMBERS PRESENT:**

THE PRESIDENT

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

THE HONOURABLE 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

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

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

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

THE HONOURABLE 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 MRS SOPHIE LEUNG LAU YAU-FUN, S.B.S., 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 TIMOTHY FOK TSUN-TING, G.B.S., J.P.

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

**MEMBER ABSENT:**

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

**PUBLIC OFFICERS ATTENDING:**

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.

THE CHIEF SECRETARY FOR ADMINISTRATION, AND  
SECRETARY FOR HOUSING, PLANNING AND LANDS

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

THE SECRETARY FOR JUSTICE

THE HONOURABLE FREDERICK MA SI-HANG, J.P.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

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>
Waste Disposal (Designated Waste Disposal Facility) (Amendment) Regulation 2004 .....	165/2004
Waste Disposal (Charges for Disposal of Construction Waste) Regulation .....	166/2004
Public Health and Municipal Services Ordinance (Public Markets) (Designation and Amendment of Tenth Schedule) (No. 3) Order 2004 .....	167/2004
Declaration of Markets Notice (Amendment) (No. 3) Declaration 2004.....	168/2004
Mutual Legal Assistance in Criminal Matters (Portugal) Order (Cap. 525 Sub. Leg. L) (Commencement) Notice 2004.....	169/2004
Fugitive Offenders (Portugal) Order (Cap. 503 Sub. Leg. U) (Commencement) Notice 2004.....	170/2004

**ORAL ANSWERS TO QUESTIONS**

**PRESIDENT** (in Cantonese): Questions. In accordance with the House Rules, question time normally does not exceed one and a half hours, that is, each question is allocated about 15 minutes. After a Member has asked a main question and the relevant official has given reply, the Member who asks a question has priority to ask the first supplementary. Other Members who wish to ask supplementary questions will please indicate their wish by pressing the "Request-to-speak" button and wait for his/her turn.

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.

### **Land Zoned for "Other Specified Uses"**

1. **MR ALAN LEONG** (in Cantonese): *Madam President, the Town Planning Board (TPB) received an application in July this year to alter the planned land use of a lot at Ap Lei Chau waterfront from the existing "Other Specified Uses" annotated "Liquefied Petroleum Gas And Oil Products Transit Depot" to "Residential (Group A)". It is learnt that many nearby residents object to the proposed residential development project. In regard to land zoned for "Other Specified Uses", will the Government inform this Council:*

- (a) *of the criteria adopted by relevant departments and the TPB in considering applications for rezoning the land from "Other Specified Uses" to residential or commercial uses; and among those criteria, of the weight of factors such as "objection from nearby residents", "adequacy of amenities in the area in which the lot is situated" as well as "additional road traffic load brought about by development upon changes in land uses";*
- (b) *given that there are normally provisions in the leases of land zoned for "Other Specified Uses" which provide that the Government may resume the land once it had ceased to be used for the specified uses for over 12 months, whether the authorities have resumed any land on such grounds in the past five years; and*
- (c) *of the current number of pieces of private lands zoned for "Other Specified Uses" that were granted through land exchange or directly by way of private treaty, and the total area thereof?*

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

Madam President, at the outset, I wish to provide some basic information concerning the lot cited in the question. The lot is Ap Lei Chau Marine Lot No. 63, granted by the Government by way of land exchange in 1988. The permitted use under the Conditions of Exchange is for "a distribution and transit handling centre for petroleum products and a liquefied petroleum gas compound". According to the relevant outline zoning plan, the lot is zoned for "Other Specified Uses" annotated "Liquefied Petroleum Gas and Oil Products Transit Depot". Earlier on, the TPB received an application for rezoning the lot. But the applicant later requested that the consideration of the application be deferred. As such, the existing use of the lot remains unchanged both in terms of zoning and lease conditions.

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

- (a) Under the Town Planning Ordinance, the TPB is responsible for the preparation of town plans and the consideration and approval of individual planning applications. In considering a rezoning request, the TPB will take into account all relevant factors. These include the planning intention for the area in the relevant outline zoning plan and the various possible impacts of the proposed development on traffic, environment, infrastructure, community facility and open space provisions in the area. The TPB will also consider the local views and the professional advice provided by relevant government departments. Each application will be considered on its own merits. The TPB will take into account the above factors carefully before making a decision.
- (b) "Other Specified Uses" is a planning concept. Such description is not used in land leases. The permitted use of a site will be set out clearly in the lease conditions. In this case, for example, it is specified in the land lease that the lot can only be used as "a distribution and transit handling centre for petroleum products and a liquefied petroleum gas compound".

In the past five years, there has not been any case of re-entry of land by the Government on the ground that the land concerned has ceased to be used for the specified purposes.

- (c) As retrieval of data takes time, I can only provide more recent data. From 1 January 1999 to 30 September 2004, a total of 28 sites zoned for "Other Specified Uses" were granted either through land exchange or by way of private treaty, involving a total area of about 1.86 million sq m.

**MR ALAN LEONG** (in Cantonese): *Madam President, according to information available, the lot was granted in 1988 by the Government for a consideration of \$17 million. Would the Secretary agree that when developers apply for changes in land uses, the Government should oppose to such application for changes in land uses, order the original owner to use the lot for uses as specified and upon non-compliance, the Government should resume the lot and place it again in the Application List for sale by auction to interested developers?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, before answering this supplementary question, we need to take into account the rapid developments of Hong Kong in the past and the way we handled similar cases, for now we cannot deviate too far from our previous practice.

We recall that there are land lots which at that time were situated in the outskirts of urban areas or areas far away from the city centre. These include some lands for industrial use, such as bus depots, power generation plants, gas compounds, liquefied petroleum gas (LPG) compounds, dockyards, cement factories and so on. At first, there was actually not much zoning and so the Government permitted the building of such facilities in those areas while taking into account the conditions at that time. At that time these places were far away from population centres, but as times changed, the population increased and Hong Kong was developing all the time, many residential buildings were erected in the neighbourhood of these lands. Two problems are caused. First, as there are residential buildings nearby, there are doubts as to whether or not the location of these facilities is appropriate. Second, these facilities would pose risks. In the examples which I have mentioned just now, disturbance is actually caused to a certain extent, and there is even some danger. Due to such reasons, many cases like these appeared in the 1960s and the 1970s and there were such considerations at that time. However, we have to understand that most of these lands are privately owned. Though not all of these lands have been granted

directly by the Government by way of a private treaty, some of them may have been procured by the service providers in the open market by way of auction and some of these are lands which they previously owned. That is why we have to be concerned about the title of these land lots.

With respect to the lot referred to in this question, actually at the beginning of the 1980s, Shell Hong Kong Limited owned two lots for use as petroleum compounds. One was in Kwun Tong and the other was in Ap Lei Chau. The situation I have mentioned occurred at that time and it had a great impact on the zoning of the neighbourhood. So Shell Hong Kong Limited talked with the Government and relocated the facilities to Tsing Yi. The two lots were then released for development. I do not wish to relate the details here, for many companies are involved. While Shell Hong Kong Limited owns these two lots, it does not own the one on Tsing Yi. The situation was very complicated and four large companies were involved. Then these private companies discussed with the Government on how the limited resources in Hong Kong could best be used. Under such circumstances, should we resume these lots, grant some other lots and sell them by way of auction? Of course, we could insist on doing that at that time and as far as I know, the Government did try to do so. As a lot of things were involved and the lots are owned by Shell Hong Kong Limited, the land would not be able to be developed had the Government remained adamant. The reason why I mention this background is to show that things are not as unfair as they may seem. At times we will want to see that lands are put into their best use and that they are sold on the market in the best and fairest manner.

Coming back to the case we have today, it is actually a problem which has been left over from that time. Mr Alan LEONG has said that the lot was granted in 1988. Though this is a fact, we must remember that Shell Hong Kong Limited owned the lot at that time and what we did was to change the use of the lot which was mainly used as a petroleum compound. The remaining part of the lot was used in the way which I have mentioned. As the use of the lot owned by Shell Hong Kong Limited had changed, so it had to pay the regrant premium. We have a provision which stipulates that the Government may resume the lot once it has ceased to be used for the specified uses for over 12 months. However, as I have pointed out clearly in the main reply, Shell Hong Kong Limited has not violated the provision, for the lot is still used for the specified uses. Though the company has applied for changes in land uses, the relevant application has been shelved.

**MR PATRICK LAU** (in Cantonese): *Madam President, I raise supplementary question from a comprehensive perspective. Now the development density in Ap Lei Chau is very high and transport in the district relies very much on the two bridges and these demands are quite saturated. May I ask the Secretary whether or not the chances for residential developments there are very slim?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, if an application is made to change land uses, the TPB will engage in vetting and approval procedures as I have mentioned and for these I would not repeat. To answer the supplementary question raised by the Member, we have also to consider whether or not the basic facilities will match the requirements of the proposed uses. If they can, and if the place has the potentials, then the TPB, not the Government, will make the right decision in light of the situation as they understand it. In this regard, of course, we will see what kind of decision the TPB actually makes.

**MR PATRICK LAU** (in Cantonese): *Madam President, I wish to follow up. If this is the case, then are there any other plans for residential developments on Ap Lei Chau?*

**PRESIDENT** (in Cantonese): Mr Patrick LAU, please sit down. You may only ask the Secretary to answer the part of your question which has not been answered but now you have raised a new supplementary. So please wait for your turn again to ask your question.

**MS AUDREY EU** (in Cantonese): *Madam President, when the Secretary was giving a reply to Mr Alan LEONG's question, he cited an episode in history which goes back to 1988. Madam President, my concern is not about how land lots were exchanged in the past, that is, how Shell Hong Kong Limited retrieved the lot. My concern is about a provision which did appear when the lot was granted and that has been mentioned by the Secretary earlier, that is, if the land has ceased to be used as a transit depot for LPG for over 12 months, the Government will have the right to resume the land. At that time, a sum of \$17 million was paid as a regrant premium and that sum was worked out because the land was originally specified for use as transit depot for LPG. So, the Secretary*

*has still not answered the supplementary raised by Mr Alan LEONG. What I would like to pursue is, if now the TPB receives an application for change of land use, whether or not the position of the Government should be like this: Since the lease conditions specify that the land can only be used for a certain purpose, once an application is made for other purposes, the Government will not approve of such an application, or will reject it altogether? If there comes a day when the lot has ceased to be used for the specified purposes for over 12 months, should the Government resume the land and sell it later, instead of allowing the party concerned to change the land use by paying a regrant premium? In other words, from a general point of view, should everyone be given the same opportunity instead of just the original owner of the land being given that opportunity?*

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

Madam President, perhaps let me answer the second part of the supplementary question first. As I have repeatedly emphasized, the title of this lot of land belongs to the current leasee of the grant. As the lot is private property, provided that the leasee does not put the lot into uses other than those specified, he is not in breach of the lease and so the Government cannot invoke any terms or conditions to resume the land. We would certainly be justified to resume the land if the leasee does not use the land as specified. But provided that such a situation does not occur, we cannot invoke such a provision. Even if he has really not used the land in its specified uses, we will also need to take into account the circumstances at that time.

To answer the Member's supplementary question, generally speaking, we need to take into account the view of the TPB in this regard. As I have just said, if for some reasons the TPB was of the view that the application should not be approved, then the present case would never have occurred. However, if for some reasons the leasee puts up an application, we shall consider whether or not any change to the conditions is permitted. That is to say, he has to apply to the Government for changes to be made to the lease. If he does so, the Government would then need to consider the application. That is the only way to handle the matter.

**MS AUDREY EU** (in Cantonese): *Sorry, the Secretary has not answered my supplementary.....*

**PRESIDENT** (in Cantonese): Secretary, you may sit down first.

**MS AUDREY EU** (in Cantonese): *Madam President, my supplementary question is precisely that, if the original owner wants to change the land use, should the Government refuse to let the original owner change the specified land use on payment of a regrant premium, and should instead resume the land and sell it by way of auction? The Secretary says the case will be decided by considering the prevailing circumstances at that time. So he has not answered my supplementary because I was asking him whether or not he would do that.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, actually I have not finished answering the question. I have also said that the issue of title will need to be taken into account. As the title of the lot still belongs to Shell Hong Kong Limited, so it has to decide whether or not the lot will be used for its original purpose. If the lot is used in its original purpose, we cannot do anything about it. But if it wants to change the land use, then it must make an application to us. At that time the lot was still in its hands, so it had to make an application to the Government, and for us, we had to consider the application in any case. Under such circumstances, as I have said, unless it had ceased to use the land for over 12 months at the time when the application was made, we have no chance to resume the land. However, if it continues to use the land for the specified purpose and is only asking the Government to probe if the uses can be changed by way of paying a regrant premium, then we will have to consider how a fair course of action can be taken under such circumstances.

**MR LEUNG KWOK-HUNG** (in Cantonese): *Madam President, he is not answering the question.*

**PRESIDENT** (in Cantonese): Mr LEUNG Kwok-hung, you must not interrupt during question time. You must follow the rules. The Council is a place where rules are obeyed, and interruptions are absolutely not allowed. I now

warn you. You must not speak again. You may speak when it comes to your turn to speak, but if you speak now, I will have to reprimand you in public.

**MR LEUNG KWOK-HUNG** (in Cantonese): *He is not answering the question.*

**PRESIDENT** (in Cantonese): Are you still refusing to stop and are you going to continue speaking?

**MR LEUNG KWOK-HUNG** (in Cantonese): *Madam President, you must make a ruling on the reply given by the Secretary.*

**PRESIDENT** (in Cantonese): I now consider such an attitude of yours in contravention of the Rules of Procedure. I give you a chance and you must not do this again today. Otherwise, I will have to act in accordance with the Rules of Procedure. Please keep quiet until the public officer has finished answering this supplementary.

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we must consider the issue of title. Even if we want to change the use of the land lot to residential purposes, we cannot put it up for auction on the Application List for no justifiable grounds. We simply cannot do so. For the lot is still private property and we cannot resume it unless and until all due procedures are undertaken to confirm that the lot has ceased to be used for the specified uses for over 12 months. As these procedures have to be undertaken, so Shell Hong Kong Limited has in fact a lot of ways to forestall our action, for example, it can continue using the land for its original uses or allow it to fall into disuse. We have to bear in mind that with respect to this matter we cannot do whatever we want, or ignore the fact that the land is private property, just to achieve a certain result which is really our own wishful thinking. This is the point I wish to make. So in many cases, we cannot help being flexible and we must take into account the situation at that time. If we think it is unfair, then we will not give our approval to the application. But this will mean the land cannot be developed. So all these were the considerations we made at that time. I have said that a lot of factors have to be considered. But I am not saying that

this would surely be done or otherwise. As regards this issue, we need to consider many factors clearly and they are complicated.

**PRESIDENT** (in Cantonese): Many Members are interested in asking questions on this question, but as the Secretary and Members who ask supplementary questions have been talking in greater detail, this question has taken up more than 20 minutes. I now call upon the last Member to ask his supplementary. Members may follow this matter up in the panels and committees of this Council. Mr CHAN Kam-lam.

**MR CHAN KAM-LAM** (in Cantonese): *Madam President, the Secretary in the reply which he has just given talked about unless the owner of the land in question declares not to use the land for its original specified uses. I would like to ask, if the owner of the land title tells the Government tomorrow that LPG compounds will be built on the land, will the Government consult the public again? It is because I reckon there will be even greater opposition to this plan.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, the lot is now actually used for industrial purposes so there is no opposition or otherwise from the residents. Shell Hong Kong Limited is making use of the site for the supply of LPG to residents of Marina Habitat as well as other housing estates on Hong Kong Island. The site is also the landing place for LPG stored in containers. LPG is produced in Tsing Yi and sent to the site by sea. So the question of opposition does not exist. However, the problem is Members mentioned earlier changes in land uses, and for these I have given my reply.

**PRESIDENT** (in Cantonese): Second question.

#### **Minimizing Card-holders' Losses when ATM Cards are Lost**

2. **MR LAU KONG-WAH** (in Cantonese): *Madam President, it is learnt that a Hong Kong resident was detained by criminals in the Mainland for four days, during which he was robbed of his automatic teller machine (ATM) card*

*and compelled to disclose the personal identification number of the card. The victim's ATM card had access to two bank accounts. In addition to withdrawing cash up to the daily limit from the two bank accounts via ATMs on each of the four days, the criminals also bought cash vouchers, through Easy Pay System (EPS), from self-vending terminals of the Hong Kong Jockey Club (HKJC) and encashed the vouchers right afterwards. The victim suffered a loss of more than \$400,000 as a result. In this connection, will the Government inform this Council:*

- (a) *of the number of cases reported to the authorities over the past three years in which criminals committed crimes by encashing cash vouchers bought from the HKJC, and the total amount of money involved;*
- (b) *as at present a daily limit has already been set for withdrawal of cash via ATMs from each bank account, whether the authorities will recommend to banks that ATM card-holders be also allowed to set the daily cash withdrawal limit for each of their ATM cards; and*
- (c) *whether the authorities will recommend to banks that ATM card-holders be allowed to set their own limits on cash transfers made through EPS to individual merchants, so as to reduce the amounts of cash that criminals may obtain by encashing cash vouchers bought from the HKJC; if so, of the details of such recommendations; if not, the reasons for that?*

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

- (a) The police do not have a breakdown of case statistics for crimes committed involving encashment of HKJC's cash vouchers by criminals. However, according to the statistics of the Hong Kong Monetary Authority (HKMA), the HKMA received 11 complaints in relation to the use of stolen cards to purchase HKJC's cash vouchers between 2002 and October 2004. The total amount involved was \$1.28 million. We are very concerned about the use of stolen cards by criminals to purchase HKJC's cash vouchers to steal bank deposits from members of the public. The HKMA has

already brought the matter to the attention of the Code of Banking Practice Committee of the Hong Kong Association of Banks (the Committee) for discussion.

- (b) Currently, whether the daily cash withdrawal and EPS transaction limits are set on a per card or per account basis differs from bank to bank. The daily limit per card or per account of each bank also varies. For cash withdrawal, the daily limit is usually about \$10,000 to \$20,000. For EPS transactions, the upper limit normally ranges from \$40,000 to \$50,000.

The Committee's preliminary view is that when banks set the relevant limits, they should strike a balance between the protection of cardholders and the provision of convenient banking services to them. Since the current daily cash withdrawal limit is about \$10,000 to \$20,000 only, there does not seem to be a clear need that cardholders should be allowed to set their own limit at a lower level. Nonetheless, the HKMA has asked the Committee to explore whether it should recommend that banks should set the cash withdrawal and EPS transaction limits on a per card rather than per account basis.

- (c) In view of the fact that the purchase of HKJC's cash vouchers is one type of EPS transactions, the HKMA has raised with the Committee whether cardholders should be allowed to set their own EPS transaction limit. Although this proposal will offer cardholders greater flexibility in setting their own limit, it would unavoidably increase the system requirements and operating costs of banks. Therefore, the Committee needs to further study the proposal carefully. The HKMA has also put forward to the Committee the proposal of offering cardholders a choice of whether they would like their cards to have the function of purchasing HKJC's cash vouchers. The Committee's response to this suggestion is positive, and will prepare a detailed proposal for the consideration of the Hong Kong Association of Banks.

Lastly, I would like to take this opportunity to remind members of the public that it is important to keep their cards safe and their personal identification numbers secret to avoid opening up opportunities for criminals.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, from the figures in part (a) of the main reply, we learn that there were 11 complaints involving more than \$1 million, which means that each such case involved some \$100,000 on average. I wonder if the Secretary has enquired of the complainants about their loss and how the criminals committed the crimes. Have the authorities maintained the relevant records? Besides, the Secretary mentioned the proposal of allowing cardholders who do not gamble in horse races to decide on their own whether they would like their ATM cards to have the function of purchasing the HKJC's cash vouchers, adding that the Committee's response is positive. But when will this measure be implemented, in order to minimize the risk of loss to the public?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, on the first part of the Member's supplementary question, I do not have the information of each such case up my sleeves. But I think the case of that Hong Kong resident being detained as mentioned in the main question is a more serious one, because he did not only have his wallet stolen or his credit card stolen out of his own negligence by criminals who subsequently withdrew cash from his bank accounts. The case is rather special. But with regard to those 11 cases, I believe the situation varies from case to case. I can ask the HKMA if it can disclose information on the ways the criminals committed the crimes and then report the information, if any, to Members. As for the second part of the supplementary question, the Committee's response is very positive and so, I hope the Committee can make a decision as soon as possible.

**MR WONG YUNG-KAN** (in Cantonese): *Madam President, in part (c) of the main reply the Secretary mentioned discussion with the HKMA. But Mr LAU Kong-wah asked earlier when measures would be implemented, because such cases of deception can easily happen in the Mainland. Once a person has been detained for a few days, he will reveal all the information such as the personal identification number of his credit card, or else no one knows what will happen. Will the Secretary urge the HKMA to discuss this with banks expeditiously?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, we will pay close attention to the decision of the Hong Kong Association of Banks. As this issue has aroused great public concern, we will urge the HKMA to discuss it with the Hong Kong Association of Banks, and a decision is expected to be reached in this connection within the next few months.

**MR CHIM PUI-CHUNG** (in Cantonese): *Madam President, the victim mentioned in Mr LAU Kong-wah's question had been detained for four days. May I ask whether he has reported his case to the police on his return to Hong Kong? If the police are aware of this case, will they follow it up on their own initiative?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, as far as I understand it, the victim had reported his case to the police after he returned to Hong Kong, and the police are now following up his case.

**MR JASPER TSANG** (in Cantonese): *Madam President, in his reply to a question earlier, the Secretary for Financial Services and the Treasury said that the situation varies from case to case, and that it would take several months to give effect to measures for the protection of depositors. However, it is possible for many cases to happen in several months. And towards the end of his reply, the Secretary reminded the public to keep their ATM cards safe. But obviously, just keeping their ATM cards safe is not enough. Has the Government considered looking into these occurred cases seriously to identify the features in common and their characteristics and then specifically remind the public of how they can prevent such loss?*

**PRESIDENT** (in Cantonese): Which Secretary will answer this question? Secretary for Financial Services and the Treasury.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as far as I understand it, this case in which the victim was detained and robbed of his ATM card is an isolated case which is

rather special among the 11 cases, for a criminal element was involved. Generally speaking, the victims had only lost their ATM cards, or they had their ATM cards stolen out of their own negligence or by criminals in various other ways. Seldom was detention involved. Certainly, it is most important for us to remind members of the public that they will suffer monetary loss if their personal identification number is disclosed to another person. We wish to remind members of the public that bringing an ATM card is tantamount to bringing cash with them and so, they must be very careful.

**MR JAMES TO** (in Cantonese): *Madam President, I think after extensive reports in the media, there may be more "copycats". In the fourth paragraph of its main reply, the Government pointed out that "the Committee's response to this suggestion is positive". I would like to ask the Secretary this: Does this suggestion refer to the point about allowing cardholders to decide whether or not their ATM cards will have the function of purchasing cash vouchers from the HKJC? It is because in the second and third paragraphs of the main reply, the Secretary mentioned that limits are set for cash transfer to general accounts other than the HKJC, but the Secretary did not say that the Committee's response to this is positive. What does the Government think? Besides, in the main reply, the Government appeared to be saying that allowing cardholders to set their own limits for EPS transfer service will increase the system requirements and operating costs of banks. But the Secretary must bear in mind that the banking services mentioned by him in the second paragraph are not without limits. Rather, limits are set by the banks on their own without consulting their customers, and the banks have already set the limits at \$10,000 to \$20,000 or \$40,000 to \$50,000 from the outset. Can the Government act more fairly by telling the public that the banks will allow their customers to change free of charge the limit of cash withdrawal or cash transfer once? If customers are not allowed to do so, does it mean that they cannot "trim the toes to fit the shoes" even if they so wish?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, I have actually explained this earlier. The Hong Kong Association of Banks is currently studying whether or not customers can be allowed to decide the limits for cash withdrawal or transfer and to decide whether cash can be withdrawn from the many accounts linked to one ATM card or from only one of these accounts. Certainly, Mr James TO is welcomed to

put forward any view, which will then be referred to the Hong Kong Association of Banks through the HKMA for consideration. From the Government's viewpoint, we hope to minimize these crimes or even to achieve "zero crime". I believe that so long as the customers can be protected, the banks should be able to take this measure wherever the scope of operation permits. So, for the view put forward by Mr James TO earlier, we absolutely can refer it via the HKMA to banks for studies.

**MR JAMES TO** (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. In the fourth paragraph of the main reply the Secretary mentioned that operating costs are involved and that the proposal may be viable. But even if it is viable, will there be a fee for it? That is why I asked banks to allow customers to set limits for their ATM cards for free at least once. In my supplementary question, I asked the Government whether it would consider allowing members of the public to set their own limits for their ATM cards in the overall system of the HKMA without charging a fee for that?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): In fact, Madam President, the objective of the HKMA in its discussion with the banks is also not to charge a fee for this service. I think Mr James TO does not have to worry about this.

**MISS CHOY SO-YUK** (in Cantonese): *Madam President, in his reply earlier, the Secretary said that detention was rarely involved in these cases. But the truth is that there have been many such cases. I have heard of these cases and I have personally dealt with these cases. In some cases, when the victim was brought to a place for detention, he found three other detainees at the place, and there are cases in which the victims were detained for many days until all the money in their bank accounts was withdrawn. So, this has become a very common and serious problem. In his reply earlier, the Secretary for Security said that the police are following up the case, but I hope the authorities will not just follow up this case. Has the Secretary discussed with the public security authorities in the Mainland what measures can be taken? Perhaps it is not expedient to disclose the specific measures, but can the Secretary tell us whether we have in place effective measures that can truly resolve this problem? These*

*cases have recurred continuously and have already become a long-standing problem.*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, in response to Miss CHOY So-yuk's question, I may perhaps provide some statistics here. In the first nine months this year, the number of cases of reported detention in the Mainland dropped 33% compared with the corresponding period last year. That said, however, there were still 178 cases in which Hong Kong residents were reported to be detained in the Mainland, compared with 269 cases between January and September in 2003.

Under the existing mechanism, after a Hong Kong resident has reported his case to the police when he returned to Hong Kong, the police will immediately take up the case with the public security authorities in the Mainland. However, we have noticed a very unhealthy phenomenon and that is, when we encouraged those Hong Kong people who reported their cases to the police on their return to tell us why they were detained, under what circumstances they were detained and whether they were willing to provide the relevant information to the public security authorities in the Mainland for investigation in order to solve their cases, over 90% of Hong Kong people were unwilling to reveal the details of their detention, or they were unwilling to ask us to refer their cases for follow-up by the public security authorities in the Mainland. This may involve a myriad of reasons. For instance, the victim may not wish to reveal his personal data.

On Miss CHOY So-yuk's supplementary question about how Hong Kong people can avoid the danger of being detained in the Mainland or being robbed of their ATM cards or credit cards with which criminals can withdraw cash from their accounts, here is our advice to members of the public. First, when travelling in the Mainland, they must bear in mind not to expose their money and valuables, and they must not let anyone know that they are rich; second, not to bring too many ATM cards or credit cards to the Mainland; third, ignore all attempts by strangers who seek to strike up a conversation with them; fourth, do not patronize unlicensed means of transport; fifth, report to the public security authorities immediately once they run into troubles, because it is only when they have done so can their cases be pursued. Otherwise, if they report to the police only when they returned a few days later and if they refuse to tell the details and do not wish the police to send their information to enforcement agents in the

Mainland for follow-up actions, it will not be conducive to combating such crime.

**PRESIDENT** (in Cantonese): We have spent more than 16 minutes on this question. Last supplementary question now.

**MR JAMES TO** (in Cantonese): *Madam President, the main question is about ATM cards but my supplementary question is about credit cards. I do not know if you, Madam President, will consider my supplementary a digression from the theme of the question. That said, however, my supplementary question still revolves around the HKMA and relates to transfer.*

**PRESIDENT** (in Cantonese): Please ask your supplementary question first and we will see.

**MR JAMES TO** (in Cantonese): *In that particular case, the criminal compelled the victim to disclose his personal identification number. But very often, these cases may not necessarily involve ATM cards. They may involve credit cards too, because credit cards also provide the function of cash withdrawal. I would like to ask the Secretary for Security or the Secretary concerned whether consideration will be given to imposing similar restrictions on credit cards.*

**PRESIDENT** (in Cantonese): Which Secretary will answer this question? Secretary for Financial Services and the Treasury.

**SECRETARY FOR SECURITY** (in Cantonese): I would like to ask Mr James TO what he meant by restrictions.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): I would like to ask a similar question.

**MR JAMES TO** (in Cantonese): *Such as purchasing cash vouchers, and so on.*

**PRESIDENT** (in Cantonese): A credit card can be used for cash withdrawal on the one hand and there is a limit set on the other. Each credit card has a different limit. Mr TO, are you asking whether the authorities concerned will also take credit cards into consideration when examining the problems with ATM cards?

**MR JAMES TO** (in Cantonese): *Madam President, the credit limit of a credit card is often decided by the bank. But can it be adjusted downwards by the cardholder, and will a fee be charged for this?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, customers can discuss the limits of their credit cards with banks. I wonder if I have misunderstood Mr TO. Was he asking whether or not the credit limit can be changed?

**MR JAMES TO** (in Cantonese): *I was asking whether or not all the functions can be changed.*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): I think if a customer tells the bank that he does not need such a high credit limit, the limit can be adjusted a bit downwards. As Members may recall, when making purchases on the Internet, many people are concerned about their credit cards being exposed to fraudulent use and so, they will apply for another credit card with a very low credit limit, such as one or two thousand dollars only, and use it exclusively for purchasing books or other goods. So, the customers can set their own limits. I do not know if I have answered Mr James TO's supplementary question. But actually it is operationally viable for customers to set their own limits.

**PRESIDENT** (in Cantonese): Secretary, please sit down first. I think Mr TO is of the view that you have not yet answered his supplementary question. Mr TO, please ask your question again.

**MR JAMES TO** (in Cantonese): *I certainly know that. But I was referring to all the other individual transfers, for instance, setting a particular limit for a particular account or cash payment. Can the HKMA also look into the limits for individual items? I certainly know that an overall limit is set.*

**PRESIDENT** (in Cantonese): Secretary, do you catch his meaning?

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, we will ask the HKMA to relay this point to the banks. Is that alright?

**PRESIDENT** (in Cantonese): Third question.

### **Reduction of Contract Payments**

3. **MR WONG KWOK-HING** (in Cantonese): *Madam President, it has been reported that the Housing Department has reduced the contract payments to companies which have entered into cleaning and security guard service contracts with it. In this connection, will the Government inform this Council of:*

- (a) *the number of companies involved in the reduction over the past three years as well as the extent of and the reasons for the reduction; and*
- (b) *the number of companies which have consequently reduced their manpower or the wages payable to their employees; and*
- (c) *the respective minimum wage levels imposed by government departments at present in outsourcing various non-skilled services*

*posts, and whether the reduced wage levels of the employees concerned still comply with the above requirements?*

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

- (a) Since 1 April 2001, the Housing Authority has been using an objective mechanism for adjusting the rates of estate cleansing and security service contracts upon their annual renewal. The mechanism allows for both upward and downward adjustments of contract rates in accordance with the Nominal Wage Index published quarterly by the Census and Statistics Department so as to reflect the fluctuations in market wage levels.

In the past three years, during the period from April 2001 to February 2002, the Nominal Wage Index moved upwards by 0.2% to 1.4% and the rates for contracts renewed during this period were increased accordingly. Following the downward movement of the Index since March 2002, the rates of the contracts renewed in the period were accordingly decreased by 0.8% to 2.5% under this established mechanism. The movements in Nominal Wage Index practically affected all annual contract renewals. Our past experience shows that after adjustments, the resultant contract rates are generally comparable to the rates of new contracts tendered in the same period and follow market trends closely.

- (b) Service contractors whose contract rates were reduced following fluctuations in the Nominal Wage Index usually made corresponding adjustments to the wages of their workers, but they are not allowed to cut manpower as a result of reduction in contract rates.

Since May 2004, in line with the Government's newly promulgated internal guidelines, the Housing Department requires that the wages for cleansing workers and security guards employed by its outsourced contractors must not be less than the average monthly wages for the relevant industry/occupation as published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics. Therefore, irrespective of the movement of the

Nominal Wage Index, workers whose wages are below the required "committed wage" level at the time of contract renewal would be given an increase in pay. Of the 36 contracts renewed after the introduction of this new requirement in May, workers in 21 contracts have their wages increased, and the rates of seven contracts are adjusted upwards as a result.

- (c) The Government promulgated an internal guideline in May 2004 to introduce a mandatory requirement that for tenders for service contracts invited on or after 6 May 2004, the wages offered by the tenderer to his non-skilled employees must not be less than the average monthly wage for the relevant industry/occupation as published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics. According to the statistics published by the Census and Statistics Department in June 2004, the average monthly wages for cleansing workers and three-shift security guards are at present \$5,126 and \$4,956 respectively. The Housing Department follows the new requirement in adjusting the contract rates upon renewal of contract to ensure that workers' wages after adjustment meet the level of "committed wage" applicable at that time.

**MR WONG KWOK-HING** (in Cantonese): *Madam President, I feel that the Secretary has not replied clearly to part (b) and part (c) of my main question. On 1 May this year, in the banquet held on the occasion of May Day, Mr TUNG said that he would ensure the pay for workers performing outsourced work would not be deducted without reason. However, in reality, I have received complaints claiming that the Government had not strictly put this into practice. Madam President, I have a piece of evidence here and I wonder if the Secretary can answer my question on such a basis. This piece of evidence indicates that contractors have exploited loopholes and did not follow the Quarterly Report of Wage and Payroll Statistics, that they have added some post titles of their own and then deducted the pay for employees. At the same time .....*

**PRESIDENT** (in Cantonese): What supplementary do you wish to ask? If you want to give this document to the Secretary, please put it on the table. Will our

staff please go to Mr WONG Kwok-hing's seat and take the document to the Secretary?

Mr WONG, please ask your supplementary.

**MR WONG KWOK-HING** (in Cantonese): *Madam President, my supplementary is whether the Government knows that contractors are altering the titles of the jobs found in the Quarterly Report of Wage and Payroll Statistics to enable a deduction in pay? How can the authorities prevent contractors from using this method to virtually reduce the wages? Meanwhile, is the Bureau aware that they have reduced the pay for three consecutive years and how can such a situation be prevented? This is what my supplementary is about. Here is the evidence for the Secretary to look at .....*

**PRESIDENT** (in Cantonese): You have to sit down first before the Secretary can answer your supplementary. You can sit down after asking your supplementary.

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I myself do not know of individual cases. However, since Mr WONG has provided this notice to me, even though its contents are very simple, I will go back and make enquiries with my colleagues to understand what the facts and figures shown here reflect. I will perhaps give Mr WONG a written reply. (Appendix I)

**MR WONG KWOK-HING** (in Cantonese): *Madam President, this piece of evidence indicates that special security .....*

**PRESIDENT** (in Cantonese): Mr WONG Kwok-hing, during question time, you are actually not allowed to dwell in length on individual cases. The Secretary has agreed to give you a written reply. If you think that there are still some other information that the Secretary may not be aware of, you can provide them to the Secretary after the meeting so that he can give you a more specific reply. Is that alright? Mr KWONG Chi-kin.

**MR KWONG CHI-KIN** (in Cantonese): *Madam President, I would like to ask the Secretary how the Government can monitor instances of contractors deducting wages. We came across some cases in which it was alleged that although workers received cheques for their wages, they had to pay \$500 in exchange for them. Other contractors compel workers to take eight to 10 days of leave in 60 days so as to avoid making contributions to the MPF. I wish to ask the Secretary through the President how the Government can step up the monitoring on such practices of exploiting legal loopholes or of virtual deduction of wages?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, judging from the query of the Member, it seems that he also acknowledged that we have a mechanism to prevent abuses or instances of exploiting legal loopholes. Even so, it seems employers still use other means to evade their responsibilities in certain areas, for example, we request that they use cheques to pay wages to fulfill the requirement that there should be bank records or the requirement of the authorities on record-keeping. However, if employers really demand that workers pay \$500 in exchange for their cheques, of course we cannot stamp out such illegal practices simply by means of a system. Of course, if workers come across such instances, the best way is to make a report. If they do so, we will then have real and hard proof so that firstly, the police can follow this up and secondly, the department concerned can keep a record of the evidence and refuse to let these people bid for the relevant contracts next time or adopt other relevant counter measures to step up prevention in this regard.

**MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, when answering Mr WONG Kwok-hing's main question, the Secretary mentioned that many contractors in fact have to follow the Quarterly Report of Wage and Payroll Statistics and follow a mechanism which allows for both upward and downward adjustments of wages. If employees have entered into contract with a contractor of outsourced work, but in a certain quarter, the contractor is forced to reduce the wages of employees because of a downward adjustment in the contract payment, may I ask the Secretary if he thinks this falls within the requirement that employers cannot reduce employees' wages at will, as provided for in the relevant employment legislation? If the wage reductions are illegal in nature, how will the Government deal with these employers?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, the main intention of this mechanism that allows for both upward and downward adjustments is to set standards for newly awarded contracts by means of such a mechanism, that is, if the wages fall below a certain level, then we will not award any contract. It is absolutely not our wish for everybody to adopt this minimum standard as the maximum wage. In this regard, it depends to a great extent on whether the contracts entered into by the company and workers contain provisions that would allow them to do so. If the relevant provisions do not allow them to do so, as Members have said, under such circumstances, workers can of course request employers to pay the wages according to the provisions of the contract.

**PRESIDENT** (in Cantonese): Mr LEUNG, has your supplementary not been answered?

**MR LEUNG YIU-CHUNG** (in Cantonese): *The Secretary has not replied as to how these employers will be dealt with. Since what I asked him was that according to the employment contract, employers cannot reduce the wages of employees at will, then should the aforementioned situation occur, how will the Bureau deal with such a problem? This will create a situation in which employers are forced to breach the employment contract in response to the adjustments made by the Government.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, as I have already mentioned, I think the most practical solution is to issue warning letters to them should such a situation occur, or even to bar them from making bids in future.

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, Mr WONG Kwok-hing has already pointed out that the Secretary had not answered parts (b) and (c) of his main question. Strictly speaking, the Secretary's answer to part (b) of the main question only recounts the situation before May 2004, but he did not give a reply on the situation after May 2004. The Secretary did not provide any figure, none whatsoever. Just now, in replying to Mr KWONG Chi-kin, the Secretary has also said that it would be very difficult to carry out monitoring. Is*

*this the reason for the Secretary's failure to provide the figures or are there some other reasons? If it is really difficult to carry out monitoring, has the Government considered adopting some other new approaches?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I think this is mainly a question of collecting information and we only have the information prior to that time. As regards the information after May this year, I do not have them at hand right now but may have them after one or two months, since we have to compile the information submitted by the relevant parties. If Members need the information, we can provide it later on. (Appendix II)

**MISS CHAN YUEN-HAN** (in Cantonese): *Madam President, I wish to remind the Secretary that it is now November. It has been nearly half a year since the implementation of this system on 6 May. In theory, the authorities should already be in possession of the relevant information. I do not hope that the Secretary would use such an excuse to avoid answering my supplementary.*

**PRESIDENT** (in Cantonese): You can sit down. Miss CHAN, you can follow this up after the meeting. Mr LEE Cheuk-yan.

**MR LEE CHEUK-YAN** (in Cantonese): *Madam President, the core of the issue in fact lies in this mechanism which allows for both upward and downward adjustments. Frankly speaking, if the Secretary makes it possible to make upward adjustments but not downward adjustments under this system, there will no longer be any problem because what we hope is that workers can enjoy stability. The authorities have not provided too much protection. At present, the contract spreads over a period of two years with rigid provisions and one year with flexible provisions. After the two years of contract with rigid provisions ends and on entering the one year of contract with flexible provisions, the Government can increase or reduce the contract payments for contractors and then the contractors will pass the increase or reduction onto workers. If the Secretary can undertake that in the event that the index is adjusted downwards, the contract payment for contractors will not be reduced, so that they do not have to pass the reduction onto workers and workers can have stability within a*

*three-year period, that is, within the two years of contract with rigid provisions and one year of contract with flexible provisions, we will feel very much gratified. Is the Secretary willing to consider increasing workers' wages at the end of the two-year period if they are lower than the minimum wage, and if the minimum wage has been increased, their wages will also be increased, that is, to allow only for increases but not reductions? Is the Secretary willing to consider changing this mechanism to one that allows for increases but not reductions, so that there can be stability in contract payment for three years?*

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

Madam President, the term minimum wage is not mentioned by me and we should not take this to be the minimum wage. I have pointed out in the main reply that this is called the Nominal Wage Index and it is an index. Therefore, the changes in the index indicate that each time we award a contract, we do so in response to the changes in market conditions. This is one of our criteria in awarding contracts. If we follow the Member's suggestion and we can only increase the amount but not otherwise every time we award a contract, we will not be able to pass the standards of public finance. Our duty is to manage our finance prudently. If wages in the market falls, I cannot insist that it must remain at a certain level when calling for tenders. If we do so, there will be problems. However, no matter what, I wish to point out clearly that the Nominal Wage Index is an index, it is not the minimum wage.

**DR FERNANDO CHEUNG** (in Cantonese): *Madam President, we conducted a study together with Oxfam last year and found that although there is the so-called committed wage, including the so-called committed wage system implemented on 1 May this year, the wages that workers actually got were often different from the committed wage. This is in fact also the drift of Mr WONG Kwok-hing's main question, that is, what he asked was whether companies and contractors have deducted the pay of workers and failed to follow the committed wage. We have chosen over a dozen housing estates as the subjects of our study and it was found that in about 60% of the housing estates, the committed wage was not adhered to. At that time, this so-called average wage system had not yet been introduced. I wish to ask the Secretary what mechanism is in place to assess and monitor whether or not companies have adhered to the committed wage?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, as Dr CHEUNG has said, the study report of Oxfam indicates that contractors used various methods to evade responsibility. Of course, we do have counter measures to plug the loopholes and stamp out such practices, for example, we require employers to pay wages through the bank so that there can be proof. However, I heard a Member say just now that employers employ other tricks such as asking workers to buy back the cheques. One can say that where God has his church, the devil will have his chapel, so we have to be always on the alert. If we learn of such instances, we will take corresponding actions depending on whether the instances are prevalent. If the instances are fairly widespread, we will definitely plug the loopholes using various methods available under the system. We have also devised counter measures for the various causes mentioned by Oxfam. If Members or members of various sectors detect such instances, they can convey these instances to us and we will step up our work as far as possible, so that contractors cannot play any tricks in this regard.

**PRESIDENT** (in Cantonese): Council has spent more than 19 minutes on this question. This will be the last supplementary.

**DR KWOK KA-KI** (in Cantonese): *Madam President, just now, many Honourable colleagues appeared to be very concerned about the effects of this issue on wages and the Secretary also said that all means will be employed to put a stop to such practices. At present, it seems many of the problems occurred because affected workers cannot get in touch directly with the Government or the departments responsible for monitoring. Will the Secretary consider adopting some measures, for example, will the Housing Department or the Housing, Planning and Lands Bureau make enquiries or get in touch directly with the employees in order to understand their actual situation? I believe this will also serve to deter employers and ascertain the actual figures, instead of just waiting for the complaints figures. Of course, I also hope that the Secretary can tell us how many workers have lodged complaints to the Secretary since the implementation of this measure.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I do not have the figures in this regard at hand right now.

However, I agree with Dr KWOK that we should take the initiative to contact workers and understand their difficulties in this respect. We have in fact done so, for example, Oxfam got in touch with us and we have also examined the ploys employed in some cases. Of course, it is impossible for us to get in touch directly with all the workers employed in this area, however, if it is necessary for us to do more work, I will also consider in detail the approach suggested by Dr KWOK Ka-ki.

**PRESIDENT** (in Cantonese): Fourth question.

### **Time Taken by Courts to Deliver Judgements**

4. **MR ALBERT HO** (in Cantonese): *Madam President, members of the legal profession and the public have reflected to me the long time taken by the Courts to deliver judgements on many cases after the conclusion of their hearings. In this connection, will the Government inform this Council:*

- (a) *of the respective average time taken by the District Court, as well as the Court of First Instance and the Court of Appeal of the High Court to deliver judgements on cases after the conclusion of their hearings (including preliminary hearings and the actual trials) in each of the past two years, and the respective numbers of cases in which the time taken was less than six months, six months to less than nine months, nine months to less than 12 months and 12 months and above;*
- (b) *whether it was necessary for the Judges of the above tiers of Courts to work overtime continuously in the past three years; if so, whether the relevant authorities will appoint more Judges in order to reduce their workload; and*
- (c) *whether the relevant authorities will allocate additional resources or implement other measures, so as to expedite the delivery of judgements by the Courts?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, the question raised by Mr Albert HO relates to case statistics of different levels of Hong Kong Courts in the past two years, and the deployment of judicial resources. Having consulted the Judiciary, I set out our reply as follows.

- (a) The statistics requested under part (a) of the question relating to actual trials are set out in Annex, which is already tabled for Members' easy reference. The Judiciary does not maintain similar statistics in respect of preliminary hearings, though it understands that rulings are usually given immediately or within a relatively short time after conclusion of hearings.

Of the some 2 500 trials or appeals with reserved judgements during January 2002 to September 2004, the Courts took six months or less to deliver judgements for 98.6% of the cases. For trials or appeals with reserved judgements during January to September 2004, the average time taken for the Courts to deliver judgements ranges from 8.4 days in respect of minor appeals heard by the Court of First Instance, to 32.1 days in respect of other Court of First Instance cases. These figures do not include those trials or appeals with judgements delivered immediately.

- (b) Judges generally are under considerable pressure and work long hours regularly. In support of the Government's efforts to reduce expenditure and streamline establishment, the Judiciary does not plan to appoint more Judges; and
- (c) As with all other bodies receiving direct funding from the Government, the Judiciary has to operate within its budgetary constraints. Notwithstanding that this may have an impact on the time needed for the Courts to dispose of cases, as the Chief Justice has publicly stated, the quality of justice must not be compromised. The Judiciary will monitor the situation, and consider the redeployment of resources to areas under pressure when possible. The Judiciary will continue to ensure that Hong Kong has an independent and competent judicial system.

## Annex

**Time taken by Courts between judgement reserved and date of delivery on civil cases after the conclusion of trials or appeals**

<i>Time between decision/judgement reserved and date of delivery</i>	<i>No. of cases<sup>Note 1</sup></i>											
	<i>Court of Appeal</i>			<i>Court of First Instance — Minor Appeals<sup>Note 2</sup></i>			<i>Court of First Instance</i>			<i>District Court</i>		
	<i>2002</i>	<i>2003</i>	<i>2004<sup>Note 3</sup></i>	<i>2002</i>	<i>2003</i>	<i>2004<sup>Note 3</sup></i>	<i>2002</i>	<i>2003</i>	<i>2004<sup>Note 3</sup></i>	<i>2002</i>	<i>2003</i>	<i>2004<sup>Note 3</sup></i>
Six months or less	1 539	118	58	51	25	6	235	213	119	51	35	44
More than six months and up to nine months	0	2	0	0	0	0	3	12	2	0	4	2
More than nine months and up to one year	0	0	0	0	1	0	3	1	0	0	0	0
Over one year	1	0	0	0	0	0	4	0	0	0	0	0
Average time (days)	3.4	15.6	13.5	4.1	26.4	8.4	37.1	47.1	32.1	11.9	19.6	27.5

Note 1 Similar statistics relating to preliminary hearings are not available but the Judiciary understands that rulings are usually given immediately or within a relatively short time.

Note 2 Minor Appeals include Small Claims Tribunal Appeal, Labour Tribunal Appeal, Inland Revenue Appeal and Appeal from Minor Employment Claim Appeal Board.

Note 3 Up to September 2004

**MR ALBERT HO** (in Cantonese): *Madam President, before I ask my supplementary, I find the Government has omitted one part of my question, that is, only trials or appeals of civil cases were mentioned in the Annex, but my main question did not differentiate civil and criminal cases. May I ask the Government if it will inform this Council of the circumstances concerning criminal cases and appeal cases first?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, we have perhaps overlooked that part, please allow me to reply in writing. (Appendix III)

**MR ALBERT HO** (in Cantonese): *Madam President, as far as I know, the Judiciary has laid down internal guidelines that rulings are generally given by Judges within six weeks to two months after trial. At present, I can see that the Court of First Instance had more cases in 2003 which required more than six*

*months to deliver judgements. But the situation did improve in 2004 and I am glad to note such improvement. Nevertheless, the Government stated that, in view of budgetary constraints, it could not allocate additional resources to improve court establishment, and it could only maintain the streamlined establishment, but the workload is beyond the control of the Courts. We could see that the Court of First Instance had 213 cases in 2003, and 119 cases in 2004, thus the number of cases being delayed has decreased. May I ask the Government, if the workload increases because of a rise in the number of hearings, whether it is impossible to allocate additional resources by way of appointing Deputy Judges in order to alleviate the workload of the Courts and to meet the target of delivering judgements within the set timeframe?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, judicial resources and other government resources are allocated according to our capability. Nevertheless, the Government attaches great importance to the Judiciary as we have to ensure that there are adequate resources to uphold the independence of the Judiciary and maintain its quality. For that reason, the Financial Secretary also emphasizes that the expenditure cut should be carried out in a gradual, non-sweeping and pragmatic manner.

Each year, we will continue to co-operate with the Judiciary with regard to the allocation of resources and preparation of the budget, so as to ensure that all the problems they encounter in this respect can be solved. As to the suggestion raised by Mr HO just now, we have actually adopted that method, and despite the small number of such Judges, the workload of the Courts has been alleviated slightly.

**MR ALBERT HO** (in Cantonese): *Madam President, my supplementary stated clearly that if the workload increases because of a rise in the number of hearings, then given the budgetary constraints, whether the Government has any other measures to help the Courts to meet the target of delivering judgements within the timeframe. Is there any other measure?*

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

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, as far as we know, the most direct measure is to increase the number of Judges, but there are also other remedial measures and we can exercise more stringent control through pre-trial assessment, forecast of the days required for trials, determination of the readiness of cases and their preparedness for trial. Moreover, cases can be appropriately allocated to Judges who have the expertise and experience in a specific area, so as to improve the efficiency and result of disposal of the cases. Moreover, District Courts and Magistracies may implement Saturday court sessions, and if necessary, reallocate internal resources according to the number and order of cases. Just as Mr HO said earlier, we can also increase the number of Deputy Judges in the short term. All of these are measures we can consider, if necessary. We think all of these measures can alleviate the pressure in this respect, thus it is not necessary to increase the number of Deputy Judges for the time being.

**MS MARGARET NG** (in Cantonese): *Madam President, as far as the general public is concerned, the quality and time of administration of justice are equally important. If the general public has to wait for a long time before the Courts can deliver the judgements, it will have direct impact on the interest of the general public. Under this circumstance, it is stated clearly in part (b) of the main reply that the workload of Judges is now very heavy and they are under considerable pressure and have to work long hours frequently. A Judge has to hear another case after he has finished hearing a case, thus he has to find some other time to write the judgement. May I ask whether this is common? If so, has the overall efficiency of the Judiciary system been actually affected? In view of this, will the Government consider allocating additional resources to the Judiciary as a matter of priority?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, just as I said earlier, we have other means to alleviate the pressure in this respect. With regard to pressure, every one of us has to work long hours every day, everybody is under considerable pressure, but we can note from the figures set out in the Annex, and as I have mentioned in the main reply, that the Courts take six months or less to deliver judgements for 98.6% of the cases. The cases in question are exceptional cases, and their number is very small. We can also see that the situation has improved. We can note from the Annex that in 2002, 2003 and 2004, there is improvement with regard to the time taken

by the Courts to deliver judgements as opposed to the number of cases in each year. As to the quality of Judges and other issues, I have explained in my main reply that we will continue to ensure Hong Kong has an independent and competent judicial system, which is indisputable.

**MS MARGARET NG** (in Cantonese): *Madam President, the Chief Secretary has not answered part of my supplementary. Will the Chief Secretary provide this Council with additional information. How often will a Judge start hearing another case after he has just heard a case? Will the Chief Secretary provide any additional information in this respect?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, I can certainly convey the proposal to the relevant colleagues, but I am not sure whether we have the information in this respect, so if the information is available, I will be glad to give a reply in writing. (Appendix IV)

**MR WONG TING-KWONG** (in Cantonese): *Madam President, the Acting Chief Secretary for Administration explained in part (b) of the main reply that Judges had generally been under considerable pressure and had to work long hours regularly. May I ask whether these Judges who have worked overtime will receive any form of subsidy?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, the answer is no.

**MR LI KWOK-YING** (in Cantonese): *Madam President, government departments have to operate under budgetary constraints, and I believe every one of us will understand that, but the service quality must be maintained as well. Nevertheless, if it takes almost six months before a judgement can be delivered, very often the plaintiff will run into financial difficulty. May I ask the Secretary whether new measures will be introduced to entertain the plaintiff's request for priority delivery of judgement so as to alleviate his financial difficulty? In this connection, will the Government consider adopting this new measure?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, I need to discuss that with my colleagues, as I have very little understanding of the situation and system in their profession. Madam President, with your indulgence, I shall reply in writing. (Appendix V)

**MS EMILY LAU** (in Cantonese): *Madam President, I also wish to follow up the supplementary of Ms Margaret NG, because we also want to know the actual reasons why Judges have to take a long time to deliver judgements. Madam President, I am not sure if the Secretary is aware of an annual report issued by the British Government on Hong Kong affairs which pointed out that the judgements of some criminal cases were not delivered even after a long time; this is the unanswered part of Mr Albert HO's main question. I wish to ask for information in this regard. Does the Government know that the matter has attracted the attention of the international community? Moreover, Madam President, we wish to know how much time Judges have for drafting the judgements? Or is it just as Ms Margaret NG said just now, that Judges have no time to perform this task at all? Does the Chief Secretary have information on this?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, just as I said earlier, the number of cases which need longer time to process is very small. We are talking about one or two cases, however, the general public are usually concerned about these cases which need a longer time to process. With regard to the supplementary raised by Ms Margaret NG, I do not have the information now, nevertheless, I will get the relevant information and reply in writing. (Appendix VI)

**MS AUDREY EU** (in Cantonese): *Madam President, with regard to the question of requiring Judges to deliver judgements within six months, just as Mr Albert HO said earlier, the internal guidelines of the Courts require Judges to deliver judgements within six weeks to two months. May I ask the Secretary or the Acting Chief Secretary for Administration whether the public is aware of this requirement, especially those who are not legally represented? As far as I know, if a Judge fails to deliver a timely judgement, the lawyer does have the means to urge the Judge to speed up the delivery of judgement. However, to plaintiffs who have no legal representation, just as those people in financial difficulty*

*mentioned by Mr LI Kwok-ying, is there any way on avenue to facilitate these people who are not represented, so that they may urge the Judge to speed up the delivery of judgements reserved which have been delayed for a long period of time, or request the relevant Judge to explain why he needs more than the target time of six weeks to two months to deliver a judgement?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, I believe one of the purposes and effects of Question Time in the Legislative Council is to enable Members to bring up the concerns of the public on certain issues, which will lead to a public discussion and keep the public informed. Through today's question, this message is struck home among the public in a broader way. If this target really exists, of course that will make up part of our pledge. If necessary, we will make this message known in a more extensive way. Nevertheless, whether it is just as Members said earlier, that we can have a mechanism to urge our Judges to speed up the delivery of judgements, I believe we have to discuss it with the Chief Justice, and I am not in a position to give an answer for him.

**PRESIDENT** (in Cantonese): We have spent more than 16 minutes on this question. Last supplementary question.

**MR ALBERT CHENG** (in Cantonese): *Madam President, the Chief Secretary for Administration explained in his main reply that Judges had generally been under considerable pressure and had to work long hours regularly. In support of the Government's efforts to reduce expenditure and streamline establishment, the Judiciary does not plan to appoint more Judges. Just now the Chief Secretary for Administration also said that the average worker had to work long hours. May I ask if it is a must for Judges to work under considerable pressure and long hours regularly? Does the Secretary consider that fair, and will it affect the confidence of the public in the Judiciary and impartial administration of justice?*

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, I have explained earlier that we have in fact other corresponding measures to alleviate the pressure of the Judiciary in this respect, which include

more pre-trail preparations, proper division of labour and triage, or the implementation of Saturday court sessions. All of these measures will alleviate the relevant pressure of the Courts. If necessary, we will implement these measures. Nevertheless, the Judiciary considers that it is not necessary to take these measures now.

**PRESIDENT** (in Cantonese): Mr Albert CHENG, has your supplementary not been answered? Please specify which part of your supplementary question has not been answered.

**MR ALBERT CHENG** (in Cantonese): *Madam President, the Secretary explained that Saturday court sessions could be implemented, then it means Judges have to work even longer hours. Will this affect the service quality of Judges and their service to the public?*

**PRESIDENT** (in Cantonese): Just Now Mr CHENG asked in his supplementary whether the quality of their work would be affected. Chief Secretary for Administration, do you have anything to add?

**CHIEF SECRETARY FOR ADMINISTRATION** (in Cantonese): Madam President, we are similar to Members in that, in addition to normal working hours, we have to work long hours regularly, just as this evening, perhaps we cannot leave this Chamber by midnight. This is part of our work. The proposal is just one of the many measures we can adopt. I am not saying that we can alleviate the work pressure in this respect by solely relying on Saturday court sessions.

**PRESIDENT** (in Cantonese): Fifth question.

### **Issuance of Government Bonds**

5. **DR RAYMOND HO** (in Cantonese): *Madam President, to provide funding for infrastructural projects as well as other investment projects, the Government has issued bonds worth a total of \$26 billion in the market through*

*government bonds and the Hong Kong Link 2004 Limited Retail Bonds. In this connection, will the Government inform this Council:*

- (a) *of the total amount of the funds so raised that it plans to allocate for infrastructural projects as well as the details of the projects involved, including the names of such projects, the estimated amount of expenditure and whether the projects concerned are new projects or ongoing ones, and the total amount of funds that will be allocated for the new projects;*
- (b) *as the 2004 policy address has stated that the Government plans to earmark an average of \$29 billion per year for capital works projects for the next five years, and now that it has raised \$26 billion through the issuance of bonds in the market, whether the expenditure on infrastructure for the financial year 2004-05 will be increased as a result; if so, of the details; and*
- (c) *in the light of the keen market response to the issuance of government bonds, whether the authorities plan to issue bonds again; if so, of the details?*

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

- (a) In his Budget speech delivered in the Legislative Council in March this year, the Financial Secretary stated that the Government hoped to achieve the following three objectives through the issuance of bonds: first, to fund infrastructure or other investment projects which will bring long-term economic benefits to Hong Kong as well as to provide greater flexibility in the management of public finance; second, to offer an additional investment option to both retail and institutional investors; and third, to promote the development of our bond market. In pursuing the first objective, the Government did not issue these bonds for the purpose of financing any specific infrastructure projects. All the funds raised through the issuance of these bonds have been credited to the Capital Works Reserve Fund Account for financing capital works projects.

- (b) As stated in paragraph 38 of the 2004 policy address, the Government has earmarked an average of around \$29 billion per year for capital works projects for the period up to 2008-09. In 2003-04, the actual expenditure for capital works projects was \$31.4 billion. In 2004-05, the estimated expenditure for such projects is \$32.9 billion. The average expenditure for these two years is more than \$29 billion. We will continue to prepare the medium range forecast of the expenditure for capital works projects on the basis mentioned above, and will not adjust the expenditure for capital works projects in the short term because of bond issuance.
- (c) We successfully issued the Hong Kong Link 2004 Limited securitization bonds and government bonds in May and July 2004 respectively, totalling \$26 billion. These bonds have provided investors with an investment option with comparatively lower risk and stable return, and have attracted institutional investors from all over the world as well as local retail investors. Institutional investors who have subscribed for the bonds, though coming from various regions with different investment backgrounds, are all world-class quality investment institutions.

The two bond issuing exercises have helped promote the development of the capital market in Hong Kong. Through issuing bonds, we have successfully established yield benchmarks for government bonds of Hong Kong with different maturities in both local and overseas markets. This can serve as a reference for future bond issuance for organizations in the local public and private sectors. These bond issuing exercises have indeed enhanced the development of the local bond market and represented an important step in reinforcing our position as an international financial centre.

At present, we have no plan to further issue bonds. However, in view of the success of the bond issuing exercises in May and July this year, we will keep an open mind on issuing bonds to raise funds for our infrastructural developments and investment projects in the future.

Lastly, I would like to add that although the nearly \$26 billion raised by issuing bonds has been credited as revenue to the cash-based

accounts, it is in fact a loan, not revenue. The Government has to repay it in due course. We therefore should not expect the issuance of bonds will increase government revenue and solve the deficit problem.

**DR RAYMOND HO** (in Cantonese): *Madam President, during the past few years, because of the economic depression in Hong Kong, many people, including myself, have suggested that the Government should make use of resources in the private market through issuance of bond to finance more infrastructure projects in order to solve the unemployment problem. In view of the keen market response to the issuance of bonds, why does the Government still turn a blind eye to the construction industry which has been badly affected by unemployment? Among the 300 000-odd workers in the industry, 16.3% are unemployed. The Chief Executive has publicly stated time and again that the unemployment problem would be solved by, for instance, embarking upon 169 municipal projects and loosening the strings of the recurrent expenditure purse. But why did the Secretary not deal with the problem in accordance with the policy objective of the policy address? Is it true to say that the Chief Executive makes his own pledge and the Secretary makes his own statement? May I ask the Secretary whether he will simply ignore the plights of the industry which is hard hit by unemployment and do nothing until its members are forced to take to the streets?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as I have just explained in the main reply, our average expenditure for capital works projects is around \$29 billion. I hope Dr HO can understand that if the Government wants to embark upon any infrastructure projects which will incur expenditure, these projects have to bring economic benefits to us. We will not implement some projects simply for creating employment opportunities. Of course, these infrastructure projects will create employment opportunities, but we should not put the cart before the horse by implementing projects which are not effective and a waste of taxpayers' money and public money simply for creating job opportunities. I think this objective is very clear. We, as the Government, must optimize the use of public money.

I would like to point out that 40 000-odd posts have been created by capital works projects launched over the past five years. I would like to remind the

public that the number of workers required for infrastructure projects such as construction of the superstructure is often less than that required for constructing a building. The infrastructure projects carried out by the Government are often the so-called civil engineering projects which may not be able to create many job opportunities for construction workers.

Noting that the property market has turned active recently, we hope that the employment situation of the construction industry can be improved since more and more construction companies will embark upon the construction projects of residential and commercial buildings, thus leading to an improvement of the unemployment situation. So, I do not quite agree with Dr HO's statement that the Government has not made any effort in this aspect. The Government has in fact committed a lot of resources to infrastructure works and honoured the pledge in the Chief Executive's policy address. So, it is not true to claim that the Chief Executive makes his own pledge and the Secretary makes his own statement. Our words tally with our actions.

**DR RAYMOND HO** (in Cantonese): *Madam President, the Secretary has in fact not answered my question. I said the Chief Executive had mentioned the recurrent expenditure and solving the unemployment problem in this year's policy address. But the Secretary has not responded in the light of the policy address. In fact, I would like to ask the Secretary about the internal circular issued on 30 August 2002. In the circular, he required all bureaux and departments to make sure that they could meet the recurrent expenditure before embarking upon any projects. Because of this, the development of some projects have been hindered, particularly the municipal projects or those related to the people's livelihood, and those which can create employment opportunities. Madam President, the Secretary has not answered this part of my question.*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, whenever Dr HO meets me, he will mention the circular issued in August 2002. He is kind of nostalgic. But I would like to take this opportunity to explain to all Members that the circular issued in 2002 is not binding forever. Rather, adjustments are made every year. So, I would like to do some clarification here. After the issue of the circular, some new circulars concerning adjustments of the annual recurrent expenses were issued respectively in 2003 and 2004. Why did we lay down such stringent conditions

in 2002? It is because at that time, we were very worried that our fiscal deficit would be adversely affected by the economy. Therefore, we had stipulated very stringent conditions in the hope that all departments would seriously consider their capital works expenditure instead of embarking upon some road construction projects without prior consideration of their cost-effectiveness. So, we had slightly tightened the conditions. New guidelines were issued afterwards in 2003 and 2004. Dr HO should also know that our current policy does take into account the actual needs of some departments for some projects and less stringent criteria are adopted when dealing with these projects. So, Dr HO, the circular issued in 2002 is no longer effective.

**PRESIDENT** (in Cantonese): Dr HO, has your follow-up not been answered?

**DR RAYMOND HO** (in Cantonese): *Madam President, sorry, the Secretary has not answered my question. Can I ask again and add something new?*

**PRESIDENT** (in Cantonese): No, you cannot add anything new. You can only ask the question you have just asked. Perhaps you wait for another turn. Fine?

**DR RAYMOND HO** (in Cantonese): *Fine, I will wait for a second turn.*

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, in the light of the keen market response to the issuance of government bonds, has the Government examined whether a society keeping a lot in foreign exchange reserve such as Singapore can still make use of bond issue to promote the financial market? May I ask the Government whether it will consider enlarging the amount of bonds to be issued in the next few years since the bonds it has issued are only \$20 billion if the Hong Kong Link 2004 Limited Retail Bonds are excluded? Will the authorities consider this point?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as Mr SIN has just said, the two bond issuing exercises are very successful. In response to the keen market response, the Government will adopt an open attitude. However, as I said in the main reply, we have to repay the loans. So, we have to be prudent when we borrow and funds raised by borrowing must be put to the optimum use. So, when considering bond issue, we will be very careful and will not ignore the economic benefits and other factors such as repayment and interest incurred even though the market response is keen or it will further promote the local bond market. So, we have to be very careful. But we are glad that the successful bond issue has provided greater flexibility in the management of public finance. I think this is something which makes us delighted.

**MR SIN CHUNG-KAI** (in Cantonese): *Of course, Madam President, we have to consider many factors when issuing bonds. But in my supplementary question, I asked whether the Government would study the maximum amount of bonds that could be issued in a place like Hong Kong? My emphasis is on whether the Government has studied this question. May I ask whether the Government will consider conducting such a study?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, before the issuance of the \$20 billion government bonds, everybody knew that the Hong Kong Government did not have any foreign debts. The Hong Kong Government is in fact in a good position in repayment in view of its financial strength. But I believe it is difficult to say at which point a country or a place should not borrow or the maximum amount of loans it can borrow because this depends on the investors' opinion on Hong Kong and their opinion is affected by many factors, including political consideration. So we have not conducted any study. But frankly speaking, it is difficult to do so even if we wish to. Some countries can borrow a large amount of foreign debts without causing any concern. For instance, even though some big nations have incurred huge loans, investors still have strong confidence in them. So, this depends on the situation of each country or each place.

**MR CHIM PUI-CHUNG** (in Cantonese): *Madam President, according to the Secretary's main reply, we know that the Government has made two successful*

*bond issuing exercises which has proved that Hong Kong can become a bond market. In the main reply, the Secretary also said that revenue raised by issuance of bonds was in fact a loan and had to be repaid. May I ask the Secretary whether the Government has considered converting the bonds into convertible debentures? In other words, the bonds will be backed up by certain government assets and can be converted into shares which may not necessarily be listed. Does the Government have any plan in this regard? If not, what are the reasons?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, Mr CHIM's suggestion is a novel idea. Many companies have provided interest-bearing convertible debentures which can be converted into shares at a certain price on a specified day. I can tell Members that many investment banks have taken the initiative to approach us and proposed the issuance of this kind of bonds. Every time we did examine their proposal with caution. We can imagine who will buy this kind of convertible debentures. So, we will continue to consider this proposal but there are many factors to be considered. For instance, what should the share value of a public corporation be when it has yet to be listed? How should the share values of some listed companies held by the Government be assessed? So, there are indeed many factors to be considered. Mr CHIM's proposal is very good and we will keep considering it and pay attention to it.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, in his main question, Dr Raymond HO has linked the issuance of bonds with the construction industry which engages in capital works and is badly affected by unemployment. In his main reply, the Secretary said that over 40 000 posts had been created over the past few years according to estimation. In this connection, may I ask the Secretary whether the 40 000-odd posts mentioned were created directly from capital works as a result of bond issue? Has the Government examined whether these 40 000-odd posts are mainly in the sector hard hit by unemployment as Dr HO just mentioned, or whether the employment opportunities for those who deal with bond issue in the financial sector are also included?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as I have mentioned in my main reply, revenue

raised through the issuance of bonds are for financing a package of capital works projects instead of just a specific one. Regarding the posts I have just mentioned, during the past five years, the posts created as a result of capital works projects — there is some information at hand — for instance, 31 900 posts were created by Category A projects and 10 200 posts were created by minor works in 2003-04, totalling 42 100 posts. According to our estimation, a total of 43 200 posts will be created in 2004-05 in which 35 700 will be created by Category A projects and 7 500 by minor works.

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

**DR KWOK KA-KI** (in Cantonese): *Madam President, I agree with Secretary MA's point in his main reply, that the issuance of bonds is for promoting the development of our bond market. But I do not fully agree that the bond issuing exercise is for improving local infrastructure or the employment situation. Nevertheless, the Secretary has mentioned time and again that this bond issuing exercise has to fulfill a number of objectives. I believe bond itself can attract local investors because it can create wealth or job opportunities. May I ask the Secretary whether the Government's original intention to issue bonds is to further develop the bond market only and it will not be conducive to the infrastructure projects or the job market in Hong Kong at all? If so, I will be very worried because I see that bond issuance will not be conducive to the further development of Hong Kong's economy, including improving infrastructure projects and the employment situation of Hong Kong. I hope the Secretary can clarify this point.*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, as I have just explained in the main reply, the issuance of bonds can provide greater flexibility in the management of public finance. I believe the public will also agree that when we decide to embark upon an infrastructure project, it should bring economic and social benefits to us. The revenue from the issuance of government bonds is not only for financing infrastructure projects. I hope Members will agree to this.

Regarding other objectives as to whether the development of the local bond market will be conducive to employment, for instance, I would like to take

this opportunity to explain to Members that the financial services or the monetary sector of Hong Kong occupies an important position. If Hong Kong's position as a financial centre can be consolidated further, it will create employment opportunities not only for talents in the financial market but also for people in such other sectors as hotel business, retail business and even the property market, which will be vitalized because of an active financial market. If we take a look at the financial centres around the world, for instance, New York and London, we can see that an active financial market will boost the business of other sectors. So Members should not think that the issuance of bonds is only for financing infrastructure projects and creating employment opportunities. In fact, it has created a lot of job opportunities in the financial sector as well.

**PRESIDENT** (in Cantonese): Last oral question.

### **Compensation and Litigation Costs Borne by Hospital Authority**

6. **DR KWOK KA-KI** (in Cantonese): *Madam President, I have learnt that the Hospital Authority (HA) has not only been plagued with very serious fiscal deficits in recent years, but has also to pay out huge costs each year for medical incidents and the consequent lawsuits, thereby aggravating its financial burden. In this connection, will the Government inform this Council:*

- (a) *whether it knows the amount of compensation paid and litigation costs borne by the HA each year as a result of medical incidents since its establishment; and*
- (b) *of the measures adopted by the Government and the HA to lower such expenses, and whether they include enhancing the communication and mutual support between medical staff, the HA and patients; if so, of the details?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, first, I would like to thank Dr KWOK Ka-ki for this question.

- (a) The amount of compensation paid and litigation costs borne by the HA each year since its establishment in respect of medical malpractice claims are given in the Annex.

I would explain the Annex, hoping that Members will understand the procedures concerned. For average cases, the procedure starts with the reporting of cases by colleagues of the HA. The calendar year in which cases are reported refers to the year a case is reported. Usually, one to five years have to be spent on the procedures before compensation is paid. Among which, some cases will be settled out of court, and some others will be decided by Court. We can see from the table that most cases reported between 1992 and 1999, over 95% approximately, have been concluded; and only some individual cases remain outstanding. For the period between 2000 and 2004, we have many outstanding cases each year. We have to understand the prevailing trend.

- (b) Medical malpractice allegations are very often a result of a lack of mutual confidence between the patient and the attending doctor, with the former feeling dissatisfied with the treatment process or outcome. In addition to health care staff, attending doctors also have great responsibility to exercise sound professional judgement in arriving at the prognosis, to obtain the patient and his family's agreement and endorsement of the medical procedures, even operations or other examinations, to be undertaken, and to give them a clear explanation so that they would have realistic expectation of the treatment outcome. In the HA's setting where there is strong professional leadership and emphasis on team work, senior doctors have the responsibility to help and provide guidance to inexperienced doctors to interact with patients so as to build up mutual understanding and trust.

To help enhance communication between its front-line health care staff and patients in the clinical setting, the HA organizes training courses, seminars and workshops on a regular basis, which are also targeted at health care staff complaints. The training aims at enabling front-line staff to explain to patients in a clear and easily understood manner the medical procedures involved, the expected clinical result, possible complications and the inherent risks.

The HA also continues to promote health education through various channels and in collaboration with patient groups. The aim is to enhance the public's knowledge of common diseases, including their prevention, treatment methods, relevant risks and possible complications. This would reduce the likelihood of patients mistaking unfavourable treatment outcomes or incidences of complications as the result of medical malpractice.

#### Annex

#### Compensation for Medical Malpractice Claims and Litigation Costs

<i>Calendar years in which cases reported<sup>1</sup></i>	<i>Amount of compensation paid<sup>2</sup> (approx figures) (\$million)</i>	<i>Litigation costs for dealing with medical malpractice claims (approx figures) (\$million)</i>
1992	2.5	0.85
1993	20.5	7.42
1994	9.7	2.62
1995	9.8	3.89
1996	41.0	14.52
1997	16.7	8.45
1998	32.3	11.30
1999	38.7	16.89
2000	30.0	11.12
2001	12.0	3.28
2002	5.0	1.30
2003	4.6	0.80
2004	1.8	0.21

Note 1: "Cases reported" means those medical incidents that have been reported under the HA's medical malpractice insurance policies.

Note 2: The figures given cover both out-of-court settlements and court awards. They include the amount borne by the HA as the retention stipulated in the relevant medical malpractice insurance policies and the amount borne by the HA's insurers under those policies.

**DR KWOK KA-KI** (in Cantonese): *Madam President, fortunately the Secretary has clarified the case, otherwise, we might have mistaken that the amount of compensation paid out has started to decline since 1999. Conversely, the surge*

*in the amount of compensation paid or litigation costs for medical incidents is alarming. Litigation costs increased from \$850,000 in 1992 to \$1.6 million in 1999, while compensation paid increased from \$2.5 million in 1992 to \$38.7 million in 1999. Certainly, I heard the many proposals made by the Secretary, and I am glad to note the current situation.*

*May I ask the Secretary, as we find that in addition to the training of front-line health care staff, the gaining of the understanding of patients or their families is also crucial, in what ways communication and mutual trust with patients or their families can be fostered to enable them to understand the possible complications and inherent risks involved in medical treatments, for the Secretary has not explained or given an account of this in the main reply? Moreover, may I ask the Secretary whether the projected compensation for SARS related cases has been included in the Annex? How much is the estimated compensation?*

**PRESIDENT** (in Cantonese): Secretary, please answer the first question only.

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I would like to emphasize that in fostering the trust between doctors and patients, doctors have an important role to play. But we also have to understand that, nowadays, patients may obtain information from different channels. Any person suffering from a serious illness may easily obtain a lot of information about the illness, and may have discussions with doctors as to which treatment method will be the best. In the past, conventionally doctors would assume a parental role, telling their patients what problems were involved. But, nowadays, we should understand that we can discuss with our patients who have knowledge in this field, for a patient also has the responsibility to understand the development of his illness. In this connection, we have to make continuous efforts in professional training and education. I think Dr KWOK Ka-ki is in a better position to answer this question, for he is the representative of health care workers.

Certainly, some special factors in the institutional context are involved. Firstly, the HA functions as a unit in making diagnosis, and thus needs to

provide training. Our young doctors and health care staff do need continuous learning. That is why I emphasized just now that it is of the utmost importance that senior doctors can take care of and nurture doctors of the next generation. As to ..... Do I not need to answer the second question?

**PRESIDENT** (in Cantonese): Yes, for Members can raise only one supplementary question each time.

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

**DR JOSEPH LEE** (in Cantonese): *Madam President, in view of the occurrence of medical incidents, in addition to enhancing the skill of front-line health care staff in communicating with patients to minimize medical incidents, has the HA put in place specific measures in practical training or other aspects to supervise front-line staff so as to prevent medical malpractices?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): What I would like to point out is that everyone must have a sense of responsibility. If health care staff do not care or concern about their patients, or abdicating their responsibilities to others, trust can never be built up. This point is of paramount importance. In terms of professional training, I think it is also utterly important. Definitely, we have to inform our patients honestly of the disease he is suffering from, the risks involved, the treatment options available, the possible complications of different treatment options, as well as other areas that warrant attention. I believe, if we can communicate with our patients and their families honestly, trust can be built up easily.

Certainly, we have encountered particular difficulty in communication with patients or their families where emergency cases or acute diseases are involved because of the lack of time, especially so in public hospitals, and families of patients may sometimes harbour unrealistic expectations. In these circumstances, explanation of the case by senior doctors is all the more necessary.

**MR ANDREW CHENG** (in Cantonese): *Madam President, we can note from the Annex that over the years, a total of some \$80 million to \$90 million has been spent on litigation costs to deal with medical malpractice claims. Some may say that money spent in this respect may only benefit lawyers. If a sound arbitration or complaint mechanism is in place, the enormous expenditure on litigation may be avoided. The existing complaint mechanism is criticized for allowing doctors to protect the interest of each other, and even lacking in transparency and genuine independence. May I ask the Secretary whether he will overhaul the system? Will the complaint committee under the complaint mechanism be given actual power of investigation, complaint or even arbitration, so as to reduce litigation and to offer genuine assistance to complainants?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I have to thank Mr Andrew CHENG for his suggestion. We have discussed the issue this morning. We consider that a sound complaint mechanism should take into consideration the perspective of complainants in particular; it should be clear, fair, impartial and open. The mechanism should not include overlapping or separate systems. If a complainant failing to lodge his complaint under one complaint mechanism may try another channel, this may heighten the expectation of the complainant, which is sometimes pointless. Such attempts may also increase the time required and waste money. I agree that if a better complaint handling mechanism is established to deal with the present problems, we can gain recognition or consensus from the public. We will consider proposals in this respect.

**MS EMILY LAU** (in Cantonese): *Madam President, in the main reply, the Secretary states the amount of money spent on litigation and compensation. May I ask the Secretary of the number of cases involved? Among those cases, how many are successful and how many are defeated? Has the amount included the litigation costs paid out by the defeated party? Has consideration been given to take out insurance for them? If insurance is taken out, will this alleviate the burden of taxpayers?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): How many questions are there? (*Laughter*)

**PRESIDENT** (in Cantonese): Secretary, this supplementary question is a request for further information in respect of the Annex provided by you. If you do not have such information at hand, you may provide a written reply.

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I have some information at hand. Starting from 1992, 100-odd cases were reported every year. But from 2002 onwards, some 400 to 500 cases were reported each year. These are the number of the cases reported. Regarding the actual compensation paid out or the outcome of those cases, there were about one tenth or 40 to 50 cases where complainants continued to pursue their cases through legal channels. For cases reported in 1998 and 1999, almost all cases have been concluded. However, for cases reported in 2000 and 2001, some are still outstanding. In respect of insurance, I do not quite understand which party the Member is referring to in the purchase of insurance. Did she refer to .....

**MS EMILY LAU** (in Cantonese): *Doctors, definitely.*

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

**MS EMILY LAU** (in Cantonese): *Is it possible to take out insurance for this? I am not sure.*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): The HA has taken out insurance for its doctors, and most of the doctors have taken out their own professional insurance, almost 90% of the doctors have taken out the insurance. The compensation is not paid out by doctors but by the HA instead. The lawsuits are filed by patients against the HA, and the HA has to pay the fees after the lawsuits. In general, doctors working in the HA seldom have to face lawsuits as an individual, which may render them liable to compensation.

**MS EMILY LAU** (in Cantonese): *Madam President, the Secretary has not provided the figures on successful and defeated cases, and whether defeated parties have paid the court costs incurred.*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I do not have such figures at hand. But, actually, many cases can neither be classified as successful nor defeated cases, for they are settled out of court.

**MS EMILY LAU** (in Cantonese): *Madam President, will the Secretary provide detailed information after the meeting?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): I will try to provide such information. (Appendix VII)

**MR ALBERT HO** (in Cantonese): *Madam President, litigation on medical malpractice involves both patients and hospitals. On the one hand, patients have to relive their painful memories and seek support from experts. On the other hand, hospitals have to check up many records, and health care workers need to seek expert assistance in defence. Therefore, the proceedings involved are lengthy and complicated, and consume a lot of effort and resources of the parties involved. In this connection, some countries recognize that medical malpractices are sometimes very difficult to prove. However, they understand that patients do have justifications to lodge complaints, for quite often, some complications involved are foreseeable, and complaints only arise from communication problems between the hospitals and patients. As far as I know, in New Zealand, a fund (the Misadventure Fund) is set up to settle compensation for this type of cases on a no-fault basis. May I ask the Secretary whether he is interested in exploring plans of this kind? Or, is such plan useful for reference?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, the Misadventure Fund of New Zealand is a fund set up by the Government, amounting to an internal mechanism, aiming to reduce the number of lawsuits. However, the fund is also beset with problems on the setting of

compensation criteria, such as the eligibility for compensation and the amount of compensation. As I said earlier, I believe these problems can be settled through different mechanisms, but the procedures involved will be very complicated. I thus consider it more desirable to handle all cases under one simple mechanism agreed by all. I will consider this option, but consideration should be given to the fact that patients can take the matter to Court.

**MR KWONG CHI-KIN** (in Cantonese): *Madam President, I would like to raise a supplementary question for Dr KWOK Ka-ki who failed to ask it earlier. How many cases are related to SARS as estimated? How much money is involved?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): At the moment, the HA has not received any letters claiming to take legal actions, but we have received some letters related to pre-court proceedings, 29 letters in total. We are now conducting an analysis for answers in the legal context, but we have not received any writs issued by the Court officially.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, just now, the Secretary clarified the figures of the last few years stated in the Annex. From a technical angle, the rate of change is not substantial. I reckon that the amount of compensation paid out in the past decade was several hundred million dollars, which is rather steady, but it is difficult to assess whether the figure is on the high side or the low side. Does the Government have any reference figures, for example, figures on litigation cases involving medical expenditure faced by similar institutions overseas; or figures in comparison with private practitioners in Hong Kong? These figures may help us understand whether the figures provided are acceptable, on the high side or on the low side.*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Mr Howard YOUNG, I think we have to consider with which countries we wish to compare. If it is a comparison with the United States, then our figures are very low; if it is a comparison with Britain or Australia, our figures are again very low. However, in comparison with those of our neighbouring countries which do not have similar mechanisms, our figures can be regarded very high. We

should understand that the figures for several years are particularly high because the compensation for one or two cases is particularly high, which has thus pushed up the overall figures. Among our cases, the highest compensation paid is \$23 million. However, this is only an individual case; in general, the compensation involved in each case is not too high.

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

**MR LAU KONG-WAH** (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary points out that medical malpractice allegations are very often a result of a lack of mutual confidence between the patient and the attending doctor. Certainly, this may be so for some cases. But the possibility that mistakes are really involved cannot be ruled out in many cases. Nonetheless, the Secretary failed to mention this earlier. Will the Secretary explain the reasons for the particularly high compensation paid between 1996 and 1999 or up to 2000? Can he explain why such cases occurred in those years?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): As I said earlier, it just happens that some cases involving particularly high amounts of compensation occurred in those years. The compensation of a case in a certain year, as I said, amounts to \$23 million, while the compensation for another case also exceeds \$10 million.

**MR LAU KONG-WAH** (in Cantonese): *Madam President, the Secretary has not answered my question. The thrust of my question is on the situation of those several years but not on particular cases. What is his overall analysis?*

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): For the time being, I do not find the number of special cases in those few years has shown an apparent increase, but the amount of compensation involved is particularly high. On the whole, from 1992 to 2004, the number of cases, both

cases reported or cases involving compensation, has increased from 20 to 30 to about 50 cases now.

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

## WRITTEN ANSWERS TO QUESTIONS

### Aborted Landings

7. **MR JEFFREY LAM** (in Chinese): *Madam President, it has been reported that at the end of August this year, a landing flight had to switch to manual operation temporarily and abort landing at the Hong Kong International Airport (HKIA) due to a sudden encounter with windshear. In this connection, will the Government inform this Council:*

- (a) *of the number of aborted landings at the HKIA since its opening, and the situations under which such aborted landings took place;*
- (b) *whether there are any data or signs to indicate that aborted landings are affected by changes in seasons or related to windshear;*
- (c) *of the existing monitoring and contingency measures taken by the Civil Aviation Department (CAD) and the HKIA to deal with aborted landings and encounters with windshear by aircraft; and*
- (d) *since the Hong Kong Observatory (HKO) has spent \$9.5 million on procuring the world's first Light Detection and Ranging (LIDAR) System for use in airport weather alerts with a view to facilitating better detection of changes in wind direction and air current, whether the system has served its purpose during the aborted landing incident in August this year; if it has, of the details?*

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

- (a) and (b)

Between the opening of the HKIA in 1998 and September 2004, there were 822 incidents of missed approaches (or commonly referred to as "aborted landings"), representing 0.14% of the 600 000 landings at the HKIA. Past records indicate that missed approaches were more frequent between March and September of the year. About 37% of the missed approaches were related to windshear. Other factors leading to missed approaches included problems with the aircraft, low cloud, adverse weather conditions and poor visibility.

- (c) The HKO monitors all the time any possible occurrences of windshear and provides timely warning to the Air Traffic Control Centre of the CAD. The Control Centre would convey such information to flight crew. The Control Centre and flight crew may then prepare, if necessary, for missed approaches. The CAD has also formed a Windshear and Turbulence Warning System Working Group comprising representatives from the HKO, CAD, airlines, and pilot associations. The Working Group meets regularly to revise and improve windshear detection and forecast, as well as the mechanism of communicating windshear information to flight crew.
- (d) The LIDAR System is designed to detect windshear under rain-free conditions, whilst the Terminal Doppler Weather Radar (TDWR) and its network of wind sensors perform the detection function on rainy days. It was raining when an incident of missed approach happened on 30 August 2004. The TDWR System detected windshear and issued timely warning.

### **Shortage of Nursing Manpower**

8. **MR TAM YIU-CHUNG** ( in Chinese): *Madam President, it has been reported that a number of recent medical incidents were suspected to be related to the shortage of medical and health care personnel. Besides, homes for the elderly have also experienced shortage of nursing manpower for a long time. In this connection, will the Government inform this Council whether:*

- (a) *it knows the respective numbers of nursing staff at various ranks in the Hospital Authority (HA) who left employment over the past three years, and whether there has been an increase in the wastage of HA nursing staff during that period; if so, the reasons for that;*
- (b) *it has any plan to reopen the seven closed nursing schools so as to increase the nursing manpower; if so, of the details; if not, the reasons for that;*
- (c) *it has any plan to help those who have completed nursing training in the Mainland to become qualified for practice in Hong Kong, in order to alleviate the shortage of nursing manpower; if so, of the details; if not, the reasons for that; and*
- (d) *it has other plans to ensure the availability of sufficient nursing manpower, thereby safeguarding the quality of public health care services as well as services for the elderly; if so, of the details; if not, the reasons for that?*

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

- (a) The turnover of nurses and its breakdown by rank in the HA during the past three years are as follows:

<i>Staff type</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>
Nursing officer and above	80	63	236
Registered nurse	159	120	407
Enrolled nurse and others	77	67	219
Total	316	250	862

The main reason for the increase in turnover of nurses in the past year was due to the implementation of voluntary early retirement schemes by the Government and the HA.

The overall supply of new nurse graduates is estimated to increase from 340 in 2004 to about 530 in 2005, and around 600 in each of the subsequent years. It is therefore expected that the strain in nursing manpower will be relieved gradually in the coming years.

- (b) It is our policy to upgrade basic nursing education to degree level in line with international trend to enhance the professionalism of nurses. Degree nursing education is presently offered by tertiary education institutions. The nursing schools used to train nurses at the sub-degree level. We have no plans to continue with sub-degree nursing training in these nursing schools in the long run. Nevertheless, to alleviate the problem of shortage of nurses in the short term, the HA is conducting three sub-degree nursing training courses at the Queen Elizabeth Hospital Nursing School in collaboration with tertiary education institutions. For the longer term, our policy remains to upgrade basic nursing training to degree level.
- (c) To safeguard public health, the Government must ensure that all health care professionals have attained satisfactory professional standards. Hence, it is important that the competency of non-locally trained nurses be suitably assessed before they are allowed to practise.

So long as the applicants can provide their training records, qualifications and working experiences related to nursing to the satisfaction of Nursing Council of Hong Kong and pass the Licensing Examination held by the Council, they are eligible for registration/enrollment as nurses in Hong Kong.

- (d) The anticipated increase in the supply of nurse graduates in the coming years would be able to relieve the nursing manpower shortage in the HA and in the welfare sector. In addition, the HA will continue to explore ways to alleviate the workload of front-line nursing staff. For example, this year the HA has retained over 200 undergraduate nursing students on temporary employment to provide workload relief for nursing staff. Besides, the HA has deployed supporting staff to assist nurses in carrying out simple patient care duties which do not require professional nursing

knowledge. Examples of these duties are bed baths, oral health care, giving out bedpans and urinals, and feeding patients. More supporting staff will be deployed to assist in such duties in future. These measures enable nurses to continue to concentrate on providing quality professional care to patients.

### **Retrofitting of Screen Doors at MTR Stations**

9. **MR ALBERT CHAN** (in Chinese): *Madam President, it has been reported that the number of accidents involving passengers falling onto the rail track has reduced markedly since the retrofitting of screen doors at MTR stations by the MTR Corporation Limited (MTRCL). In this connection, will the Government inform this Council whether it knows:*

- (a) *the number of accidents involving MTR passengers falling onto the rail track and the casualties involved in the past year;*
- (b) *the respective numbers and names of the stations where screen doors have been and have not yet been retrofitted;*
- (c) *whether the MTRCL has formulated a detailed retrofitting plan for the stations where screen doors have not yet been retrofitted; if so, of the details; if not, the reasons for that; and*
- (d) *whether the reasons stated in part (c) include technical problems; if so, whether the authorities have assessed if such technical problems are real; if assessment has been made, of the results, as well as the measures in place to ensure that the MTRCL can retrofit screen doors at all stations?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**  
(in Chinese): Madam President, the number of accidents involving MTR passengers falling onto the rail track and the casualties involved in the past year are summarized below:

2004 (Up to 30 September 2004)

<i>Causes</i>	<i>Death</i>	<i>Injury</i>	<i>Unhurt</i>
Trespassing onto Track	0	0	7
Suicide	3	0	0
Attempted Suicide	0	2	1
Falling from Platform Accidentally	0	7	4
Total	3	9	12
			24

For the station platforms along the Airport Express Line, Tseung Kwan O Line and Tung Chung Line, platform screen doors had been installed during the construction stage. As regards the other railway lines, the MTRCL launched the "MTR Platform Screen Door Retrofit Programme" in 1999 with a view to providing passengers with a more comfortable travelling environment and reducing energy consumption. The project covers 30 underground stations on the Kwun Tong, Tsuen Wan and Island Lines and is expected to complete by 2006.

At present, platform screen doors have been retrofitted at the following 20 stations:

*Island Line*

1. Sheung Wan
2. Central
3. Admiralty
4. Wan Chai
5. Causeway Bay
6. North Point

*Tsuen Wan Line*

7. Tsim Sha Tsui
8. Jordan
9. Yau Ma Tei
10. Mong Kok
11. Prince Edward
12. Sham Shui Po
13. Cheung Sha Wan
14. Lai Chi Kok
15. Mei Foo
16. Tai Wo Hau

*Kwun Tong Line*

17. Shek Kip Mei
18. Kowloon Tong
19. Lok Fu
20. Wong Tai Sin

Platform screen doors will be retrofitted at the following 10 stations by 2006:

1. Tin Hau
2. Tai Koo
3. Sai Wan Ho
4. Diamond Hill
5. Lam Tin
6. Fortress Hill
7. Quarry Bay
8. Shau Kei Wan
9. Choi Hung
10. Lai King

For the remaining eight at-grade/overhead stations (Tseun Wan, Kwai Hing, Kwai Fong, Ngau Tau Kok, Kowloon Bay, Kwun Tong, Heng Fa Chuen and Chai Wan), retrofitting of platform screen doors involves major alterations to the stations and tunnel ventilation, air-conditioning and smoke extract systems. Since such at-grade/overhead stations are not designed with air-conditioning and ventilation systems, retrofitting works are subject to technical constraints.

The MTRCL is fully engaged in retrofitting platform screen doors at all underground stations. Upon their completion, the MTRCL will consider retrofitting platform screen doors at the remaining stations.

**Derelict Land**

10. **MR ALAN LEONG** (in Chinese): *Madam President, it is learnt that a piece of land in Ap Lei Chau zoned for "Government, Institution or Community" uses and granted directly by way of private treaty has been derelict since the relocation of a primary school on that site in 1994, giving rise to the breeding of*

*mosquitoes and insects, as well as causing other environmental and hygiene problems. In this connection, will the Government inform this Council:*

- (a) *whether it is waiting for the grantee of the above site to apply for alteration of land use; if so, of the criteria to be adopted in considering the application for rezoning the site to residential or commercial uses;*
- (b) *why it has not yet resumed the land; and whether it will consider enforcing the provisions in the land lease for immediate land resumption, so as to improve the environmental and hygiene conditions of the area; and*
- (c) *of the current number of pieces of land in the territory which were granted directly by way of private treaty, have been derelict for over 12 months, and which are zoned for "Government, Institution or Community" uses or zoned for "Other Specified Uses" for the provision of communal facilities, their locations and particulars of grantees, and the reasons for not enforcing the land resumption provisions in the land leases to protect public property and ensure optimum use of land resource?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Chinese): Madam President, at the outset, I wish to provide some basic information concerning the lot cited in the question. The lot is Ap Lei Chau Inland Lot No. 61, granted by the Government by way of private treaty grant in 1941. According to the current land lease, the lot has been granted for the purposes of "hostel and school" and "teaching gardening" only. The lot has been zoned "Government, Institution or Community" according to the draft Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/20.

My reply to the three-part question is as follow:

- (a) and (b)

Currently, it is not necessary for the Administration to process any request to rezone the lot as residential or commercial uses. However, the grantee has submitted a number of proposals for the

use of the lot from time to time, including the latest proposal to operate an Outdoor Education Centre at the site. The Lands Department (LandsD) is now awaiting the grantee's revised proposal for operating the Outdoor Education Centre and has no immediate plan to recover possession of the lot.

With regard to the environmental and hygienic problems of the lot, the LandsD has written to the grantee requesting follow-up actions. A site inspection by the LandsD on 19 October 2004 revealed that there were workers carrying out cleaning and refuse collection works.

- (c) "Other Specified Uses" is a planning concept and such description is not used in land lease. According to the information known to the Administration, besides the abovementioned lot, there are three other lots, granted by way of private treaty grant, which have not been used for the specified uses in the land leases, for 12 months or above. The follow-up actions of the Administration are as follows:
  - (i) Tai Au Mun, Clearwater Bay: the lot was designated for use as a non-profit-making home for the aged. The grantee has agreed to surrender the lot, and the Administration has decided to grant it directly to another grantee for operating a non-profit-making home for the aged. The documentation is under preparation.
  - (ii) Kam Shan, Tai Po: the lot was designated for use as a primary school. An application for surrender from the organization was received in December 2002. Problems concerning legal procedure, government rent and dangerous slope maintenance have been encountered and the matter is in progress.
  - (iii) Area 4, Tai Po: the lot was designated for use as a swimming pool complex with ancillary facilities. The grantee has obtained funding from the Hong Kong Jockey Club Charities Trust funding for a redevelopment project. The matter is in progress.

**Tai Po Hui Market**

11. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that due to the excessive number of stalls selling the same type of products and poor patronage, many stalls in the new Tai Po Hui Market, which came into operation on 1 September, this year, have difficulties in keeping business afloat, and quite a number of them have even closed down. In this connection, will the Government inform this Council of:*

- (a) *the data and methodology used to determine the number of stalls selling the same type of products;*
- (b) *the current vacancy rate of the stalls in the market;*
- (c) *the total rental income forgone as a result of the stalls being left vacant since the opening of the market; and*
- (d) *measures to improve the market's business environment?*

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

- (a) The Tai Po Hui Market was built to replace the Tai Po Temporary Market. The Tai Po Temporary Market was built in the early 1980s to re-site on-street hawkers in Tai Po. Because of its temporary nature, the facilities of the market were relatively primitive. In order to provide a modern and permanent market for local residents, when the former Provisional Regional Council approved the development of an eight-storey complex in Tai Po in 1998, the ground and first floors of the complex were designated as a new market and the second floor a cooked food centre for relocation of all the tenants in the Tai Po Temporary Market. The number of a given type of stalls in the Tai Po Hui Market was decided in accordance with the number of the same type of stalls in the Tai Po Temporary Market.

- (b) Apart from seven stalls frozen for specific purposes, there are 321 stalls available in the Tai Po Hui Market. As at end-October 2004, seven stalls were vacant. The vacancy rate was 2.18%.
- (c) In accordance with the existing policy to alleviate any financial hardship that re-sitees may suffer due to the move, the Government has waived the first two months' rental and air-conditioning charges for the tenants relocated from the Tai Po Temporary Market. The Tai Po Hui Market was commissioned on 1 September 2004. The rent-free period for these tenants lasted until end-October 2004.
- (d) To improve accessibility of the Tai Po Hui Market, the Food and Environmental Hygiene Department (FEHD) has been working with the Architectural Services Department to explore the feasibility of providing two more side entrances near the main market entrance. More signage at appropriate locations will also be provided to help attract and direct customers to the new market.

To improve patronage at the market, the FEHD has been carrying out a series of publicity and promotional activities. To inform the public of the opening of the new market, advertisements were placed on newspapers and at railway stations/bus shelters in the Tai Po District and posters sent to resident associations nearby and local organizations in Tai Po in late August/early September 2004. To encourage spending in the market, the FEHD has been conducting two promotional events (including a lucky draw and a recipe competition) from mid-October to mid-November 2004. Response to the promotional activities has been encouraging. More activities such as exhibition will be conducted in the months ahead to attract patrons. To provide a better shopping environment, the FEHD will consult market tenants on the installation of customer-oriented facilities such as lockers. Together with the efforts of the market tenants, we hope to create a favourable shopping environment and more business opportunities.

**Land Premium for Petrol Filling Station Sites**

12. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding the land premium for petrol filling station (PFS) sites, will the Government inform this Council:*

- (a) *of the average per-square-metre premium of leases granted in each of the past five years by the authorities for land used as PFS;*
- (b) *whether it has looked into how land premium for PFS sites affects the retail prices of motor vehicle fuel; if it has, of the findings; and*
- (c) *whether it will consider providing premium waiver in granting new land leases for PFS sites as a means of lowering the fuel prices for motor vehicles?*

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

- (a) Land for PFS are sold to PFS operators by way of tender to the highest bidders. Land premium for such land is determined by market forces. Bid prices are determined by tenderers taking into account various factors such as location of sites, traffic throughput of nearby roads, accessibility for motorists, whether any new operators are keen to enter into the Hong Kong market, and so on. On this basis, we must emphasize that comparing the average land premium of land for PFS per sq m on average would not provide any useful information for reference.

From 2000 to 2002, there were no tenders of land for PFS. In 2003, four sites for use as PFS were sold, with a premium of \$29,000 per sq m on average. In 2004, 10 sites were sold, with a premium of \$58,000 per sq m on average.

- (b) Retail price of oil products is determined by various factors, including import price of the product, market condition, mode of operation, marketing strategy and operating cost (including land

premium and rent of PFS) of individual companies. It is difficult to assess the impact of any one factor on the retail price.

- (c) PFS sites have all along been awarded through open tender with premium determined by the market. It would not be fair to operators who have obtained PFS sites in previous tenders, if premium waiver is granted for new sites.

### **Hong Kong's Status as an Aviation Hub**

13. **MR HOWARD YOUNG** (in Chinese): *Madam President, the impact of the Guangzhou Baiyun Airport on Hong Kong's aviation industry has become more apparent since its commissioning on 5 August this year. As the airfares of flights between Guangzhou and Southeast Asia are lower than those from Guangzhou to Southeast Asia via Hong Kong, quite a number of mainland tourists have shifted to direct flights from Guangzhou to Southeast Asia. Consequently, Hong Kong's position as a point of transit, the business of travel agents, the passenger volume of the flights concerned and the transit passenger throughput at the Hong Kong International Airport (HKIA) have been affected, putting Hong Kong's tourism industry under pressure. In this connection, will the Government inform this Council:*

- (a) *how it will assist the industry in facing competition; whether it has considered reducing the charges of HKIA or introducing concessionary measures to give flights departing from Hong Kong room for fare reduction, so as to enhance their competitiveness; and*
- (b) *of the measures in place to reinforce Hong Kong's status as an aviation hub, attract more local and mainland airlines to operate flights between Hong Kong and the Mainland, and extend our aviation network so as to broaden the customer base for direct flight and transit services?*

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

- (a) The Airport Authority (AA) is tasked under the Airport Authority Ordinance to operate the HKIA and determine the level of airport charges in accordance with prudent commercial principles. In view of the competition from neighbouring airports, the AA reintroduced a two-year new destination incentive arrangement in September this year, which offers up to 50% rebate on landing charges to encourage airlines to develop services between Hong Kong and new destinations. Airlines are expected to enjoy a discount in landing charges amounting to about \$90 million.
- (b) The Government has adopted a multi-pronged approach to enhance Hong Kong's position as an aviation hub. First, through our policy of progressive liberalization, we continue to provide opportunities for airlines to expand their service network through Hong Kong. In the past two years, we have concluded completely open direct services or substantially expanded bilateral arrangements with a number of aviation partners, including the United Kingdom, the United States and countries in Southeast Asia. The new air services arrangement concluded with the Mainland in September this year allows more Hong Kong and mainland airlines to enter the market and substantially expand the frequency of services between the two places. It also provides additional rights for mainland airlines to operate via Hong Kong to Southeast Asia, and enables airlines of the two sides to code-share with each other to link up Hong Kong's extensive international network with the enormous aviation market in the Mainland.

In order to extend our catchment area across the boundary, ferry services between the HKIA and four cities in the Pearl River Delta (PRD) were launched in September last year. They provide seamless sea-air transit services to mainland travellers. Plans are in hand to further expand the network of the ferry services. Coupled with increasing cross-boundary coach services, these inter-modal links would enhance the HKIA's position as the preferred gateway airport for PRD residents making international travels. In July this year, the AA also launched the "Fly via Hong Kong" one-stop ticketing platform to facilitate PRD passengers using the HKIA for travelling to the rest of the world.

The above measures are beginning to pay off. The opening of Guangzhou Baiyun Airport in August this year has not affected the continued growth of traffic at the HKIA, which has set new records for both passenger and cargo throughput. Take September this year as an example, the number of aircraft movements surged by 17.9%, while passenger and cargo throughputs increased by 15.0% and 19.2% respectively over the same month last year. The number of transfer passengers also recorded an impressive 21.2% year-on-year growth.

### **Self-financing Courses Operated by Tertiary Institutions**

14. **MR FREDERICK FUNG** (in Chinese): *Madam President, regarding the full-time degree, sub-degree and higher diploma programmes operated on a self-financing basis by University Grants Committee (UGC)-funded tertiary institutions, will the Government inform this Council whether it knows, in respect of each of the past three academic years:*

- (a) *the respective numbers of such programmes at various academic levels operated by each UGC-funded institution, and their respective percentages in the total number of programmes provided by respective institutions at the corresponding academic levels;*
- (b) *the number of students enrolled in such programmes operated by each UGC-funded institution, and the respective numbers and percentages of such students who received financial assistance under various student financial assistance schemes; and*
- (c) *in relation to each of the student financial assistance schemes, the number of recipients who, after graduation from these programmes, have:*
  - (i) *defaulted in repayment of loans, and the average amount of loans defaulted; and*

(ii) *applied for deferment of loan repayment, together with a breakdown of such applications by the justifications provided?*

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

- (a) The eight institutions funded by the UGC (the UGC-funded institutions) may offer self-financing programmes in accordance with their governing legislation and development needs. In general, these programmes are provided by departments and faculties, continuing education and professional development arms and extension arms, and so on, of the institutions. In the past three academic years, the number of full-time self-financing programmes mentioned above, and this as a percentage of the total number of programmes provided by respective institutions, are summarized at Annex 1.
- (b) Students who pursue full-time accredited post-secondary programmes which operate on a self-financing basis and lead to qualifications at associate degree, higher diploma and/or professional diploma or above levels are eligible for financial assistance under the Financial Assistance Scheme for Post-secondary Students (FASP) and the Non-means Tested Loan Scheme for Post-secondary Students (NLSPS). The FASP provides assistance in the form of grants and low-interest loans.

Details of the above financial assistance offered to students of the UGC-funded institutions and their self-financing education arms are listed at Annex 2 and Annex 3.

- (c)(i) Loans under both FASP and NLSPS are repaid in quarters commencing upon graduation or termination of studies. Default cases arise when a student fails to repay two or more consecutive instalments.

Since FASP and NLSPS were introduced in the 2001-02 academic year, there was no default case in that year. In the academic years 2002-03 and 2003-04, the number of defaulters and the average amount of loans defaulted are as follows:

	<i>2002-03 Academic Year (as at 30 September 2003)</i>	<i>2003-04 Academic Year (as at 30 September 2004)</i>
FASP		
Number of defaulters	2	10
Average amount of loans defaulted	\$1,700	\$2,400
NLSPS		
Number of defaulters	48	112
Average amount of loans defaulted	\$8,100	\$8,900

- (ii) The Student Financial Assistance Agency considers each application for deferred loan repayment on its own merits. Approval for deferred repayment may be granted on grounds of further studies, financial hardship or serious illness. Applications have to be substantiated by valid documentary proof.

Since FASP and NLSPS were introduced in the 2001-02 academic year, there was no application for deferred loan repayment in that year. In the academic years 2002-03 and 2003-04, the details of deferred loan repayment cases are as follows:

	<i>2002-03 Academic Year</i>	<i>2003-04 Academic Year</i>
FASP		
Total number of deferment cases approved	54	208
Reasons: Further studies	46	177
Financial hardship	8	30
Serious illness	0	1
NLSPS		
Total number of deferment cases approved	62	329
Reasons: Further studies	25	234
Financial hardship	37	94
Serious illness	0	1

## Annex 1

## Number and Percentage of Full-time Self-financing Programmes

Offered by the UGC-Funded Institutions\*

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's Degree	Associate Degree	Higher Diploma	Bachelor's Degree	Associate Degree	Higher Diploma	Bachelor's Degree	Associate Degree	Higher Diploma
City University of Hong Kong									
No. of self-financing programmes	0	0	N/A	0	4	N/A	0	7	N/A
Total no. of study programmes	43	18	N/A	43	22	N/A	43	25	N/A
% of self-financing programmes	0%	0%	N/A	0%	18.2%	N/A	0%	28.0%	N/A
Hong Kong Baptist University									
No. of self-financing programmes	1	1	N/A	1	1	N/A	1	1	N/A
Total no. of study programmes	38	1	N/A	38	1	N/A	38	1	N/A
% of self-financing programmes	2.6%	100%	N/A	2.6%	100%	N/A	2.6%	100%	N/A
Lingnan University									
No. of self-financing programmes	0	4	N/A	0	14	N/A	0	18	N/A
Total no. of study programmes	6	4	N/A	8	14	N/A	8	18	N/A
% of self-financing programmes	0%	100%	N/A	0%	100%	N/A	0%	100%	N/A
The Chinese University of Hong Kong									
No. of self-financing programmes	0	N/A	N/A	0	2	2	0	6	8
Total no. of study programmes	52	N/A	N/A	53	2	2	53	6	8
% of self-financing programmes	0%	N/A	N/A	0%	100%	100%	0%	100%	100%
The Hong Kong Institute of Education									
No. of self-financing programmes	0	1	N/A	0	3	N/A	0	3	N/A
Total no. of study programmes	4	1	N/A	4	3	N/A	4	3	N/A
% of self-financing programmes	0%	100%	N/A	0%	100%	N/A	0%	100%	N/A
The Hong Kong Polytechnic University									
No. of self-financing programmes	4	1	0	6	1	0	7	5	0
Total no. of study programmes	43	1	25	45	1	25	44	5	25
% of self-financing programmes	9.3%	100%	0%	13.3%	100%	0%	15.9%	100%	0%
The Hong Kong University of Science and Technology									
No. of self-financing programmes	0	N/A	N/A	0	N/A	N/A	0	N/A	N/A
Total no. of study programmes	31	N/A	N/A	31	N/A	N/A	41	N/A	N/A
% of self-financing programmes	0%	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher
	Degree	Degree	Diploma	Degree	Degree	Diploma	Degree	Degree	Diploma
University of Hong Kong <sup>#</sup>									
No. of self-financing programmes	0	3	8	1	7	18	1	10	25
Total no. of study programmes	64	3	8	65	7	18	64	10	25
% of self-financing programmes	0%	100%	100%	1.5%	100%	100%	1.6%	100%	100%

Remarks:

- \* The above information is provided by the UGC-funded institutions. The relevant figures include programmes offered by departments and faculties, continuing education and professional development arms and extension arms, and so on, of the institutions.
- # The University of Hong Kong proper does not offer sub-degree programmes. Self-financing associate degree and higher diploma programmes are provided by the School of Professional and Continuing Education of the University of Hong Kong.

## Annex 2

Number and Percentage of FASP Recipients Who Pursue  
Full-time Self-financing Programmes Offered by the UGC-Funded Institutions\*

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher
	Degree	Degree	Diploma	Degree	Degree	Diploma	Degree	Degree	Diploma
City University of Hong Kong									
Student population	N/A	N/A	N/A	N/A	767	N/A	N/A	1 228	N/A
No. of students receiving financial assistance	N/A	N/A	N/A	N/A	250	N/A	N/A	354	N/A
% of students receiving financial assistance	N/A	N/A	N/A	N/A	32.6%	N/A	N/A	28.8%	N/A
Hong Kong Baptist University									
Student population	15	883	N/A	31	1 163	N/A	48	1 147	N/A
No. of students receiving financial assistance	0	229	N/A	0	305	N/A	0	296	N/A
% of students receiving financial assistance	0%	25.9%	N/A	0%	26.2%	N/A	0%	25.8%	N/A
Lingnan University									
Student population	N/A	401	N/A	N/A	794	N/A	N/A	614	N/A
No. of students receiving financial assistance	N/A	45	N/A	N/A	157	N/A	N/A	213	N/A
% of students receiving financial assistance	N/A	11.2%	N/A	N/A	19.8%	N/A	N/A	34.7%	N/A
The Chinese University of Hong Kong									
Student population	N/A	N/A	N/A	N/A	41	32	N/A	123	397
No. of students receiving financial assistance	N/A	N/A	N/A	N/A	9	5	N/A	28	66
% of students receiving financial assistance	N/A	N/A	N/A	N/A	22.0%	15.6%	N/A	22.8%	16.6%

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher
	Degree	Degree	Diploma	Degree	Degree	Diploma	Degree	Degree	Diploma
The Hong Kong Institute of Education									
Student population	N/A	15	N/A	N/A	94	N/A	N/A	159	N/A
No. of students receiving financial assistance	N/A	0	N/A	N/A	17	N/A	N/A	29	N/A
% of students receiving financial assistance	N/A	0%	N/A	N/A	18.1%	N/A	N/A	18.2%	N/A
The Hong Kong Polytechnic University									
Student population	221	236	N/A	275	914	N/A	443	2 156	N/A
No. of students receiving financial assistance	4	64	N/A	3	285	N/A	2	699	N/A
% of students receiving financial assistance	1.8%	27.1%	N/A	1.1%	31.2%	N/A	0.5%	32.4%	N/A
The Hong Kong University of Science and Technology									
Student population	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
No. of students receiving financial assistance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
% of students receiving financial assistance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
University of Hong Kong*									
Student population	N/A	1 835	654	37	2 176	1 456	37	2 169	1 961
No. of students receiving financial assistance	N/A	354	126	0	493	328	0	410	443
% of students receiving financial assistance	N/A	19.3%	19.3%	0%	22.7%	22.5%	0%	18.9%	22.6%

Remarks:

- \* Information on the student population of various programmes is provided by the UGC-funded institutions. The relevant figures include programmes offered by departments and faculties, continuing education and professional development arms and extension arms, and so on, of the institutions. Information on financial assistance is provided by the Student Financial Assistance Agency.
- # The University of Hong Kong proper does not offer sub-degree programmes. Self-financing associate degree and higher diploma programmes are provided by the School of Professional and Continuing Education of the University of Hong Kong.

### Annex 3

#### Number and Percentage of NLSPS Recipients Who Pursue

#### Full-time Self-financing Programmes Offered by the UGC-Funded Institutions\*

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher	Bachelor's	Associate	Higher
	Degree	Degree	Diploma	Degree	Degree	Diploma	Degree	Degree	Diploma
City University of Hong Kong									
Student population	N/A	N/A	N/A	N/A	767	N/A	N/A	1 228	N/A
No. of students receiving loans	N/A	N/A	N/A	N/A	241	N/A	N/A	325	N/A
% of students receiving loans	N/A	N/A	N/A	N/A	31.4%	N/A	N/A	26.5%	N/A

	2001-02 Academic Year			2002-03 Academic Year			2003-04 Academic Year		
	Bachelor's Degree	Associate Degree	Higher Diploma	Bachelor's Degree	Associate Degree	Higher Diploma	Bachelor's Degree	Associate Degree	Higher Diploma
Hong Kong Baptist University									
Student population	15	883	N/A	31	1 163	N/A	48	1 147	N/A
No. of students receiving loans	0	203	N/A	0	291	N/A	0	295	N/A
% of students receiving loans	0%	23.0%	N/A	0%	321	N/A	0%	25.7%	N/A
Lingnan University									
Student population	N/A	401	N/A	N/A	794	N/A	N/A	614	N/A
No. of students receiving loans	N/A	43	N/A	N/A	166	N/A	N/A	237	N/A
% of students receiving loans	N/A	10.7%	N/A	N/A	20.9%	N/A	N/A	38.6%	N/A
The Chinese University of Hong Kong									
Student population	N/A	N/A	N/A	N/A	41	32	N/A	123	397
No. of students receiving loans	N/A	N/A	N/A	N/A	14	12	N/A	50	61
% of students receiving loans	N/A	N/A	N/A	N/A	34.1%	37.5%	N/A	40.7%	15.4%
The Hong Kong Institute of Education									
Student population	N/A	15	N/A	N/A	94	N/A	N/A	159	N/A
No. of students receiving loans	N/A	0	N/A	N/A	27	N/A	N/A	49	N/A
% of students receiving loans	N/A	0%	N/A	N/A	28.7%	N/A	N/A	30.8%	N/A
The Hong Kong Polytechnic University									
Student population	221	236	N/A	275	914	N/A	443	2 156	N/A
No. of students receiving loans	2	55	N/A	3	226	N/A	4	539	N/A
% of students receiving loans	0.9%	23.3%	N/A	1.1%	24.7%	N/A	0.9%	25.0%	N/A
The Hong Kong University of Science and Technology									
Student population	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
No. of students receiving loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
% of students receiving loans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
University of Hong Kong <sup>#</sup>									
Student population	N/A	1 835	654	37	2 176	1 456	37	2 169	1 961
No. of students receiving loans	N/A	240	180	0	430	311	0	394	493
% of students receiving loans	N/A	13.1%	27.5%	0%	19.8%	21.4%	0%	18.2%	25.1%

Remarks:

- \* Information on the student population of various programmes is provided by the UGC-funded institutions. The relevant figures include programmes offered by departments and faculties, continuing education and professional development arms and extension arms, and so on, of the institutions. Information on financial assistance is provided by the Student Financial Assistance Agency.
- # The University of Hong Kong proper does not offer sub-degree programmes. Self-financing associate degree and higher diploma programmes are provided by the School of Professional and Continuing Education of the University of Hong Kong.

**Scheme of Control Agreements for Power Companies**

15. **MS AUDREY EU** (in Chinese): *Madam President, it has been reported that the Scheme of Control Agreements (SCAs) between the Government and the CLP Power Hong Kong Limited (CLP) and the Hongkong Electric Company Limited (HEC) will expire in 2008. The Economic Development and Labour Bureau originally planned to release a consultation document on the post-2008 electricity market restructuring of Hong Kong in 2002, but the consultation document has not yet been released so far. In this connection, will the Government inform this Council:*

- (a) *of the progress of the review on the post-2008 regulatory framework for the electricity market in Hong Kong following the 2003 Interim Review of SCAs; and the report on the recommendations of the government energy advisors on the review of the framework or relevant details;*
- (b) *of the progress of its discussions with the CLP and the HEC on the review (including the number of meetings held, scope of areas discussed and specific timetable for discussions);*
- (c) *of the procedure, content and timetable of the public consultation on the review;*
- (d) *whether it will consult the Legislative Council and its Panels on Economic Services and Environmental Affairs on the review; if it will, of the specific timetable and whether it will submit progress reports on the review to the Legislative Council;*
- (e) *whether it will consider adding new clauses to SCAs when reviewing the existing agreement to encourage the power companies to take into account, apart from economic considerations, environmental considerations in their decisions on production, such as requiring the power companies to supply a certain percentage of electricity by renewable energy sources;*
- (f) *as currently the Environmental Protection Department only publicizes the annual total amount of exhaust emissions by the CLP and the HEC, whether the authorities will, in conducting the review,*

*require the two power companies to publicize in future their amounts of exhaust emissions separately and list out in detail the amount of emissions and sources of various pollutants (such as suspended particulates and sulphur dioxide, and so on); and*

- (g) *as the current control of air pollutant emissions is measured in terms of the concentration of pollutants per cu m of air instead of the total amount of pollutants emitted, whether the authorities will consider setting a limit on the annual total amount of pollutant emissions by the CLP and the HEC so as to improve the air quality more effectively?*

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

- (a) and (b)

The SCAs between the Government and the two power companies will expire in 2008. The Government has commenced a review on the future development of the electricity market, the scope of which encompasses a wide range of complex subjects including technical, legal, business, environmental and regulatory issues. We have consulted the Energy Advisory Committee on the studies in the past year. We are now preparing a public consultation document to seek the views of the public and the stakeholders, including the two power companies, on the development of the post-2008 electricity market.

- (c) and (d)

It is our plan to seek the views of the public in two stages. In stage 1, which will start in the next few months, we will solicit views on possible options for the development of the future electricity market. Based on views obtained in stage 1, we will map out a broad framework for the development of the future electricity market and put out for consultation in the second stage. Our present plan is to start the stage 2 consultation within next year.

We will consult the Panels on Economic Services and Environmental Affairs of the Legislative Council on the options for the post-2008 electricity market before public consultation. We will keep the Panels informed of progress, including the outcome of the public consultation exercise.

- (e) During the interim review of the current SCAs conducted last year, we have engaged the power companies to consider environmental measures and obtained their agreement to constructing a commercial scale wind turbine. Any further amendment to the SCAs before their expiry in 2008 could only be undertaken with the agreement of the two power companies.

Separately, in considering options for the electricity market after 2008, the Government will consider the environmental protection requirements and how renewable energy may feature in the future market. The Government will also take into account the feedback received by the Council for Sustainable Development in its current public consultation exercise on renewable energy.

- (f) and (g)

In formulating proposals for environmental regulation, the Environment, Transport and Works Bureau will consider the suggestions raised in these two parts of the question and study the technical feasibility, consumers' affordability and other pros and cons of the suggestions.

### **Measures for Monitoring Oil Prices**

16. **MS EMILY LAU** (in Chinese): *Madam President, during the first seven months of this year, the increases in the average pump prices of unleaded petrol and ultra low sulphur diesel (ULSD) were \$0.1 per litre and \$0.15 per litre higher than the increases in their respective average import prices. It is learnt that despite decreases in the import prices of unleaded petrol in February and June this year as compared with those in their preceding months, its pump prices increased instead in the same periods. Moreover, the four oil companies*

*adjusted their pump prices and provided discounts at almost the same pace. In this connection, will the executive authorities inform this Council:*

- (a) *of the monitoring measures in place to ensure that the adjustment of the pump prices of oil by the oil companies will be more transparent and will better reflect the actual situation of the market;*
- (b) *as the oil companies frequently increase the pump prices of oil by reason of an increase in the import prices, whether the authorities will adopt the average import prices as a benchmark for monitoring oil prices; if not, of the reasons for that;*
- (c) *whether they will advise the oil companies to import those types of oil with lower costs to offer alternative choices for consumers; if not, of the reasons for that; and*
- (d) *whether they will introduce fair competition law to curb collaborative price fixing practices among the oil companies?*

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

- (a) We have been monitoring trend movements in prices for Brent Crude oil and Singapore FOB prices for unleaded petrol and ULSD, to review whether the adjustments in local pump prices are in line with these trend movements. We note that since January 2002, in terms of trend movements and magnitude, changes in local pump prices have been broadly in line with the monthly average Singapore FOB prices. With the relatively large fluctuations in international prices and import prices of unleaded petrol and auto-diesel in recent months, there have been minor variations between changes in these monthly average Singapore FOB prices and local pump prices. We have urged the oil companies to include, in their announcement of price adjustments, the reasons for the adjustment. We will continue to remind the oil companies to enhance transparency in the pricing of their products.

- (b) The data on weighted average import prices compiled by the Census and Statistics Department (C&SD) provide indications of import prices of oil products. However, these data are not without limitations. For instance, as the C&SD's figures reflect the average value of imported consignments declared by the oil companies in a particular month, they may differ from the prices of individual consignments of each oil company. Moreover, the consignments involved may not be purchased or retailed in the market in the month when the declarations are made. As the C&SD needs time to collect and process the information, there is a time lag of about four weeks before such data are available. It is therefore not appropriate to use solely the C&SD's figures to monitor adjustments of local pump prices.
- (c) We have all along encouraged the oil companies to make available products of different quality and prices for consumers to choose. The Government regulates the standards of oil products only for environmental and safety reasons. It is for the oil companies to make their own business decision with regard to the sourcing and pricing of their oil products.
- (d) Petrol filling station (PFS) site is essential infrastructure for an operator to enter the retail fuel market. To enhance competition in this market, the Government has initiated measures to encourage new entrants in securing PFS sites. We have introduced, since June 2003, new arrangements for tendering of PFS sites. Two new players, Sinopec and Chinaoil, have since each successfully obtained five sites tendered under the new arrangements. Sinopec has started operation of two PFSs in July this year.

The Competition Policy Advisory Group (COMPAG) will look into the competition aspects in the fuel market in Hong Kong and draw on the experiences of other places in tackling anti-competitive practices of the oil companies. The COMPAG will then consider whether there is any need for legislative measures to deal with any anti-competitive practices of the oil companies.

## Tax Deductions for MPF Contributions

17. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, under the Inland Revenue Ordinance (Cap. 112), an employee may apply for a deduction in respect of his contributions to a Mandatory Provident Fund Scheme (MPFS) or any Recognized Occupational Retirement Schemes (RORS) in connection with the assessment of his salaries tax payable, and the amount deductible is capped at an amount equivalent to mandatory contributions. However, the Inland Revenue Department (IRD) requires employers to provide in the tax returns their employees' total income rather than the amount after deducting employees' contributions to retirement schemes. Some members of the public claim that they had to pay more tax as their total income, instead of the income net of contributions, had been used for tax assessment. In this connection, will the Government inform this Council:*

- (a) *of the respective current numbers of employees who have joined the MPFS and RORS and are required to make contributions to the Schemes;*
- (b) *of the number of objections, received by the IRD each year since the implementation of MPFS in December 2000, in which taxpayers objected to their tax assessment on grounds that their employee's MPF contributions have not been deducted and, among these objections, the number of cases allowed;*
- (c) *whether it has assessed the number of cases each year since the implementation of MPFS in which taxpayers did not raise objection to their tax assessment even though their employee's MPF contributions have not been deducted, and the total amount of money involved; whether it will review these cases and refund the excess tax collected to the taxpayers concerned; and*
- (d) *of the measures to be adopted to avoid the recurrence of excess tax collection?*

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

- (a) The MPFS commenced operation on 1 December 2000. As at 30 September 2004, a total of 1 799 500 employees in Hong Kong have joined the MPFS. In addition, the number of employees who have joined a RORS exceeds 612 000<sup>1</sup>.
- (b) and (c)

Under section 26G of the Inland Revenue Ordinance, mandatory contributions to MPFS are deductible in computing the assessable income. The maximum deduction is \$12,000 for each year of assessment (that is, the mandatory contribution cap). Contributions made to RORS on or after 1 December 2000, equivalent to the amount of mandatory MPF contributions calculated on basis of the same salary level, are also deductible, subject to the deduction ceiling of \$12,000 for each year of assessment.

To apply for the deduction, employees should declare in Part 4.3 of their individual tax returns the actual amount of mandatory contributions to recognized retirement schemes. Upon verification, the IRD will have the actual contributions deducted from the assessable income in their tax assessments.

The following table shows the number of claims for deduction of employees' contributions handled by the IRD since the implementation of MPFS in December 2000:

<i>Year of Assessment</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Number of claims	718 966	822 098	825 112
Number of cases in which deductions were allowed	717 828	820 569	823 284
Percentage of cases in which deductions were not allowed	0.16%	0.19%	0.22%

<sup>1</sup> Under the Inland Revenue Ordinance, contributions towards two other kinds of RORSs are also deductible from the assessable income. The schemes include: (a) those under which an exemption certificate is issued under section 7(1) of the Occupational Retirement Schemes Ordinance (Cap. 426), and (b) those operated by the government of a country or territory outside Hong Kong or any agency or undertaking of or by such a government which is not operated for the purpose of gain. As regards (a), there are around 2 000 schemes as at September 2004 but as most of the companies covered by such schemes are not required to provide to the Mandatory Provident Fund Schemes Authority breakdowns of the number of local and overseas employees, no such details are available. For (b), we do not have information about all those schemes and the IRD estimates that there are not many such schemes. The figure of 612 000 does not include the employees covered by these two kinds of schemes.

It can be seen from the above figures that most of the claims for deductions of employees' contributions have been accepted. Taxpayers who are aggrieved by their tax assessments may raise objections to the Commissioner of Inland Revenue under the Inland Revenue Ordinance. In general, deductions are not allowed if taxpayers have failed to substantiate the actual amount of contributions made. The IRD does not have a breakdown regarding objection cases involving deductions on employees' contributions.

- (d) Under the Inland Revenue Ordinance, employees are liable to tax on their total income. Claims for deduction of MPFS or RORS contributions from the assessable income need to be verified by assessors. As such, employers are required to provide in the returns of their employees' remuneration and pension the employees' total income rather than the net amount after deducting employees' contributions. We need to clarify that this requirement has not resulted in more tax being paid by taxpayers than is required, and that there is no such case of excessive tax collection by the Government.

If aggrieved by the tax assessment, a taxpayer may lodge an objection against the assessment to the Commissioner and may further file appeal against the Commissioner's determination to an independent Board of Review or to the Courts.

### **Illegal Operation of Locations for Processing Waste Plastic Bottles**

18. **MISS CHOY SO-YUK** (in Chinese): *Madam President, it has been reported that 53 locations in the New Territories have become sites for processing waste plastic bottles and, among them, 14 sites are operated illegally. In this connection, will the Government inform this Council:*

- (a) *as the above illegal operation is related to land use and planning, of the measures taken by the authorities in these two aspects to prevent recurrence of similar incidents; and*

- (b) *of the sources of the plastic bottles processed at the above sites and whether they are imported illegally; if so, of the measures that have been or will be taken to prevent the persistence of such illegal importation?*

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

- (a) Under the Town Planning Ordinance (Cap. 131), recycling operations are permitted if the concerned sites are zoned as "Open Storage" or "Industrial (Group D)". Planning permission from the Town Planning Board (TPB) is required for carrying out such operations. Each case will be considered on its merits, for example, whether the recycling operation will give rise to traffic/environmental impacts and local concerns. Moreover, if the recyclers fail to comply with the conditions attached to the planning permission, the TPB could revoke the planning permission.

In so far as planning control is concerned, any development within the Development Permission Area must be covered by a valid planning permission granted by the TPB, otherwise it would be unauthorized unless the development is in existence before the gazettal of the relevant statutory plan or permitted under the relevant statutory plan. Under the Ordinance, the Planning Department is empowered to take enforcement and prosecution actions against the unauthorized development.

According to information of the Planning Department, a total of 49 sites involve the processing of waste plastic bottles. Since August 2004, the Planning Department has carried out investigation on these 49 sites. The investigation result shows that 14 sites concern unauthorized development. Warning letters or enforcement notices have been issued to the six sites to require the responsible parties to discontinue the unauthorized development or to apply for planning permission from the TPB. Appropriate enforcement action against the remaining eight sites will be taken later on upon collection of sufficient information. The Planning Department will

continue to closely monitor the situation of land use in the rural New Territories. Should unauthorized development be detected, appropriate enforcement action will be taken.

As regards land use control, the use of private land is governed by the terms of the relevant land lease. All land leases contain a user clause which specifies the permitted use of the land concerned. The leases also include a number of general and special conditions that the lessees need to comply. Where the use of land breaches the lease conditions, the Lands Department will take enforcement action in accordance with its departmental priorities and in consultation with relevant bureaux and departments.

As regards the waste plastic bottle processing sites in question, 46 of them are located on private agricultural lots in the New Territories. As with most private land in the New Territories, these 46 sites where waste plastic bottle processing operations take place are covered by Block Government Leases (BGLs) granted in the early 20th century. The main restriction in BGLs is that no buildings are permitted on agricultural lots without prior consent of the Director of Lands. BGLs do not contain conditions prohibiting waste recycling activities on agricultural land. As such, the Lands Department cannot take lease enforcement action against plastic bottle recycling activity on the above lots. Nevertheless, the remaining three sites where waste plastic bottle recycling processing operations take place are identified to have occupied government land without permission (none of these sites involve unauthorized development under the Town Planning Ordinance). The District Lands Office, North has already served notice on the relevant sites in accordance with the Lands (Miscellaneous Provisions) Ordinance (Cap. 28), requiring the occupants to cease their illegal occupation. Land control action will be taken should the occupants fail to comply with the notice.

The Lands Department and the relevant District Lands Offices will continue to take appropriate land control action, should any illegal occupation of government land by waste plastic bottle processing activities be found.

- (b) It comes to our knowledge that plastic bottles processed by the recycling operations came both from local collection and foreign imports.

According to the Waste Disposal Ordinance (WDO) (Cap. 354), any person who imports or exports any waste has to apply in advance for a permit from the Environmental Protection Department, unless such waste is of a kind specified in Schedule 6 of the WDO, is uncontaminated and is imported for the purpose of a reprocessing, recycling or recovery operation or the reuse of the waste.

Since solid plastic waste (including waste plastic bottles) is listed in Schedule 6 of the WDO, importing uncontaminated waste plastic bottles for recycling does not require a permit. Therefore, there is no illegal import of waste plastic bottles.

### Safety of Public Light Buses

19. **MS LI FUNG-YING** (in Chinese): *Madam President, a serious traffic accident involving two public light buses (PLBs) and a taxi took place last month on King's Road, North Point, causing the death of two PLB passengers on board. The accident was suspected to be related to dangerous driving and speeding of the PLB drivers. Regarding the safety of PLB operations, will the Government inform this Council:*

- (a) *of the number of traffic accidents involving PLBs since 2000 and their causes; among them, the respective numbers of casualties involving drivers, passengers and pedestrians and whether the PLBs involved were installed with speed display devices (SDDs) or other safety improvement measures;*
- (b) *of the current number of registered PLBs in Hong Kong; and the respective numbers of those which are fitted with SDDs and rear seat belts;*
- (c) *whether it has assessed the effectiveness of the installation of SDDs on PLBs; if so, of the outcome; if not, the reasons for that;*

- (d) *how the authorities have been enforcing the legislation on PLB seat belts since the relevant legislation took effect in August this year, including whether it has issued warnings to or instituted prosecutions against persons in contravention of the relevant legislation; if so, of the respective numbers of warnings and prosecutions; if not, the reasons for that, and whether it will step up enforcement in future;*
- (e) *for those PLBs registered before the above commencement date but have not yet been installed with rear seat belts, of the measures the authorities have in place to ensure their safety while travelling on the road;*
- (f) *of the measures to assist the minibus industry in expediting SDD installation and in replacing the existing minibuses with new models which are fitted with rear seat belts; and*
- (g) *of the particular measures to enhance the PLB drivers' awareness of safe driving?*

**SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS**

(in Chinese): Madam President, the total number of traffic accidents involving PLBs since 2000 is 4 807. The major causes of these accidents are tailgating and careless lane changing. The respective numbers of casualties involving drivers, passengers and pedestrians are 1 867, 4 849 and 1 210 (see Annex for details). We do not have information on whether the PLBs involved were installed with SDDs or rear seat belts.

A trial scheme on SDDs was launched in 2001. In view of the positive response from passengers and the trade, we started to install SDDs on green minibuses running overnight routes by batches since the latter half of 2002. The programme was further extended to those operating along expressways in late 2003. At present, among the 4 350 PLBs in Hong Kong, 518 green minibuses have been installed with SDDs. They cover all those running overnight routes and on expressways.

We have conducted an opinion survey to assess the effectiveness of the SDDs on PLBs. Results indicated that 71% of the passengers on PLBs running

overnight routes found the SDDs useful in fostering safe driving, and over 90% of the operators of overnight green minibus routes considered the SDDs useful in monitoring the speed of minibuses and preventing drivers from speeding.

Since the legislation on PLB seat belts took effect on 1 August this year, 298 PLBs have been installed with seat belts. During the same period, the police have issued about 160 verbal warnings to remind PLB passengers to fasten their seat belts. They will step up enforcement actions in this respect. We believe that the incentive scheme to encourage PLB owners to change from diesel PLBs to liquefied petroleum gas PLBs will speed up the replacement of existing minibuses with new models that are fitted with seat belts.

Apart from the legislation on PLB seat belts, other safety measures on vehicle structure and maintenance are in place. PLBs have to pass the annual inspection conducted by the Transport Department and meet all the safety requirements stipulated under the Road Traffic Ordinance before their licences can be renewed. We are examining the introduction of more stringent penalties and the installation of more red light cameras to increase the deterrent effect. The police will also step up their enforcement actions. We are also considering mandatory installation of SDDs on PLBs so that passengers can help monitor the speed of PLBs.

In addition, in view of the importance of the driving attitude of drivers, we will continue to implement the following measures to enhance PLB drivers' awareness in safe driving:

- (i) Co-operating with the Vocational Training Council in the provision of the Skill Upgrading Scheme to improve the driving skills and attitude of PLB drivers;
- (ii) Stepping up the "Smart Driving" publicity programme with the Road Safety Council;
- (iii) Conducting workshops for PLB drivers to enhance their awareness in safe driving; and

- (iv) Distributing regular newsletters to PLB drivers to provide them with the latest road safety information and to remind them to adopt a proper driving attitude.

We will continue to explore and implement other practicable measures to promote safe driving among PLB drivers.

#### Annex

#### Number of Casualties in Traffic Accidents Involving Public Light Buses

*(i) Drivers*

<i>Year</i>	<i>No. of Fatalities</i>	<i>No. of Serious Injuries</i>	<i>No. of Minor Injuries</i>	<i>Total No. of Casualties</i>
2000	3	70	308	381
2001	2	59	320	381
2002	5	75	350	430
2003	6	58	315	379
2004 (up to September)	2	55	239	296
<b>Total</b>	<b>18</b>	<b>317</b>	<b>1 532</b>	<b>1 867</b>

*(ii) Passengers*

<i>Year</i>	<i>No. of Fatalities</i>	<i>No. of Serious Injuries</i>	<i>No. of Minor Injuries</i>	<i>Total No. of Casualties</i>
2000	1	100	920	1 021
2001	2	80	987	1 069
2002	0	76	1 008	1 084
2003	0	76	790	866
2004 (up to September)	0	59	750	809
<b>Total</b>	<b>3</b>	<b>391</b>	<b>4 455</b>	<b>4 849</b>

(iii) *Pedestrians*

<i>Year</i>	<i>No. of Fatalities</i>	<i>No. of Serious Injuries</i>	<i>No. of Minor Injuries</i>	<i>Total No. of Casualties</i>
2000	16	95	150	261
2001	8	73	152	233
2002	14	85	147	246
2003	17	96	158	271
2004 (up to September)	9	60	130	199
<b>Total</b>	<b>64</b>	<b>409</b>	<b>737</b>	<b>1 210</b>

**Enhancement of National Education in Schools**

20. **MS EMILY LAU** (in Chinese): *Madam President, in reply to a question raised at the Legislative Council meeting on 4 December 2002, the Secretary for Education and Manpower advised that the Government would enhance national education in primary and secondary schools, so as to strengthen the students' awareness of their national identity and nationalism, and would accordingly take six measures, including curriculum reform, strengthening elements of national education in the school curriculum, enhancing teachers' training, providing subsidy schemes, producing learning and teaching resources and undertaking a research project. In this connection, will the executive authorities inform this Council:*

- (a) *given that one of the above measures was the production of an educational television (ETV) programme entitled "I love China" in the 2002-03 school year for kindergarten students, whether the programme teaches the students to distinguish between "I love China" and "I love the Communist Party of China"; if so, of the relevant details; if not, the reasons for that;*
- (b) *of the position and effects in implementing the above measures;*
- (c) *of the estimated and actual expenses for each of the above measures;*

- (d) whether the national education programme gives an account of the "4 June incident", the history of democratic movements in both China and Hong Kong and the "great marches on 1 July"; if so, of the relevant details; if not, the reasons for that; and
- (e) whether they have consulted students, teachers and parents on the above measures; if so, of the consultation results; if not, the reasons for that?

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

- (a) The ETV programme, entitled "I love China", targeting on kindergarten students, aims to develop in them a sense of belonging to our country, a respectful attitude to the national flag and national anthem and to encourage them to cherish and observe the traditional Chinese culture. With the programme content focusing on celebration activities of the National Day organized in a kindergarten and the daily life of a kindergarten pupil with her family, it hopes to develop students' appreciation towards the splendid traditional Chinese culture (such as courtesy and filial piety) and the rich cultural heritage and to cultivate their pride and sense of belonging towards our country.
- (b) (i) *Curriculum reform* With the return of Hong Kong to the Motherland, there is a need to develop students' national identity. It is one of the seven curriculum goals under the curriculum reform. The aim is to enhance students' national identity through different Key Learning Areas (KLA) and by providing them with various learning experiences. Moral and civic education is one of the four key tasks advocated in the curriculum reform of which national identity is one of the priority values schools have to develop among students.  
  
(ii) *Strengthening elements of national education in the curriculum* In the revised primary school curriculum of the subject General Studies, the strand of "national identity and Chinese culture" has been added. Additional topics to enhance students'

understanding of the motherland are incorporated into the Personal, Social and Humanities Education (PSHE) KLA curriculum at different key stages. In the proposed new senior secondary curriculum, elements of national education are also found in the subject Liberal Studies. Three compulsory units, namely: Life in Hong Kong under "One Country, Two Systems", Development of Modern China, and Chinese Cultural Heritage in the Modern World and an elective part on Chinese Way of Life in Global Society are included in the Area of Study of Society and Culture. Details are listed in Appendix A.

(iii) *Teacher development programme* Teacher development programmes for primary and secondary school teachers were organized by the Education and Manpower Bureau (the Bureau) in the form of seminar with themes on Chinese culture, history, geography, politics, and so on. The Bureau has also commissioned local tertiary institutes to organize moral and civic education curriculum modules with themes on interaction between contemporary China and the international society, traditional Chinese culture and national education.

(iv) *Subsidies for national education activities* The Bureau has assisted schools to promote national education by providing various subsidies including the Moral and Civic Education grant which is paid on the basis of \$400/class/annum. Schools could use the grant to organize co-curricular activities and to procure teaching and learning resources. Besides, the Bureau has implemented the Chinese Cultural Project Incentive Award Scheme since 1997. The upper limit of each application is \$50,000. In 2004, the Bureau has initiated the "Study Trip to the Mainland of China Program". These activities help to enhance students', teachers' and parents' understanding of current developments and cultural aspects of our motherland, to develop their national identity and to strengthen their commitment towards the betterment of our country.

(v) *Learning and teaching materials* To facilitate schools to promote national education, the Bureau has produced and published various kinds of learning and teaching materials in the form of teaching kits, CD ROMs, video tapes, wall charts, web-based

materials, ETV programme, and so on, to help teachers to enhance students' understanding of the Motherland in a lively and diversified way.

*(vi) Research project* In the 2002-03 school year, the Bureau has conducted a research project entitled "Co-curricular activities to develop students' national identity in primary and secondary schools in Hong Kong" in six primary and secondary schools. The research has identified school experiences in relation to the development of students' national identity through participating in co-curricular activities, the limitations in implementation, further developments, and so on.

(c) Estimate and expenditure of the initiatives:

<i>Initiative</i>	<i>2002 to 2003 school year</i>		<i>2003 to 2004 school year</i>	
	<i>Estimate</i>	<i>Expenditure</i>	<i>Estimate</i>	<i>Expenditure</i>
Teacher development program	\$250,000	\$144,053	\$250,000	\$161,098
Moral and Civic Education grant	\$5,436,400	\$4,546,856 (note1)	\$10,723,800	\$9,777,114 (note 2)
Chinese Cultural Projects Incentive Award Scheme	\$3,000,000	\$2,908,855	\$3,000,000	\$2,946,229
Study Trip to the mainland of China	Not applicable (New initiative)		\$850,000	\$594,630
Learning and teaching materials	\$1,720,000	\$690,000	\$480,000	\$437,225
Research project	\$192,000	\$96,000	Not applicable (Research project completed)	

Note 1: The Education and Manpower Bureau has released Civic Education Grant to primary and secondary schools since 1997. Schools have to assign a time slot in the school timetable to promote civic education as a subject with content on personal, family, social, national and international aspects. Therefore, the grant used for the promotion of national education only constitutes part of the total amount. Schools could use the grant for the organization of civic education activities, and for the procurement of reference materials, learning and teaching materials as well as audio, visual equipment, and so on.

Note 2: To be in line with the curriculum reform, the Civic Education Grant was renamed as the Moral and Civic Education Grant in 2003. Schools are required to include issues related to values development such as health, sex, environmental and national education when developing holistic moral and civic education programme. The grant used for the promotion of national education only constitutes a part of the total amount of the grant released to schools. Schools could use the grant for the procurement of teaching and learning resources and to organize related activities. The current rate of the grant is \$400/class/annum and is provided to all public sector primary and secondary schools.

- (d) The promotion of national education is worked through different subjects in schools, including are General Studies, Chinese Language and Putonghua at primary level, Civic Education, Chinese Language, Chinese History, Social Studies, Economic and Public Affairs, Government and Public Affairs, Geography, Liberal Studies, and so on, at secondary level. The curriculum content of the learning of contemporary Chinese History has been extended to the end of 20th century. The Chinese History curriculum design emphasizes broad historical trend while individual historical events are not listed out in the syllabus. However, teachers could discuss these events under related themes. As thematic learning approach is adopted, students are encouraged to learn history from a holistic point of view. Teachers are recommended to perform the role as facilitators and adopt an objective and balanced approach when handling historical and current events. They should also advise students on how to collect information, to distinguish between facts and opinions and to reach conclusion based on sufficient evidence. Such a teaching method is in line with the spirit of education reform and could also help students to cope with future challenges of the society.
- (e) The Education and Manpower Bureau would issue consultation documents to collect views from all stakeholders on the curriculum content when implementing curriculum reform and introducing new curriculum. Schools would be informed of and invited to apply for different teacher development programmes, subsidies schemes and grant through circular memorandum. In the production of learning and teaching materials, pilot studies and trial teaching were conducted in schools to identify the needs of teachers and students.

## Appendix A

**Topics related to the understanding of the Motherland  
in the new curriculum of General Studies for Primary Schools**

<i>Key Stage</i>	<i>Strand</i>	<i>Content</i>
P 1 to 3	National Identity and Chinese Culture	<ul style="list-style-type: none"> <li>• The national symbols of one's home country and their meanings</li> <li>• The characteristics of Chinese people</li> <li>• The major features of national capital and some important cities in China</li> <li>• The important features of Chinese culture</li> <li>• The significant historical figures and events</li> <li>• The customs of people within their cultural groups and other cultural groups in one's home country</li> </ul>
P 4 to 6	National Identity and Chinese Culture	<ul style="list-style-type: none"> <li>• The geographical position, physical characteristics and territory of China</li> <li>• The major historical periods in Chinese history</li> <li>• The characteristics of ancient Chinese civilization</li> <li>• Significant historical events</li> <li>• The special natural landscapes and characteristics of human life in China</li> <li>• The uniqueness of Chinese culture</li> <li>• The influences of Chinese culture on the life of people in Hong Kong</li> </ul>

**Topics related to the understanding of the Motherland  
in the Key Learning Area of Personal, Social and Humanities Education**

<i>Key Stage</i>	<i>Strand</i>	<i>Content</i>
P 1 to 3	Time, Continuity and Change	<ul style="list-style-type: none"> <li>• People and events that have had a significant impact in the history of the country and the nation</li> </ul>

<i>Key Stage</i>	<i>Strand</i>	<i>Content</i>
	Culture and Heritage	<ul style="list-style-type: none"> <li>The important features of Chinese culture</li> </ul>
	Social Systems and Citizenship	<ul style="list-style-type: none"> <li>Local and national symbols</li> <li>Sense of local and national identities</li> </ul>
P 4 to 6	Time, Continuity and Change	<ul style="list-style-type: none"> <li>Significant historical figures, events and viewpoints have influenced our home country in different periods of time</li> </ul>
	Culture and Heritage	<ul style="list-style-type: none"> <li>The uniqueness of Chinese culture</li> </ul>
S1 to 3	Time, Continuity and Change	<ul style="list-style-type: none"> <li>The significant historical periods and patterns of change in national and world history</li> </ul>
	Culture and Heritage	<ul style="list-style-type: none"> <li>To understand the uniqueness of Chinese culture in the light of the developments of other major cultures of the world</li> </ul>
	Social Systems and Citizenship	<ul style="list-style-type: none"> <li>The relationship of the National Constitution with residents</li> <li>The causes and effects of some social and political issues at local, national and global levels</li> </ul>

**Proposed Core and Elective Subject Frameworks for the  
New Senior Secondary Curriculum: Liberal Studies**

<i>Area of Study</i>	<i>Compulsory Part</i>	<i>Elective Part</i>
Society and Culture	<p>Life in Hong Kong under "One Country, Two Systems"</p> <ul style="list-style-type: none"> <li>How should our way of life continue to develop under "one country, two systems" and the Basic Law?</li> <li>Is Hong Kong a place of opportunities or a place of inequities?</li> </ul>	<p>Chinese Way of Life in Global Society</p> <ul style="list-style-type: none"> <li>What are some of the worldviews, beliefs and values common to the Chinese way of life as reflected in food and drink, festivals and rituals among people of Chinese descent living in the world?</li> </ul>

<i>Area of Study</i>	<i>Compulsory Part</i>	<i>Elective Part</i>
	<ul style="list-style-type: none"> <li>• How can the quality of life in Hong Kong be improved?</li> </ul> <p>Development of Modern China</p> <ul style="list-style-type: none"> <li>• How desirable are the current strategies employed in China's economic development?</li> <li>• What is the way forward for China to ensure sustainable development?</li> </ul> <p>Globalization in a Diversified World</p> <ul style="list-style-type: none"> <li>• What does globalization mean?</li> <li>• Is globalization really a global trend?</li> <li>• How are people affected by globalization?</li> </ul>	<ul style="list-style-type: none"> <li>• How is the Chinese way of life evolving as a result of the interactions among ethnic groups within China and, outside of China, among people of Chinese descent and people of other ethnicities?</li> <li>• Is the impact of globalization positive or negative to the preservation and development of the Chinese way of life?</li> </ul>

## MEMBERS' MOTIONS

**PRESIDENT** (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee: the movers of the motions will each have up to 15 minutes for their speeches including their replies, and another five minutes to speak on the amendments; the movers of amendments will each have up to 10 minutes to speak; other Members will each have up to seven minutes for their speeches. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First motion: Reducing the duty on ultra low sulphur diesel. Ms Miriam LAU.

## REDUCING THE DUTY ON ULTRA LOW SULPHUR DIESEL

**MS MIRIAM LAU** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. Today, I am speaking on behalf of the

transport industry. This is the first time that I propose a motion on reducing the duty on ultra low sulphur diesel (ULSD). I certainly hope that the motion will be supported by Members. But disregarding the result of my motion today, I think the truth will become clearer the more we debate on it, and Members and the Government will eventually understand the aspiration of the transport industry.

Coming back to the issue before us, the main reason why the transport industry asks for a lower duty rate for ULSD is very simple. Over the past year, the international crude oil price has hit new highs, triggering oil companies in Hong Kong to increase the fuel price time and again. The transport industry has already been hard pressed beyond the limit of endurance and has been operating in dire straits. The latest price of diesel stands at \$7.37 per litre. Compared with \$6.07 per litre at the end of last year, the price has increased by \$1.3 in less than one year, representing an increase of over 20%. In order for the price of diesel to come down, there must either be a substantial reduction in the international crude oil price or a reduction of the duty on diesel by the Government. It is difficult for the former to realize in the near future and what is more, it depends on the external development over which the Government has no control. But the duty on diesel is entirely in the hands of the Government. In fact, the transport industry already proposed to the Government months ago that the diesel duty should be waived. Today's motion is merely a compromise solution proposed for implementation for one year. When the Government has the time to comprehensively review the duty on diesel, it can decide at which level the duty rate should be pitched or whether the duty should be completely waived.

During the Question and Answer Session on 14 October, the Chief Executive expressed three concerns. He said that the Government was concerned about the high oil price, that he was concerned about the transport industry, and that he was concerned about the people's livelihood being eventually affected. He said that Financial Secretary Henry TANG was studying this issue. In less than a week's time, Financial Secretary TANG completed the study and announced the extension of the concessionary duty rate for ULSD to the end of next year. So, it transpired that the three concerns were just empty talk. The transport industry, which is now caught in severe hardships, finds it impossible to accept the goodwill of Financial Secretary TANG and has continued to call on the Government to reduce the duty rate on

diesel. The community has different comments on this demand of the transport industry. There are the subsidy theory, the greed theory and the unfairness theory.

First of all, Financial Secretary Henry TANG can be considered the inventor of the subsidy theory. He told the media that the Government absolutely would not again use tax reduction to assist individual industry, for the taxpayers had already provided a subsidy of \$1.1 billion to certain industries for several years. The justifications and statistics given by Financial Secretary TANG were specious, giving the wrong impression that taxpayers have really been providing a subsidy of \$1.1 billion to individual industries.

Education, medical and health care services, and so on, are heavily subsidized by the Government because the Government can only recover a very small part of the costs. For such government fees and charges as the sewage charge, business registration fee and vehicle licence fee, which are levied under the "user pays" principle, if the Government reduces such fees and charges and hence cannot recover the cost, that would be tantamount to provision of subsidies. But with regard to duty on diesel, neither government expenditure nor government cost is involved, because the duty is collected by the oil companies for the Government. So, a reduction of diesel duty by the Government should not in the least be considered a subsidy or subvention. On the contrary, if the argument of the Government stands, then the reduction of the wine duty can be interpreted as the non-drinking taxpayers subsidizing the drinking taxpayers. This argument simply cannot stand. But the Government has simply ignored the argument and maintained that a reduction is a favour and there is every reason to increase the duty, and that the industry demand for a reduction in the duty is unreasonable.

The Government opines that a reduction of the duty on diesel is a favour to the transport industry. Let us examine how big this favour is. In June 1998, the Government reduced the duty rate on ordinary diesel from \$2.89 to \$2 per litre, and the price of diesel was subsequently reduced from \$6.58 to \$5.69 per litre. In July 2000, the price of ordinary diesel was \$6.35 per litre. Later, in order to improve the air quality, the Government introduced the ULSD and pitched its duty rate at \$1.11 per litre to offset the \$0.89 cost differential between ULSD and ordinary diesel. The purpose was to encourage the transport industry to use ULSD at a price no higher than that of ordinary diesel. However, this cost differential of \$0.89 per litre was not pocketed by drivers. Not a single penny had gone into their pocket, for the transport industry still had

to pay for diesel at \$6.35 per litre. I wish to make one point clear and that is, all the favour that has been given to the transport industry is just this \$0.89 per litre, not \$1.78 per litre as the Government has claimed to mislead members of the public.

The Government said that there is every reason to increase the duty on diesel, for it is stipulated in law that the duty rate on diesel is \$2.89 per litre. However, the Government should really think about this: In June 1998 when the diesel price was \$6.58 per litre, the Government considered it necessary to reduce the diesel duty in order to alleviate the plights of the people. Why is it that when the price of diesel has now increased to \$7.37 per litre, the Government has turned a blind eye to this as if nothing has happened and considered a reduction of diesel duty entirely unnecessary? Under the law, the Government can repeal the concession and revert the duty rate on diesel to \$2.89 per litre. But I wish to tell the Government that diesel is now sold at \$7.37 per litre. If the duty concession is scrapped, the price of diesel will immediately rise to \$9.15 per litre. Yes, more revenue can be generated for the Government, but the logistics industry in Hong Kong will definitely be killed. The loss to the Government will ultimately outweigh its gains.

Financial Secretary Henry TANG said that the impact of high oil price is universal and that the competitiveness of Hong Kong will not be undermined, adding that the price of diesel in such developed economies as Britain and Germany is on the high side. But I hope that Financial Secretary TANG will not distract the public's attention, because the competitors of Hong Kong are not Britain or Germany, but the neighbouring regions. In Shenzhen, diesel is sold at \$3.35 per litre and in Singapore, \$4.3 per litre. But diesel in Hong Kong is far more expensive than that of our rivals, and this has already greatly undermined the competitiveness of the logistics industry in Hong Kong. If the Government said that high oil price will not undermine the competitiveness of Hong Kong, it is deceiving itself as well as others.

On the view that the demand of the transport industry for lowering the duty rate on diesel is unreasonable, Members can take a look at the tax type of diesel duty before deciding whether the industry's demand is reasonable or otherwise. In Hong Kong, there are only four types of dutiable commodities, namely, alcohol, tobacco, hydrocarbon oils and methanol. Obviously, unlike other dutiable commodities, diesel is not luxurious goods; it is entirely different from wine and cigarettes, because the transport industry can choose not to smoke and not to consume alcohol, but it cannot choose not to use diesel. Moreover,

another gross difference between diesel and wine or cigarettes is that diesel is a dutiable commodity which constitutes a direct operational cost of the transport industry, whereas the duty rate on wine and cigarettes, however high it is, will not be a direct component of the operational cost of any industry. According to the information collected by me, diesel accounted for 30% of the operational cost of the transport industry on average early this year, and the proportion has increased to 40% now.

The Government considers it incorrect to reduce the diesel duty to help an individual industry. But I would like to ask: Is it right to waive tax to help other industries? At present, industrial diesel is duty free. I am not suggesting the Government to levy a duty on industrial diesel. But the Government knows only too well that if a duty is levied on industrial diesel, the operational cost of many industries in Hong Kong would increase considerably, which would not be conducive to the economic development of Hong Kong. By the same token, if the Government insists on refusing a reduction of the diesel duty, not only would the transport industry be adversely affected. The many industries and businesses which require transport services would also be adversely affected. So, the Government must not say that a reduction of the diesel duty is a subsidy to an individual industry, lest it is self-contradictory.

So much for the subsidy theory, and let me now turn to the greed theory. Some people think that the Government has extended the concessionary duty rate time and again and so, the transport industry is insatiably greedy in asking for a further reduction of the duty. Before I put forward my arguments, I hope that the Government can listen to my account of two facts.

According to overseas studies, the price of diesel in Hong Kong is the highest in Asia. If the diesel duty is deducted, the price of diesel in Hong Kong is the most expensive in the world. In fact, drivers in Hong Kong have to pay for diesel at a rate which is almost the most expensive in the world because they have to pay not only the duty at \$1.11 per litre, but also the land premium, for the oil companies will shift the cost of land premium of their filling station sites to drivers. By rough estimation, about \$1 being the land premium of filling stations is also included in the price of each litre of diesel. So, for every litre of diesel used by a driver of a diesel-driven vehicle, he will directly or indirectly contribute more than \$2 to the Government. Their daily consumption of diesel

is very high, and many drivers may use over 100 litres of diesel daily on average.

Another fact is that there has not been any improvement in the business of passenger and cargo services since 1998. Take the minibus as an example. The fares have not been increased but, given the number of passengers has dropped, the operational cost including the insurance premium has risen continuously. Increased oil price has resulted in a drop of over 20% in the income of front-line drivers. Take the cargo forwarding service provided by container trucks as an example. In 1998, the transportation cost was \$900 but it is \$600 now, showing a decrease of over 30%. Coupled with the ever increasing price of diesel, the income of container truck drivers has dropped over 30%. The overall operation of the transport industry has become increasingly more difficult. Is the industry going too far or is it greedy to ask the Government to further reduce the duty rate? When Oliver TWIST in Charles DICKENS' work asked, "Please sir, can I have more?", will anyone think that he is greedy?

Of course, when the oil price goes up, some people may say that the operators of passenger transport and cargo services can levy a fuel surcharge, just as the airlines have been doing. Fuel consumed by airlines is duty free and yet, a fuel surcharge is levied by airlines. However, it is difficult for the local passenger transport and freight industries, which consume fuel in their operation, to levy a fuel surcharge. Taking a minibus is different from taking a flight. Passengers who are willing to pay some \$1,000 or thousands of dollars for an air ticket may not mind paying a fuel surcharge of a hundred dollar or so. But members of the general public taking a minibus may very much mind paying a dime more for each journey. The freight industry cannot increase their charges, for they need to maintain an edge in competition with the neighbouring ports, and if they increase their charges, they would go against the direction of lowering the land freight costs for which they have been working in concert with their fellow members of the industry.

On the unfairness theory, I think the argument for this theory is very interesting. Some people said that the impact of high oil price is universal and asked: Are many industries not also suffering from high oil price? They, therefore, are of the view that reducing the diesel duty for the transport industry only will be unfair to other industries. Could it be fair to the transport industry which is the only industry paying the diesel duty? Why would it be unfair to other industries if the transport industry asks for a reduction of the diesel duty?

The other industries do not need to pay any diesel duty at all. From the perspective of fairness, the diesel duty should be abolished in order to bring diesel on a par with industrial diesel, so that all industries (including the transport industry) can enjoy duty free diesel in their operation. Only in this way can it be considered fair.

The transport industry appreciates the fiscal deficit faced by the Government and that is why the industry has proposed that the duty rate be halved. That is, the industry has made a middle-of-the-road proposal in respect of the \$1.11 duty rate. However, the Government said that diesel duty is a stable and important source of revenue, so it cannot be reduced. It is stable because the transport industry has no alternative to diesel and is therefore forced to be subject to exploitation by the Government. The Government said that it is important. But how important is it? The Government receives about \$700 million from diesel duty yearly. In 2003-04, the Government has a total revenue of \$207.3 billion, in which diesel duty accounted for a mere 0.33%, which was even less than 1%. If the Government pitches the duty rate at \$0.55 per litre, the Government would receive \$350 million less only. I wish to point out that the Government cannot create economic value by itself. But if the Government can allow the people to keep this \$350 million, the economic value to be created by the transport industry will definitely be higher than \$350 million.

Madam President, all the facts and reasons have already been put before Members. The aspiration of the transport industry is full of blood and tears. Their demand for a reduction of the duty rate on ULSD is not unreasonable. I hope the Government and Members can listen to it.

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

**Ms Miriam LAU moved the following motion: (Translation)**

"That this Council urges the Government to reduce the rate of duty on ultra low sulphur diesel to \$0.55 per litre until 31 December 2005, and to conduct a further review before that date."

**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): Mr Ronny TONG and Mr WONG Kwok-hing will move amendments to this motion respectively. Their amendments have been printed on the Agenda. The motion and the two amendments will now be debated together in a joint debate.

I now call upon Mr Ronny TONG to speak first, to be followed by Mr WONG Kwok-hing; but no amendments are to be moved at this stage.

**MR RONNY TONG** (in Cantonese): Madam President, Secretary, Honourable Members, I propose an amendment to Ms Miriam LAU's motion today not because I do not appreciate the difficulties faced by drivers in the transport industry. Rather, this is a question of principle. To Hong Kong, even a slight change in fuel price may affect the overall situation, particularly the situation in the transport industry.

Drivers in the transport industry have told me that the price of diesel in Hong Kong — I mean ultra low sulphur diesel (ULSD), and in short, I will refer it as diesel in my following speech — since September in the year before last, has increased from \$5.93 to the present \$7.37 per litre, representing a 25% increase down a year, but the drivers' income has not increased. If we calculate on the basis that 50 litres of diesel are consumed for each shift, then it costs about \$370 for each shift, which means about \$100 more when compared with two years ago. If a driver works 26 days a month, the expenses on diesel incurred by the driver will increase by about \$2,600 monthly, but there has not been any increase in his income. Therefore, I very much understand the difficulties faced by drivers.

However, I have thought about the crux of the problem of high fuel prices in Hong Kong. I think many signs have shown that this is due to the problem of monopolization in Hong Kong, and this is the crux of the problem.

We can look at the statistics released by the Government recently. According to the statistics, diesel in Hong Kong costs \$6.14 per litre after tax, which doubles its pump price in the United States. Unleaded petrol is sold at \$5.95 per litre after tax in Hong Kong, and although it is less expensive than diesel, it still doubles the price in other countries, particularly in European and American countries.

The most puzzling point of all is that the pump price of post-tax diesel is nevertheless higher than that of petrol. But insofar as the import price is concerned, the price of petrol is higher than that of diesel. From recent statistics, we can see that the import price of diesel is \$2.65 per litre, whereas that of petrol is \$3.31 per litre. Then why is the pump price of diesel higher than that of petrol after tax? What is the reason? Do the oil companies think that they can reap more profits from diesel and therefore sell it at higher prices? I think this is very unreasonable.

To put it simply, the fuel market in Hong Kong has already been monopolized and distorted. I would describe the market as being characterized by the following four features: A highly concentrated market; manipulated and uniform fuel prices; the fuel cost being an instance of black box operation; and taxpayers subsidizing consortiums.

First, a highly concentrated market. According to a survey conducted by the Consumer Council in 2000, the petroleum products industry in Hong Kong is highly concentrated on three oil companies (before the introduction of two companies by the Government recently). 70% of fuel pipes and the cylinder liquefied petroleum gas wholesale market are monopolized by these three companies, and 80% of the diesel market and 90% of the petrol market are also dominated by them. Over the years, the tacit agreement among these companies over price reduction or increases is there for all to see.

Since January 2001, there have been 29 adjustments in the prices of five brands of vehicular diesel, and on 28 of these occasions, the prices were adjusted at the same time or almost at the same time (within just one or two days), and the direction of price increases or reduction of the products was broadly the same or basically identical with a price differential of a few cents only. Moreover, there is the same problem with the prices of unleaded petrol. Since January 2001, there have been 49 price adjustments, 32 of which took place almost at the same time with the same rate of increase or reduction. If anyone should say that the oil companies have not collaborated to manipulate fuel prices, I think it is simply unbelievable.

On the calculation of their costs, the oil companies have never agreed to discuss this openly. They have acted in unison to refuse public monitoring. We can take a look at the situation during the outbreak of Severe Acute Respiratory Syndrome (SARS) last year. Take the diesel price during the

SARS outbreak last year as an example. At that time, the import price of diesel was \$1.47 per litre, showing a decrease of about 12% compared to \$1.68 in January last year. However, the pump price had gone up from \$6.04 to \$6.08 per litre. Despite a lower import price, the retail price had nonetheless risen. We have no idea at all how the oil companies calculate their costs. But the result is simple and that is, drivers in the transport industry have to suffer.

Obviously, the problem cannot be solved by asking the Government to provide concessions on the duty rate on diesel. We hope to point out that a reduction of the duty rate will ultimately serve to benefit the oil companies at the expense of taxpayers. From the experience of the Government in granting the concessionary duty rate on ULSD since 2001, despite the concessionary duty rate, the reduction will very soon be offset by subsequent increases by the oil companies on the ground that their other production costs have increased. As a result, the end-users cannot benefit from it. If we look up the records, we will see that Ms Miriam LAU did agree with this view then. Why should we still have to subsidize the oil companies which have already amassed huge profits with the hard-earned money of taxpayers?

In fact, to truly benefit consumers, the most effective way is to set up a fair competition mechanism with substantive powers and binding effect, in an effort to combat anti-competitive conduct in business operations. I have written to the Financial Secretary earlier, asking him to conduct a thorough review and propose solutions within three months to the problem of high oil prices now faced by the transport industry. When the Government of the Hong Kong Special Administrative Region (SAR) is faced with a serious fiscal deficit, implementing tax reduction lightly is not a solution acceptable to us. We are now talking about tax revenue to the tune of \$350 million. While some people may not consider this a huge amount of money, today, as such an enormous deficit prevails, this sum of money should not be neglected. I hope colleagues can carefully think about this. In order to address the problem, is there a need to set up a fair competition mechanism or should we go for a quick-fix at the expense of taxpayers which eventually can do nothing to solve the problems for the "brother drivers"?

I hope Members will support my amendment.

Thank you, Madam President.

**MR WONG KWOK-HING** (in Cantonese): Madam President, on behalf of the Hong Kong Federation of Trade Unions (FTU), I seek to move that Ms Miriam LAU's motion be amended as printed on the Agenda.

Ms Miriam LAU's motion on reducing the duty on ULSD proposes to reduce the duty from the present rate of \$1.11 per litre to \$0.55. The FTU agrees that this is a way to temporarily relieve the burden on the transport industry. Regrettably, given that the international crude oil price has remained high, the price of ULSD has already surged to limits of the industry's affordability. I think in the long run, only a waiver of the duty on ULSD can truly alleviate the burden on the transport industry. I noticed that Ms Miriam LAU also subscribed to this view in her speech earlier. Meanwhile, the FTU believes that this amendment will have a positive impact on the economy of Hong Kong. We hope that the Government and Honourable colleagues can appreciate the difficulties faced by the industry and seriously study the phasing out of the duty on ULSD, in order to deliver the industry from its plights and hence take the economy of Hong Kong forward.

The FTU wishes to point out that the local transport industry is actually facing internal and external threats. Internally, the industry is facing a business environment with increasingly fierce competition. Externally, the oil price is ever increasing. Let us first look at the internal threat. Firstly, in recent years, the local economy has remained in the doldrums, and in spite of drastic increases in oil price and miscellaneous expenses such as insurance premium, most members of the industry have not passed on the full operational cost to the public and instead, they have maintained their fees and charges at the original levels as far as possible, in order to ride out the difficulties with the community together. Secondly, given the rapid development of railways in Hong Kong and with the railway catchment covering all the territory, the viability of other means of public transport has shrunk tremendously. For example, since the recent commissioning of the Tsim Sha Tsui East extension, minibus drivers have sighed that their business has dropped nearly 30%. Thirdly, for local container truck drivers, although the Government has made an effort to negotiate with Guangdong Province on relaxing the restrictions on cross-boundary container

truck drivers, most truck drivers cannot benefit from the relevant measures. Coupled with the high fuel price, the burden on the transport industry has become even heavier indeed.

Let us look at the external threat. As a result of the surge in the international crude oil price to over US\$50 per barrel, the price of ULSD has been affected. In this year alone, the price of ULSD in Hong Kong has increased by 19% to a level which doubles the price two years ago. In less than 10 months, the price of ULSD has increased for eight times. Take container trucks as an example. Truck drivers have to pay an additional \$1,500 for the fuel expenses monthly. According to the Motor Transport Workers General Union which is affiliated to the FTU, other than the rent, drivers of container trucks and minibuses also have to pay high fuel charges at their own expense, resulting in a drop of over 25% in their income. While the Government has made an undertaking to maintain the rate of duty at the present level until the end of next year, this measure is utterly inadequate to address the problems faced by the industry and cannot offset the increase in fuel price. Furthermore, according to economic analyses, even if the crude oil price comes down, it is still unlikely to return to the previous rate of US\$25 to US\$28 per barrel. In other words, the high fuel cost faced by the industry will be a long-standing or even permanent problem. In view of this, the FTU hopes that the Government and colleagues can seriously consider the plights of the industry and study a full waiver of the duty on ULSD, in order to assist the industry to cope with the very harsh business environment now.

Madam President, the FTU believes that apart from helping the industry, this amendment can also help the local economy positively. There is absolutely no question of expending taxpayers' money to subsidize an industry which requires our assistance. If the Government does not address squarely the plights of the industry, the industry will be forced to shift the operational cost onto the public. By then, the public would face increases in public transport fares, such as the fares of minibuses. Fare increases may compel commuters to turn to other means of transport, and if the public reduce their patronage of minibuses and container trucks, drivers would eventually suffer from a decline in business and as a result, their operation would be more and more difficult and they might even be forced to close down their business. Whether the result is a fare increase or drivers in the industry becoming unemployed, it would be detrimental to the economy which has just started to turn the corner. On the contrary, if colleagues can support the amendment, so that the rate of duty on

ULSD can be reduced to \$0.55 per litre this year until the end of next year first and then studies can be conducted on phasing out this duty within a year, then the motion would lead to a "win-win" situation. Although we may see a reduction of government revenue first in the short term, the duty on ULSD, which is presently pitched at \$1.1 per litre, accounts for only 1% of the total revenue yearly. These proposals can alleviate the burden on the industry in the long term without affecting the fragile economy of Hong Kong.

Finally, on behalf of the FTU, I wish to reiterate to colleagues that given the high oil price and a difficult business environment, a waiver of the duty on ULSD is the most direct way to assist the transport industry. But considering the serious fiscal deficit of the Government, it is certainly difficult to take such drastic measure as granting a total waiver of this duty in one go. So, we agree that the duty rate on ULSD be lowered first and then studies be conducted on ways to phase out the duty on ULSD. I hope Members can appreciate the plights of the industry, examine this issue in the overall interest of society and support this amendment. As we all understand, no sector or industry can possibly stay aloof from this. Only when we work in concert can the overall economy of Hong Kong achieve a full recovery.

With these remarks, Madam President, I propose my amendment.

**MS LI FUNG-YING** (in Cantonese): Madam President, at present, the global economy is being battered by soaring international oil prices and consequently, many industries are subjected to the pressure of rising operating costs. Among them, the effects of high oil prices on the transport industry are particularly serious, since fuel is an important component in the operating costs of the transport industry. If the cost of fuel does not come down, the operation of the industry will become increasingly difficult. To assist the transport industry in tiding over such a hard time, the most direct and effective measure that the Government can adopt is none other than reducing the duty rate of ULSD and conducting a review again before the expiry of the validity period of the concession on 31 December next year, and perhaps even examining if such a duty can be phased out.

I understand that the duty on fuel is a rather important and stable source of recurrent revenue for the Government. However, we also have to know that expenses on fuel constitute a fairly heavy burden in the cost of the transport

industry. According to the information provided by the Economic Development and Labour Bureau, the pump price of post-tax ULSD in Hong Kong is generally higher than the prices of automobile diesel in some European, American and Asian countries. On the basis of the price in August this year, automobile diesel cost \$3.24 per litre in France, \$2.84 in the United States and \$4.1 in Japan. At the same time, the price of ULSD in Hong Kong was \$5.94 per litre and in October this year, the price of ULSD even rose further to \$6.14 per litre. It can be seen that the pump price of diesel in Hong Kong is obviously higher than that in overseas countries, so there is little wonder that the transport industry in Hong Kong often bemoans its hardship because of oil price increases.

I still remember that on 15 November 2000, some Members seated here also took part in the motion debate on "extending the effective period of concessionary duty rate for ultra low sulphur diesel" in this Chamber. That day, a number of Members mentioned in their speeches the issue of oil companies pocketing the difference and urged the Government to establish a mechanism as soon as possible to prevent oil companies from making profits from the duty concession. The then Secretary for the Treasury said in reply that a careful study would be conducted on the establishment of a mechanism to ensure that oil companies would pass the full duty concession onto consumers. However, four years have passed, what is the outcome? Today, has the problem of price cheating by oil companies been solved? Can consumers, including the transport industry, really benefit from the concession on fuel duty offered by the Government? Needless to say, Members, being so shrewd, already know the answer.

Furthermore, for a long time, there have been voices in the community demanding that the Government bring greater competition into the fuel market. It is certainly desirable to bring in more operators, however, I am of the view that the most pressing task now is not to bring in more oil companies but to study ways to improve the operation of the fuel market in Hong Kong, promote healthy competition among oil companies and enhance the transparency of the operation of oil companies, so as to avoid the situation in which oil companies make increases close on the heels of one another, and what is more, instances of swift increases but tardy reductions, and big increases but small reductions.

It is undeniable that the Government has the ultimate responsibility in ensuring that the end-users of fuel will truly benefit from the reduction in the duty rate and that the situation of oligopoly in the fuel market in Hong Kong can

be prevented. If the Government does not address this problem and improve the existing system under which oil companies operate as soon as possible, ultimately, it is the general public who will be the victims. Moreover, such a situation should not occur in the healthy economy of any country or region because this will only impede overall economic development and slow down the pace of economic recovery. On alleviating the pressure borne by the transport industry as a result of high oil prices, I hope that the Government can still seriously consider lowering the duty rate of ULSD so that the industry, amidst the recovery of the Hong Kong economy and global economy, can find some breathing space and eventually share the fruits of economic development and recovery together with the Hong Kong public.

Madam President, I so submit.

**MR LAU KONG-WAH** (in Cantonese): Madam President, at present, the duty on ULSD levied by the Government has given rise to three situations which are unfair to the transport industry and affecting tens of thousands of employees in the transport industry, who are in general members of the public from the lower strata of society.

The first unfairness is that in the use of fuel, professional drivers in fact have no choice.

In July 2000, in order to improve air quality in Hong Kong, the Government introduced ULSD. At that time, this type of fuel was available only in Europe and since it was quite expensive, in order not to pass the cost onto end-users, a duty concession that was even lower than the \$2 duty then levied on diesel, namely, the present rate of \$1.1, was set. Drivers, finding that the cost of filling up had become cheaper, all switched to ULSD. Consequently, after less than half a year, the Government, in view of such a development, completely replaced common automobile diesel with ULSD. However, this move also indirectly made it impossible for the industry to revert to any cheap fuel again.

Nowadays, fuel prices have increased and the Government is fully aware that professional drivers have no choice of any other fuel: the amorous lover of the past has become a jilt today and the concession has become a burden. Not only had the Administration not considered offering any help, on the contrary, it

further raised the duty so that additional hardship was imposed on their livelihood. Can one say that this is a case of once on shore, pray no more?

The second unfairness is that these professional drivers, apart from having no choice, have to be exploited by oil companies. Although there are at present four oil companies in Hong Kong and there is competition in the market superficially, in reality, their retail prices are almost the same. In other words, there is no difference in price no matter to which company's filling stations one goes for a top up. Worse still, they increase their prices very swiftly but the reductions are a long time coming. We have conducted a simple survey and found that from January 2002 to August this year, international oil prices increased 12 times in all and oil companies in Hong Kong followed suit on 10 occasions. What about reductions? On the six occasions when oil prices decreased, Hong Kong oil companies only followed on one occasion. Obviously, the increases are swift but reductions are tardy. Such is the ploy of oil companies and this is really hoodwinking the people. Recently, international oil prices have fallen, but when will our oil companies be willing to lower their prices?

It is still possible for private car owners to say that because of high oil prices, they will drive less often, however, if drivers do not tank up their business vehicles and leave their vehicles idle, they will not be able to make a living if they stop working.

Furthermore, what strikes one as very odd is that fuel prices in Hong Kong are particularly expensive. Last month, after the authorities had given a reply to a Legislative Council question asked by me, I found that post-tax automobile diesel was outrageously high in Hong Kong. Its pump price is even higher than that in advanced countries like Japan, France, the United States and Canada, and in some cases, the price is double that in some countries. When the pump price at other places is some \$3, that in Hong Kong can rocket to over \$7. Many academics have pointed out that the high oil prices in Hong Kong are related to high land premium and high overheads in Hong Kong. However, are we saying that land premium in Hong Kong is even higher than that in Japan, that overheads are higher than those in France and the United States? Why on earth have oil prices in Hong Kong become so high? Is it because oil companies have been profiteering? The Government must sort this problem out as soon as possible, otherwise, the contradictions between the industry and oil companies will only intensify.

Yesterday, some members of the industry held a press conference, declaring that if the Government failed to address this matter squarely, they would mobilize over a thousand vehicles to impose a blockade around oil companies. I do not consider it necessary to resort to such radical measures. What matters most is that the traffic and the public must not be affected.

The third unfairness has to do with the differential treatment meted out by the Government, which cozies up to the interests of large consortiums but overlooks the situation of small investors. As early as 1992, the Government began to exempt franchised bus companies from diesel duty but minibuses are not entitled to the exemption. Recently, minibus operators have applied for fare increases in order to cover the increases in fuel price. Therefore, it can be foreseen that the general public are ultimately the victims who have to take the brunt of price increases.

As to the transport industry, in order to find a way out, it can only try to come up with some counter-measures in the hope of finding a niche for survival. We can see that many container truck drivers plying between China and Hong Kong now tank up in Shenzhen. Why? Merely because it is cheap. Let us do some calculation. Diesel in Shenzhen costs only above \$3 but it costs more than \$7 in Hong Kong, which is double the former. This is a very substantial amount. Under these circumstances, drivers go to the Mainland in droves to fill up and the business of oil companies in Hong Kong falls. Locked in a vicious circle, oil companies and the Government stand to lose more than they gain and this is also a great irony for the environmental protection policy in Hong Kong.

Madam President, the Government often talks about actively promoting the logistics industry, however, the foundation of the logistics industry is the transport industry. What the Chinese hope for in doing business is a high turnover. Now that the cost of business is so high, the turnover will only decline. How can we talk about promoting the development of the logistics industry? Soaring oil prices will have a long-term and negative impact on the Hong Kong economy as a whole.

I so submit. Thank you, Madam President.

**MR TOMMY CHEUNG** (in Cantonese): Madam President, the problem of high oil prices have drawn extensive attention in recent months, since

international oil price per barrel has surged past the US\$50 mark recently and at one point, it even spiked at US\$56. Although there is recently a slight decrease, it still lingers at about US\$50. Compared with the oil price at the beginning of this year of just US\$30 per barrel, the oil price has risen by two thirds so far. The sector that has arguably taken the brunt of soaring oil price and most affected by it is of course the transport industry.

In view of this, the Liberal Party agrees with the measure taken earlier on by the Financial Secretary, Mr Henry TANG, to extend the duty concession on ULSD for one year, starting from the end of this year, so as to assuage the impact of high oil prices on the industry.

In fact, apart from extending the duty concession, an agreement has also been reached with Guangdong Province to relax the "four items" and "one vehicle, one driver" restriction, namely, the restriction that Hong Kong container truck drivers plying between the Mainland and Hong Kong must use the same tractor, trailer and container, and the container truck driver no longer has to be the same person as the registered person of the container truck.

These measures will obviously help the container freight industry do more business to cover the rising costs as a result of the hike in oil prices. Some members of the industry estimated that the new measure would enable container truck drivers to make two deliveries each day, which is better than just one delivery in the past. The Government also estimated that the freight cost of a 40-ft container can be reduced by US\$100 to US\$120. Whether the new measure will bring the tremendous benefits as claimed by the Government is open to further observation. However, the intention of the Government is obviously to give the industry a hand.

However, the Liberal Party also wishes to point out that high oil prices will directly impact not only on the transport industry, but also the manufacturing and catering industries. Take the example of gas used by us in the catering sector. Whenever the prices of fossil fuels increase, we have to pay surcharges and the tourism sector and even car owners will also be affected to some extent. However, apart from airline companies, which can offset some of the cost by levying fuel surcharges, and the 12 green minibus routes which have applied for fare increases to relieve some of the pressure arising from the increases in oil prices, not every aforementioned affected industry can pass the

increased costs onto consumers or demand that the Government reduce their taxes to relieve them of their hardship.

Take the catering industry that I represent as an example, in order to maintain its competitiveness, even though the price of gas has already increased slightly following the footsteps of oil prices and so has diesel, restaurant operators are still wary of increasing their prices rashly, so as to avoid dealing a blow to consumer sentiment and affecting competitiveness. Instead, they prefer swallowing these additional costs themselves.

If we reduce the rate of the duty on ULSD by half to \$0.55 per litre as demanded by the original motion, or even totally abolish the duty as Mr WONG Kwok-hing's amendment requests, this is definitely of obvious benefit to the transport industry, for example, to various land transport businesses such as container trucks, coaches, private cars, light goods vehicles and even minibuses and taxis that use diesel.

However, I wish to point out that if the Government cuts the duty on ULSD further, the existing remaining \$69 billion in duty revenue will be chipped away further or it will even vanish altogether, that is, the ability of the Government to collect taxes will be undermined. If even this stable source of revenue is given up, then it may be necessary to create sources of revenue in other areas before fiscal balance can be restored. In that event, the problem will only be saddled on other people and it may not be possible to solve it at root.

Of course, for other industries that are also beset by high oil prices but have no recourse to duty concession, will they mistake a further extension of the duty concession offered by the Government as a deliberate bias in favour of the transport industry? In particular, the series of measures to relieve the public's hardship have been ceased one by one, that is, there are no longer such relief measures as tax and rates rebates, waivers on water and sewage charges and trade effluent surcharge, furthermore, profits tax has been increased and the second phase of the salaries tax increase is also about to come into effect. Against this background, the concession on the duty rate of ULSD has been further extended for one year to the end of next year.

However, as has been pointed out by Ms Miriam LAU, who moved the original motion today, for many years, this duty targets only the transport industry. Therefore, she has all along demanded that the Government conduct a

review, however, the Government has for a long time been reluctant to take action and dragged its feet for as long as it can. Therefore, the Liberal Party agrees with Mr Ronny TONG's amendment and demands that the Government reviews the duty rate.

Instead of making the concession on the duty of ULSD become a point of contention every year between the industry and the Government and in order to reduce the dispute between the two parties, the Government should also conduct a review again so as to work out a win-win proposal. In that event, the Government will not lose a stable source of income, and at the same time, no major burden will be imposed on the transport industry.

Concerning the point raised in Mr Ronny TONG's amendment, that is, ensuring that end-users of ULSD truly benefit from any reduction of the duty rate, the Liberal Party of course agrees with it. This is because back in those years, the reduction of the duty on ULSD from \$2 to \$1.1 per litre was meant to encourage the industry to use this type of more environmentally-friendly diesel. But for a considerable period of time, the price of diesel has failed to reflect the difference, stirring up controversies over suspected price cheating. Therefore, we agree that it is necessary to examine how the concession can be fully translated into benefits for the industry in the event of a reduction in duty.

Madam President, I so submit.

**DR RAYMOND HO:** Madam President, first of all, I wish to commend the Financial Secretary for deciding to extend the concessionary rate for ultra low sulphur diesel (ULSD) a fortnight ago. The \$1.11 concessionary rate for ULSD will therefore be extended from December this year to December of 2005. This must have been a tough decision for Mr TANG as the measure will translate into \$1.1 billion less revenue for the Government's excise duty. I hope the Government has taken the initiative out of its genuine concern over the plight of the transportation industry, rather than as a pre-emptive strike to the motion we are discussing now.

Indeed, the transportation industry has been particularly hard hit by the persisting high oil prices. As far as I know, the expenses on diesel, ULSD to be exact, take up a large proportion of the operation costs of the industry, ranging from 20% to even more than 40% of the total expenses. The increase in oil

prices will cause the greatest impact on the sector. Actually, retail price for ULSD has already climbed up about 19% since the beginning of this year.

As a full economic recovery is not yet on the horizon, it is almost impossible for the transport operators to transfer their higher operating costs to shippers or passengers. Any increase in freight charges or fares will only drive their business away. But it is not possible for them to absorb the higher ULSD costs either as they have already been operating on a very thin profit margin.

The Government's consecutive extensions of the \$1.11 concessionary rate for ULSD since its introduction in 2000 are commendable. But these measures were supposed to be temporary ones for alleviating the hardship of transport operators. After all, the concessionary rate was first introduced on environmental grounds. It was later extended repeatedly because of the bad economic climate. This piecemeal approach is just so typical of the Government.

It is high time for the Government to conduct a thorough review. It should include not only the current rate of duty on ULSD but also that on petrol, which is among the highest in the world. Essential considerations, such as economic conditions, interests of end-users of both ULSD and petrol, as well as implications on the Government's fiscal health must be taken into account, too.

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

**MISS CHOY SO-YUK** (in Cantonese): Madam President, I wish to focus my speech on the long-standing problems concerning the prices of automobile fuel in Hong Kong.

In Hong Kong, be it drivers of business vehicles or private car owners, they have all suffered from the hardship wrought by high oil prices. Recently, oil prices have hit new highs time and again and not only must those behind wheels put up with pricey fuel, even on other days in the past, the exorbitant local fuel price was also eye-popping.

According to the information provided by the Government, the pump prices of petrol and diesel in Hong Kong are far higher than those in most

European countries, Singapore, South Korea and Japan, not to mention the Mainland and the United States. The post-tax prices are even 40% higher than those in Japan, which ranks second in this regard.

In fact, with a lack of supervision, financially robust and influential oil companies have monopolized the market among themselves, forming a so-called cartel. With no pressure from competition, how can oil prices in Hong Kong possibly return to a reasonable level? The most direct evidence is that whenever there is any change in oil prices in the external market, local oil companies will, with hardly any exception, take concerted action each time with great tacit understanding, making swift increases but tardy reductions. This is a situation known to everybody. Without any alternative, car owners and drivers become the lambs to be slaughtered at will.

Oil companies will of course advance a lot of excuses, explaining that there are in fact other reasons that bring about the persistently high oil prices, for example, the quality of fuel in Hong Kong is better than that in other places; the cost of filling stations and operating expenses are high; with the scarcity of land and high population density in Hong Kong, there are more stringent safety requirements on the storage, transportation and distribution of fuel products, and so on.

However, some of these reasons are specious, while others are even twisted. In fact, oil companies can now import ULSD from Singapore and the cost is now a lot lower. However, the price of diesel has not seen any corresponding decrease. This shows that even when oil companies manage to make savings, they have no intention of passing it onto end-users. In the end, oil companies pocketed the money.

As to the claim that fuel quality in Hong Kong is better and gasoline of a higher octane value than those in other places is used and the price is higher as a result, this is an even greater joke. However, this further backs up the claim made by consumers that they do not have any choice.

For some performance sports cars, using gasoline of a high octane value can indeed generate greater power but nothing is absolute. For vehicles in general, the octane value of gasoline does not in fact help in any particular way to enhance their performance, on the contrary, in the event that the engine is not

suitably tuned, the use of gasoline of a high octane value will not only fail to increase the horsepower and save on fuel, but even lead to a pollution problem.

Madam President, most oil companies in Hong Kong only provide octane 98 unleaded petrol. However, according to the findings of a survey conducted several years ago, for private cars in Hong Kong in general, octane 95 petrol will suffice, whereas octane 98 petrol is suitable only for a small number of performance cars like Ferraris.

In view of this, why should oil companies waste money in raising the octane value of gasoline unnecessarily? Of course, we do not have to worry for oil companies. They are fully aware that only by constantly promoting such so-called performance petrol can they make the greatest profit. As to whether consumers really need it, I believe oil companies have not taken this factor into consideration.

In fact, the Consumer Council already pointed out some years ago that using gasoline of a higher octane value will not enhance the performance of vehicles in normal traffic conditions but more money has to be paid. In view of this, it openly urged oil companies to introduce gasoline of different octane values so that consumers in Hong Kong can have more choices. However, so far, what have oil companies done in this regard to protect consumer interests?

Oil companies also claim that they sell gasoline of a higher octane value in response to market demand, however, this is obviously misleading. Over a decade ago, the switch to unleaded petrol began in Hong Kong. Although some motorists did complain that octane 95 unleaded petrol was not as powerful as octane 97 leaded petrol, however, nowadays, with the continuous improvement in vehicle engine design, the overwhelming majority of vehicles can already use octane 95 petrol and the picture is totally different from that of years passed. Therefore, oil companies, in using this as the excuse to raise the octane value, are merely concealing their real motive of pursuing profits. Madam President, the high price of high octane petrol has exerted great pressure on and exacted high expenses from many motorists in Hong Kong because of the high duty levied by the Government.

The present situation is very clear. If the Government does not actively introduce real competition into the fuel market in Hong Kong to balance the oil prices in the market, and if it still does not review the existing problem of duty

on fuel, car owners and drivers will not be able to extricate themselves from the hardship caused by high oil prices.

Madam President, I so submit.

**MR ABRAHAM SHEK:** Madam President, recently, oil prices have risen 80% since the start of this year. Industries, large and small, have been adversely affected. Some industries — the transport sector, for example — are more vulnerable than the others under such scenario, because oil is a major component in their business operation.

The Honourable Miriam LAU's demand for a 50% cut in diesel tax is perfectly understandable, given the circumstances. Local drivers groups have complained that rising oil prices have undercut their profits to the extent that their livelihood is jeopardized. Regrettably though, I still cannot support this well-intentioned proposal, after taking into consideration the financial position of the Government and the principle of equity.

The demand for deeper diesel tax cuts comes even after the Government's announcement that it would extend its diesel fuel tax concession to the end of 2005. Drivers groups feel that merely maintaining the present level of tax concession — even though it will cost the Government approximately \$1.1 billion — is not enough to ease their hardship. They want the Government to offer more subsidies. But it is obviously a request beyond the financial means of our Administration. According to the Financial Secretary, the Government has already stretched its financial resources to help the trade. Increasing the subsidy level with deeper tax cuts would eat into government revenue considerably.

In addition, we should take into account a principle called equity. Is it fair that the Government should provide subsidies to compensate the business losses of one particular private sector? It is true that the transport industry has suffered immensely as oil prices increased, but there are other oil-dependent sectors, such as aviation, catering and certain manufacturing industries, which are experiencing similar problems of surging costs and dwindling profit margins. It is simply not possible for the Government to provide all these industries with relief measures, not to mention subsidizing them. More importantly, it is not what a small government which promotes free enterprise should do.

Madam President, I might add that the Administration is partly to blame for the present situation. It has been sending out confusing messages to the public and the transport sector. The tax concession on ultra low sulphur diesel fuel was not initially introduced as a relief measure for easing economic hardships. It was supposed to be an environmental tax incentive to encourage the transport industry to switch to cleaner fuel. We have been informed in the Financial Secretary's last Budget speech that this measure is environmentally oriented.

Perhaps the Secretary can explain in his reply speech later today why the goal of improving air quality was missing when the Financial Secretary elaborated on his decision to extend the tax concession two weeks ago. A clarification is necessary to help the public better understand the Government's tax concession proposal and the Honourable Miriam LAU's counter-proposal. If the diesel tax was an environmental initiative instead of an economic one, the community might view it in a different light.

Still, since the drivers groups have exhibited such unusually vigorous criticism of the Government's tax proposal, it means that the Administration must address their concerns with care.

The drivers' present grievances may be partly related to their belief that the tax concessions fail to bring down oil prices as much as they have hoped. In response to criticisms from the transport sector, the Financial Secretary has announced, along with the extension of the tax concession, that the Competition Policy Advisory Group will look into the market mechanism of the energy sector. Specifically, it will examine whether industry players have engaged in price-fixing activities. In my view, conducting investigation is the proper way to address the transport sector's concerns. I hope the transport sector would also give the Advisory Group a little more time to respond to their concerns.

Madam President, around the world, many countries which rely on imported oil have been striving to reduce their dependence, taking into account the world's diminishing oil supplies and an unstable supply due to political unrest in the oil-rich regions.

For sustainable development, the local transport industry — and indeed other economic sectors as well — should work to adopt new technologies and alternative fuel options more quickly and extensively. The ultimate goal should

be to build up fleets of vehicles which are both environmentally clean and economically efficient as soon as possible. Recently, the Government has been urged to reconsider introducing trucks which operate on natural gas. In the light of the current rises in oil prices, let us hope that it will prompt the Government and the transport sector to speed up the process.

Thank you, Madam President.

**MR FRED LI** (in Cantonese): Madam President, high oil prices will affect the livelihood of the people in Hong Kong. Members have already talked about their serious impact on the transport industry, with 20% of its cost going to diesel. At present, the price of diesel has increased by about 20% compared with that at the end of last year and professional drivers are of course feeling a great deal of pressure, and minibus drivers in particular are bemoaning their hardship. Their plight warrants our sympathy.

However, I wish to comment on this issue from another angle. In particular, I will use the four oil companies in Hong Kong as the example. Their monitoring falls within the ambit of Stephen IP and it has nothing to do with Fred MA. It has always been the case that in increasing prices, they appear to have a tacit understanding. In this month, for example, the prices have been increased twice, that is, the prices of diesel and unleaded petrol were increased twice last month (in October). I am talking about diesel in particular but there is in fact little difference, because if one company takes the lead in increasing the prices, another will surely follow suit within a few days. In the past, it was Shell who took the lead, now it is Caltex. I do not know if any lot has been drawn. In the past, it was always Shell that took the lead but now it is Caltex. Such a situation is rare in the world. If such a practice were found in the United States, it would be a violation of law already, that is, the anti-trust law would have been broken because there is obviously a tacit understanding in this sort of action.

Concerning oligopoly, I very much agree with the comments made by Mr Ronny TONG when he espoused his amendment. However, I wish to cite some examples to make a further analysis. We have the figures as of September provided by the Economic Development and Labour Bureau. In September, the price of imported ULSD is \$2.69 per litre, add to this \$1.11 of duty and the total is \$3.8. However, the pump price in September was \$7.07, and subtracting this

by \$3.8, the difference is \$3.27 — I hope Members will not be bored by these figures. I only want to say that after the import price and duty are deducted, the remaining \$3.27 is far higher than the import price per litre. This \$3.27 includes the land premium paid to the Government, environmental protection facilities, wages, discounts (since discounts are offered to large fleets such as minibus fleets) as well as profits. We do not know what the proportions of these five cost components are, nor do we know the shares they take up in this \$3.27. We have no idea how much of it is the profit, how much of it is the wage, how much of it is for environmental protection facilities and how much of it is for the land premium. We only know that after deducting the duty from the pump price, the oil price is higher than that everywhere in the world.

We cannot help but ask why the price of diesel is so high in Hong Kong. Even if no duty is levied and, as proposed in today's motion, the duty is reduced from \$1.11 to \$0.55, or even if the duty of \$0.55 is done away with, it still costs \$5.96 per litre. That was the situation in September. The price now is about \$7.32, which is fairly high. Furthermore, I do not know how helpful a duty reduction will be to the transport industry, since in the final analysis, oil companies increase the prices quickly but drags their feet in reducing them. If they are allowed to continue to maintain an oligopoly, who will benefit ultimately? Moreover, we often criticize the Government for the narrow tax base, yet we demand that it should abolish an item of tax revenue. Is this a course of action that has borne in mind the overall situation? I believe the Liberal Party too does not want the tax base in Hong Kong to remain narrow. The Liberal Party often criticizes the Government for the narrow tax base and says that a solution has to be sought, although they oppose the sales tax. However, if they oppose any type of tax and want this duty to be scrapped, then what sort of tax can be levied in Hong Kong?

Therefore, we have to consider the overall situation rather than merely looking after one single industry. Businessmen operating laundry factories have complained to me that the price of the oil they use was very expensive. The type of oil that they use is industrial duty-free oil. However, since the price of oil is indeed very expensive, their cost has increased by over 20% and each month, hundreds of thousand of dollars are spent on oil in the operation of laundry workshops. Their workshops are very large but they cannot increase their prices. When asked how the Government could help them, I was lost for an answer. Today, some Members have lobbied on behalf of the transport industry for a reduction of duty from \$1.1 to \$0.55, but who would lobby for

those businessmen and what sort of reduction can be granted? I am lost for an answer. Should the profits tax be reduced? I am really lost for an answer.

In the face of soaring oil prices, not just the transport industry but various businesses have been affected. Therefore, I hope that this issue can be dealt with holistically and rationally. We should focus our attention on oil companies. Again, I demand that competition be introduced, that the new oil company and the fifth one, Sinopec Corporation, should be brought in. The company has successfully bided for five filling stations but hardly any inroad has been made. With only several filling stations, how can it actually compete with Shell, which has 60 filling stations, or Caltex, with 49 filling stations? Therefore, with limited competition, it is not possible to dent the existing oligopoly. I believe the most important issue is to stress and focus on this point. Furthermore, Mr Abraham SHEK asked if there was any instance of price fixing, but without legislation on fair competition, nothing can be done even if there is. He and the Alliance are opposed to legislation on fair competition, however, they are concerned that there may be instances of price fixing. This is to eat one's cake and have it. I hope you will reconsider supporting the legislation on fair competition advocated by Mr Ronny TONG and I. However, you are opposed to it and are concerned that there will be problems, yet the Government is not in a position to check the accounts or do anything, since there is no legislation on fair competition. This is because the oil industry is an unregulated industry and everything is commercial secret. Although Legislative Council Members have asked many times for information on the cost components, Members could not obtain any information because oil companies got away merely by saying that that was commercial secret. We can do nothing even if prices are increased swiftly and price cuts are tardy. They are still doing so. Therefore, on behalf of the Democratic Party, I pinpoint the oil companies and suggest that this knot must be untied. We fully support Mr Ronny TONG's amendment.

Madam President, I so submit.

**MR WONG YUNG-KAN** (in Cantonese): Madam President, the subject of today's debate is the duty on ULSD and this is a very good thing. However, I also wish to point out that apart from today's subject matter, some fishing vessels also use duty-free petrol and industrial oil and the magnitude of the problems

encountered by them are no less than this one, and they are also facing great difficulties. Of course, I will support the amendment and the original motion.

Our sector is now entitled to the use of duty-free diesel. This is the best long-term measure that the Government has taken in respect of industrial fuel, so that the fishing industry can benefit from it. However, the greatest problem is that fuel cost accounts for 70% of the total operating cost of the sector. In 1998, one barrel containing 44 gallons of diesel cost about \$200 but nowadays, the price has risen to \$580 and this makes up a large proportion of our operating cost. At present, some members of the sector can only moor their fishing boats in bays rather than in Hong Kong. In fact, a few years ago, we already discussed this issue with the Economic Services Bureau and the relevant departments, requesting that the Government regulate the oil barges supplying fuel at sea. Before 1998, there were only some 200 boats of this type which supplied industrial oil to fishing vessels, but nowadays, there are over 500 such vessels, yet the oil prices have increased conversely. This is perhaps due to the increases in the price of fuel. I think the main reason is that we do not know how much the increase will be. We asked the Government but it could not answer us. We asked the fuel suppliers and they did not know why the situation with regard to duty-free diesel is like this. We do not know about the increases or the reductions in price. We only know that the increases are swift but the reductions are tardy. This is always the case, be it the petrol supplied on land or imported diesel, consequently, the whole industry experienced a lot of problems.

In fact, I wish to say today that I hope the Government can do something to monitor the retail prices of the oil sold by these oil barges. In the past, these boats all sold their oil in Hong Kong waters. But nowadays, some of them have left Hong Kong waters and remained at the border, that is, the waters near the border between China and Hong Kong, to sell diesel. When the Marine Police and the Marine Department are on patrol, these boats will sail back to Hong Kong waters, but at night, they will sail to nearby waters to supply diesel to mainland vessels. Some fishermen complained to me that these fuel suppliers do not supply fuel to Hong Kong vessels and would only supply fuel to mainland vessels because the latter pay cash, although some Hong Kong fishermen also pay cash. Therefore, in the interest of the operation of various trades, should the Government not consider monitoring this type of vessels? They should not be given a free hand, thus creating problems for the entire industry. Those oil barges sell diesel to fishing vessels of neighbouring areas at higher retail prices

because the latter can resell them at high prices on the Mainland. In comparison, the prices of fuel in Hong Kong are lower. In view of this, I hope the Government can step up the management in this area.

Therefore, I support the original motion and the amendment. Thank you, Madam President.

**MR PATRICK LAU** (in Cantonese): Madam President, earlier on, the Financial Secretary announced the extension of the concession on the duty of ULSD to the end of next year, and the rate of diesel duty will remain at the concessionary rate of \$1.11 per litre. Compared with the original duty rate of \$2.89, the reduction is over 60% and the Treasury will receive \$1.1 billion less in duty as a result.

In fact, the Government has extended the concession on the duty of ULSD six times and the Treasury has incurred a total of nearly \$8 billion loss in revenue. With the fiscal deficit problem still remaining unresolved and the expenditure on education, health care, welfare, and so on, still on the rise, I have reservations about further lowering, or even exempting diesel duty at this stage.

However, in the long run, I support that a review be conducted by the Government of the present rate of duty of ULSD. Furthermore, the duty on other types of fuel should also be reviewed, including the environmentally-friendly gasoline used by private cars, with a view to ensuring that end-users can ultimately truly benefit from the reduction in duty rate.

I appreciate that the reason given by those proponents of a reduction in the duty of diesel is that the sluggish economy, coupled with soaring fuel prices, is dealing a serious blow to the transport industry. However, in reality, the sluggish economy and soaring fuel prices are also imposing a heavy burden on all motorists in Hong Kong. Why does the Government offer concession on diesel duty to professional drivers only, whereas other motorists cannot enjoy any concession, nor can they get any sympathy from the Government? Therefore, if the duty rate of diesel is reviewed, then the entire policy on fuel should also be reviewed, including putting in place concessionary measures on gasoline for private cars and considering bringing in fuels at lower prices to give consumers choices, or studying if there are other forms of green energy for motor vehicles.

All motorists should be treated equally and we should not be concerned only about the situation of the transport industry.

I believe that apart from assisting the industry in enhancing their competitiveness, co-operation with mainland departments should also be strengthened to clamp down on the duty-evasion practice whereby Hong Kong container truck drivers go to the Mainland to fill up and then return to Hong Kong, as well as the use of duty-not-paid oil. If these loopholes of duty evasion can be plugged, I believe there will be more room for adjusting the duty on fuel.

If the Government proposes other tax increases or broadens the tax base to make up for the reduced revenue as a result of exempting the duty on fuel, I believe there will be considerable resistance in society. Therefore, I hope that the Government, when reviewing its overall policy on fuel, will carefully balance the interests of various parties and must not be biased in favour of a certain group, thus affecting other groups. In particular, greater attention has to be given to the economic difficulties and pressure of living that people of the middle class are facing under the present circumstances.

Madam President, I so submit.

**MR ALBERT CHAN** (in Cantonese): Madam President, that it is necessary for Members to propose a motion in this Legislative Council to demand the Government to lower the duty on ULSD in fact already reflects an absurd situation. That this absurd situation has emerged is the result of the absurd policies, absurd ways of thinking and absurd logic of the Hong Kong Government. At present, many modes of transport, including the bus companies controlled by several large consortiums, are making hundreds of million or even billions of dollars in profits, yet they do not have to pay any duty on fuel. Our railway corporations have occupied a lot of road surface, yet they do not have to pay any land premium. Why do other transport companies operating other forms of transport have to pay expensive duty on fuel?

One of the aims of the reduction on diesel duty offered earlier on was to alleviate the hardship that members of the transport industry are facing. However, the hardship of many people in the transport industry remains not relieved. Due to the monopolization by large consortiums, the monopolization in various industries and cross-industry monopolization, many people in the

transport industry, be it drivers, vehicle owners or small transport companies, are still experiencing a continual decline in income. Of course, as a matter of general principle, I understand that many Members still hold different views on the suggestion that the duty on diesel be reduced or on offering special concession on diesel duty to some industries. However, we have to look at the hardship that many members of the lower strata of society are facing from the absurd situation that has arisen as a result of an absurd society and absurd government policies. To lower the duty on fuel can help this group of people victimized by absurd policies. Therefore, I hope all of us can empathize with the hardship confronting the average member of the public.

When we were small, whenever we talked about fuel, we would always think of the oil magnates. Oil magnates were rich and powerful. However, fuel is nowadays controlled by large consortiums and they reap the benefits. However, it is not just the large consortiums that benefit from fuel, our Government also benefits from it. The Government earns a lot of revenue as a result of high fuel prices and high fuel duty. A large proportion of such revenue, including the income of large oil consortiums and the fuel duty levied by the Government, are in fact the earnings of toiling members of the public, since the transport fares or many other charges that they pay ultimately contributes towards the handsome profits made by oil companies and the substantial fuel duty collected by the Government.

Some overseas governments consider fuel to be a basic necessity of life, not a consumer product like cosmetics, XO or red wine, therefore, there is no reason to levy a high duty on fuel. However, the policy of the Hong Kong Government treats fuel as a luxury item and levies an exorbitant duty on it. Under such an unfair or unreasonable taxation policy, the victims are the average members of the public: drivers, car owners, small transport companies or the average members of the public who make a living in the transport industry, as well as average members of the public who have to pay high fares for the services of various forms of transport that they rely on.

To right such an absurd situation, I hope that the Government can fully review why bus companies making handsome profits are still being exempted from fuel duty. They earned billions of dollars from the sale of land but the money so made was not accounted as the revenue of bus companies. Bus companies operate businesses such as Roadshow, but although there is income from advertisements, it is not accounted as the revenue of bus companies. The

profits made are not accounted, however, a lot of expenses are included in the expense account, as a result, the fares keep rising. Although the motion today is not meant to target bus companies, when talking about the issue of fuel and from the viewpoint of the overall policy, there is no reason not to mention and comment on this issue.

A number of Members have mentioned, and I am not going to repeat here, that oil companies are quick to increase their prices but reduce them at a snail's pace, and the profits are like black holes through which no one can glimpse how much profit there actually is. On the monitoring of these oil companies, the efforts of the Government can be described as limp. I do not wish to criticize our Secretary Frederick MA as limp. I think he should be a towering and imposing man of valiancy. I hope he will not continue to be limp in dealing with oil companies, otherwise, the average members of the public will be subjected to greater harm.

I hope that the motion debate this time can serve to draw the attention of the Secretary to this problem, so that the average member of the public will not continue to be victimized by such absurd policies.

**DR KWOK KA-KI** (in Cantonese): Madam President, the motion moved by Ms Miriam LAU today seeks to call on the Government to reduce the rate of duty on ULSD to \$0.55 per litre. In my opinion, we have to consider several points before discussing the motion. Firstly, why was it necessary for the Government to formulate a policy to offer concession on the rate of duty on ULSD in the first place? I believe one of the reasons was to relieve the burden of the transport industry. Environmental protection and encouraging the industry to switch to ULSD was also a consideration of the Government. I very much understand the difficulties facing Ms Miriam LAU as a representative of the industry. Earlier in the debate, a number of Members pointed out some of the absurdities. I would also like to present some of the strange (I would not describe them as absurd) phenomena.

Many Members of this Council come from different backgrounds. It is understandable that, as a representative of the transport industry, Ms Miriam LAU is obliged to propose this motion on behalf of the industry. I hope Members can understand that, under the present circumstances, it is natural for

the Government to object to Ms LAU's motion. The reason is very simple: the revenue has continued to fall. The duty concession on ULSD was offered not purely in the interest of the industry. The Government may probably have to beg us to reject the motion in consideration of its fiscal deficit problem.

Nevertheless, we are faced with a political reality. First, as the Government should be aware, we Members of this Council, as representatives of various sectors, are duty-bound to do something like this. I believe Members will understand in their hearts why Ms Miriam LAU has to do this. Second, I notice that, in addition to Ms LAU's wish to reduce the duty on ULSD, the Liberal Party, to which she belongs, has also raised suggestions on other tax reductions. Regarding any tax reduction proposals, whether for reducing the duty on diesel, profits tax or salaries tax, I must not, and should not, oppose as a member of the public or a Member of this Council. However, I am also aware that the public money collected is going to be spent on members of the public. On the one hand, we appeal to the Government not to reduce its commitment to the public — as a representative of the medical sector, I very much hope that the Government can continue to increase funding to meet medical expenditure. I also hope the Government can pay attention to the socially disadvantaged groups. On the other hand, even the cleverest housewife cannot cook a meal without rice — the Government does not know how to generate money by magic. Why should concession be offered on ULSD but not other duties? I guess it is very difficult to make Members understand this.

Secondly, I feel that the Government has to face the motion moved by Ms Miriam LAU today is actually its own making. I also hope that Ms LAU or the Liberal Party, to which she belongs, can reconsider this issue. This point was also mentioned during our discussion on the fair competition law in this Council. At that time, a number of Members already pointed out in their speeches that the allegation made by oil companies that there was no room for reducing the price of ULSD was actually not true. The truth was that the joint efforts of various oil companies to raise prices had resulted in monopolization.

I believe both the Government and the Liberal Party understand it very well that the oil companies have monopolized in many areas and, as a result, become able to control oil prices. Even if the duty on ULSD is further lowered, I believe it will not take long before oil companies come up with a way to turn the duty concession of \$0.55 per litre on ULSD into their additional profits. As such, I believe the transport industry cannot be protected by a mere reduction of

this duty without demanding the Government to introduce fair competition legislation or promote fair competition.

The problems facing the transport industry will not be permanently eased by abolishing or offering a duty concession on ULSD. I believe oil companies will slowly raise the diesel price back to its original level within a very short period. Merely proposing a duty reduction will not help encourage competition among oil companies; on the contrary, it will provide room to oil companies to avail themselves to the exploits. Under such circumstances, it is impossible for me, nor am I allowed, to agree to Ms Miriam LAU's motion on reducing the ULSD duty to \$0.55 per litre.

Nevertheless, while I consider it not suitable to offer immediate concession on the ULSD duty, I consider it necessary — as proposed in Mr Ronny TONG's amendment — to review the current rate of duty on ULSD and eventually come up with a means to provide assistance to the transport industry. What is more, in order to resolve the hardship facing the transport industry or other industries, we really have to reconsider that the monopolization existing in some public utilities and even such industries as fuel dealers is hurting all industries, not only the transport industry represented by Ms Miriam LAU. All the trades and industries mentioned by me earlier are suffering as a result of monopolization. Although Secretary Frederick MA is not responsible for dealing with matters pertaining to fair competition, I believe he, as a Bureau Director, is still obliged to review the relevant policies and eventually present the policies that can help industries — including the transport industry — to this Council for implementation and discussion expeditiously.

With these remarks, I support Mr Ronny TONG's amendment. Thank you, Madam President.

**MR LEUNG YIU-CHUNG** (In Cantonese): Madam President, the price of ULSD in Hong Kong has seen an increase of more than 20%, from \$6.08 per litre early this year to the latest price of \$7.35 per litre. Such an increase has dealt a devastating blow to numerous professional drivers. Although the number of diesel vehicles has continued to fall thanks to the Government's persistent effort in introducing new green energy resources, most of the drivers of the vehicles relying mainly on diesel, such as buses, lorries, container trucks, vans, and so on, are professional drivers. Over the past seven years, their

income has fallen sharply due to the economic recession. The rise in oil prices over the past couple of months has made it even harder for them to make a living.

I was told by a representative of a van drivers' union formed by us that their business was simply not profitable. Before the rise in oil prices, they could still manage to make \$6,000 to \$7,000 a month. With the increase in oil price of nearly \$70 per tank, they now have to spend an additional \$1,000 a month on fuel. In other words, their income has fallen from \$6,000 to \$7,000 in the past to \$5,000 to \$6,000 now. How can such an income support a family of two or three persons? Though it might sound unpleasing to the ears, they are worse off than recipients of Comprehensive Social Security Assistance (CSSA). Is it the wish of the Government to force the people to receive CSSA instead of working?

The situation facing container trucks is no different. Perhaps some people might think that the container freight industry is not operating in the same manner — wage earners will not be affected because fuel is very often paid by the companies concerned. But is it really the case? Should oil prices continue to rise, the companies will have to bear a certain measure of pressure. They will have to either slash wages or face the possibility of closure. This will do no good to container truck drivers. It might also be argued that these drivers have become self-employed persons, and they are no longer wage earners. This is true because a number of container truck drivers were forced to become self-employed persons when the Mandatory Provident Fund system was set up. The problem is that they will still be affected when they charge business operators for transportation fees eventually. Judging from whatever angle, these professional drivers are facing enormous pressure in living. It is therefore impossible for us not to pay attention to this issue.

Actually, the rise in fuel expenses and cost has affected not only drivers, but also the overall competitive edge of Hong Kong economy. As pointed out by a number of people in the industry, the ratio between oil expenses and the operating cost has risen from 30% previously to 40% now. The diesel price has always been higher in Hong Kong than elsewhere, including the Mainland and Singapore. Should we insist on refusing to tackle this problem, our freight transport sector will definitely be hit seriously. Furthermore, our competition edge will surely be undermined too. As such, the problem under discussion

today is not merely related to professional drivers. It is related to Hong Kong's overall economic development too.

Furthermore, we cannot help worrying about the numerous traffic accidents that occurred recently. For instance, a number of traffic accidents were invariably found to be associated with speeding of red minibuses. This is something we certainly do not want to see. Neither do we want to see professional drivers breaking the rules by speeding. However, we are worried that, should oil prices continue to rise and the income of professional drivers continue to fall, the drivers might be forced to act in this way. This is also what the community does not wish to see. However, the drivers are forced to act in this way because they have no choice. As such, we must not look at the problems in isolation and in a simplistic manner.

I heard numerous colleagues point out earlier that merely reducing the duty on diesel will be unfair to many taxpayers because only a certain industry will be benefited. Other industries will not be benefited at the same time. I hold that colleagues should not look at the problem in this way, because it concerns more than an individual industry. As pointed out by me earlier, Hong Kong's overall economic development and many other aspects will be affected as well. As I also mentioned earlier, traffic accidents are no good. I hope Members can consider the matter from a macroscopic angle, rather than looking at it from the narrow perspective, as a problem confronting a specific industry.

Here I would like to raise this issue again. The Government will probably mention the point that further slashing diesel duty will affect its revenue. As the President should be aware, reducing instead of raising duty will inevitably affect the revenue. Yet, I do not consider this necessarily bad. Why? As I mentioned earlier, should we undermine our own competitive edge and thereby render it impossible for our freight transport sector to develop, the Government's loss will probably outweigh its gain. Hong Kong's transport industry will decline should cargo no longer be transported to other countries via Hong Kong. Should that happen, not only will Hong Kong's total revenue be affected, its overall economy will be hit too. Similarly, other industries will be affected. Therefore, I hope Members can look at the matter from a wider angle, instead of looking at it from a narrow perspective.

It has constantly been pointed out by colleagues that the granting of duty concession to a certain industry is unfair to other industries. Madam President, such an unfair system has unfortunately been seen in this Council a number of times before because this is already the sixth time we request an extension of the duty concession on diesel. Our previous requests were endorsed by this Council every time. What about the past if we now raise the point that it is unfair to other industries? We have all along been acting in this way. We should look at the issue from a holistic angle, instead of at a certain part from a narrow perspective.

Lastly, I also agree with a number of colleagues, that this problem under discussion today cannot be resolved merely through reducing the duty. The monopolization has to be broken at the same time. Through such acts as oligopoly and collusive price increases, the oil suppliers have left consumers with no choice but to continue to buy oil at a high price. If we are to ease the pressure on drivers and consumers, we must break the monopolization, or the problem will never be resolved. As such, the motion appeals to the Government to ensure that consumers can really benefit from any reduction of the duty rate. It is indeed worthwhile for Members to give this proposal serious consideration and support it. I would therefore like to emphasize that, while I agree to a reduction of the duty on diesel, I oppose monopolization; otherwise, our goal can never be achieved.

Madam President, I so submit.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, amendments have been separately proposed by Mr Ronny TONG and Mr WONG Kwok-hing to the original motion moved by Ms Miriam LAU today. In my opinion, it would be perfect for Members to pass Mr Ronny TONG's amendment to reduce the rate of duty to \$0.55 before dealing with oil companies to ensure that the industry is truly benefited. To me, this is the perfect result. However, we are facing the worst problem that, although Mr Ronny TONG's amendment has proposed to review the duty rate expeditiously, many container truck drivers in the industry or the transport industry are crying for help. With the oil cost having risen from \$6.07 per catty early this year to \$7.35 per catty at present — I have made a mistake, it should be per litre, not per catty — Members can easily image how heavy the burden of the drivers is.

It could still be justified had the overall economy performed remarkably well and container truck drivers been doing a thriving business. The current situation is not like this. Facing competition from the Yantian port, the container truck drivers are not getting enough business. All members of the transport industry are actually struggling to survive. Despite their plight, they are subjected to continued exploitation by oil companies. Naturally, they hope the Government can give them some breathing space.

It was right for Mr Ronny TONG to raise his concern to appeal to the Government to enable the drivers to "take a breath". It is a pity that, while the Government is allowing the drivers to "take a breath", the oil companies have come along to squeeze them again. How terrible it is! Therefore, the ideal solution would be for the Government to slash the duty on fuel before dealing with the oil companies. This is the perfect solution to enable Hong Kong's transport industry in general to revive its competitive edge.

Furthermore, our transport industry is under great threat in terms of competition because of our oil prices. It is most ridiculous that oil prices in Hong Kong are higher than they are in Japan. I believe a worker in Japan definitely earns more than a worker in Hong Kong. How much can a worker in Hong Kong make? The income of a gas station worker who works eight hours a day is \$5,000, more or less the same as that of an ordinary cleaning worker. I have seen and heard that some gas stations are probably manned by just one elderly employee in the evening. An old man in his sixties might be required to entertain a number of vehicles simultaneously and perform all the tasks by himself. The oil companies have gone so far as to exploit workers in this way. Despite exploitation like this, oil prices are still standing high. This is really grossly unreasonable. Why are oil prices in Hong Kong even higher than those in Japan, Singapore, the Pearl River Delta, and so on? How can Hong Kong compete?

With the reduction of \$1.1 billion in government income, tax revenue will definitely be a consideration for many Members. If I were a member of the industry, I believe I can say on behalf of the industry that, given the present circumstances, it would be more realistic to raise profits tax. Members of the industry would rather choose to "take a breath" and pay profits tax when there is a surplus. This is because they would be required to pay tax only when they had a chance to make money; the entire industry could only go out of business

when there was simply no chance for them to make money, eke out a living and stop losing money.

I find it most regrettable today that only Secretary Frederick MA is present in this Chamber. Moreover, he has focused merely on the issue of tax revenue. Although the Secretary is concerned merely about revenue, the Government cannot act in the same manner by focusing on this aspect only. I do not know whether the Secretary will respond later in the meeting to such issues as the impact of oil companies on Hong Kong's competitive edge and overall transport industry, as well as whether the Administration will adopt measures to lower fuel prices to the reasonable levels as those in Japan and Singapore.

The oil companies are literally reaping exorbitant profits. According to a chart showing the distribution of cost and retail prices, the import price of fuel from Thailand to Hong Kong is now standing at \$3, of which \$1.11 goes to diesel duty, and another \$1 to land premium — this means that the Government has got \$1 here. After that, the oil companies can yield a profit of \$2.25. Given that \$2.25 out of the \$7 paid by us goes to the pockets of the oil companies, is such an exorbitant profit justifiable? We will not object if their profits are truly reaped in a fair competitive environment. However, as Members are aware, this is not the case.

The exorbitant profits reaped by the oil companies have come from collusive price fixing, not from fair competition. Everyone who join in the so-called cartel mode of operation are collaborating to squeeze money. In the last motion debate, the Government raised the point that it would examine the matter whenever problems arose. This problem has been discussed for years, and yet the Government has still not started to examine the matter. What has the Government been doing?

The concession for duty on fuel was introduced six years ago. The same question has been in existence since then. Why has the Government still failed to examine the problem of monopolization and collusive price fixing and, as a result, we still have to raise this subject for discussion today? I do not want to bring up this matter for discussion again next time. Even if the duty on fuel is maintained at \$1.11 instead of being lowered to \$0.55, this so-called concession is still unreasonable, for only oil traders, but not users, can be benefited.

Even if today's voting result ends up with the motion being negated, I still hope that the Government can take unilateral action to enable the industry to "take a breath" by reducing the duty immediately. Should the Government do that, I believe the oil companies will then not be able to refuse reducing oil prices. My only fear is that oil prices will be raised again in a progressive manner. What is more, the Government will have to take immediate action to resolve the problem of collusive price fixing and examine if the oil companies have resorted to unlawful means or engaged in fair competition before the perfect result can be delivered. Thank you, Madam President.

**DR FERNANDO CHEUNG** (in Cantonese): Madam President, I am caught in considerable hardship and some kind of struggle in dealing with this debate on diesel duty. On the one hand, I greatly sympathize with the transport industry for the hardship currently confronting them. In particular, the incessantly soaring oil prices have put them in a miserable situation. We can see that oil prices have risen by 25%, from \$6.03 per litre in September 2002 to more than \$7.3 at present. On the other hand, I have to consider the great possibility that most of the money will be pocketed by oil traders should I support reducing the rate of duty on ULSD. However, if I decide not to support this motion, I fear that the industry, in the face of the current hardship, will have to continue to bear a heavy financial burden and, consequently, many people will ultimately have no means to feed themselves or lose their jobs. Worse still, personal or family tragedies may be resulted.

Actually, the Government announced earlier that the duty concession on ULSD would be extended until December next year. Now the industry is asking the Government to further reduce the duty, or even completely abolish the duty in future, is this going to help the industry? I am not convinced at all. Of course, we are aware that oil prices are standing high at the moment. We have also seen that 12 green minibus routes were forced to apply to the Transport Department in the middle of this month for a fare rise of up to 10%, ranging from \$0.2 to \$0.3. According to a person in charge of operating the green minibuses plying between Whampoa and Tsim Sha Tsui, owing to soaring oil prices, an additional \$80,000 has now to be spent on fuel each month, compared to end 2003. However, as the commissioning of the Tsim Sha Tsui East Station of the Kowloon-Canton Railway is likely to have an impact on their source of passengers, they dare not raise fares for the time being. Should their cost continue to rise, they will probably have to resort to retrenchment.

Let me cite another example. If calculated on the basis of diesel prices in Hong Kong, a cross-boundary lorry driver will have to spend up to \$29,000 on 4 000 litres of diesel per month. However, the same amount of diesel costs only \$14,000 on the Mainland. The difference is huge. If we further reduce diesel duty — the duty on ULSD stands at \$1.11 at present, representing merely a very small proportion of the oil price (around \$7.30) — actually, the price of diesel in Hong Kong, even after deducting the duty, is still far higher than those in other countries. The diesel duty is not the main reason for our professional drivers to "pay exorbitant prices for oil". Instead, the oligopoly of oil companies is mainly to blame. I will definitely lend my support if a further reduction of the duty can truly help the industry.

Why should oil companies be subsidized by taxpayers' money? Further extending the concession on ULSD duty for another year will cost the Government \$1.1 billion. It is estimated that the six extensions for the concession has cost the coffers \$9.7 billion.

By slashing subsidy for the elderly and people with a disability on 1 October this year, the Government is expected to save a mere \$360 million a year by targeting on the disadvantaged. However, the loss incurred as a result of slashing diesel duty amounts to billions of dollars. I am afraid the oil companies will be benefited in the end. Considering the serious deficit currently confronting the Government, should we alter our stable tax income indiscriminately while wielding our knife at the elderly and the disabled who are incapable of bargaining? In this respect, I have been caught in a constant struggle, and I hope the Government can address such issues as fair competition, oligopoly among oil companies and price control. I will give my support if extending the concession on the ULSD duty can directly benefit the industry. At this stage, however, I will support Mr Ronny TONG's amendment to first carry out a review before seeking solutions to ensure that the transport industry can be benefited by the duty reduction.

Madam President, I so submit.

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

**MR ALBERT CHENG** (in Cantonese): Madam President, I can tell Mr LEE Cheuk-yan that he need not worry, though there is only one government official here in this Chamber today. This is because Secretary Frederick MA is a cabinet member as well as a member of the Executive Council. He can reflect to his colleagues the views expressed by us in this Council today when he is back among his peers.

High oil prices have seriously hit the global economy; Hong Kong cannot fare better on its own. Nevertheless, should we subsidize a certain industry through reducing tax in times of high prices? Land prices have now begun to rise again after a recent site auction broke the record. Under the high land-price policy, rents will naturally rise. Does it mean we have to reduce rates again? Given that the economy has just turned the corner, some political parties in this Council have already called on this Council to sign a joint petition for salaries tax to be slashed. But where will the money come from?

We certainly have to look at the interest of the industry in a compassionate manner. I also know, and do understand, the interest of the representatives of the labour sector, because they represent the interest of the sector. However, the proposed measure can do nothing to address the problem at source. It can at best allay the angers of the industry. I understand that action will be taken on high oil prices. However, such action will definitely affect social stability and prosperity. To placate their dissatisfaction by using taxpayers' money will merely help oil companies continue to exploit drivers by unfair competition and monopolistic practices. This would be tantamount to feeding them with opium.

The fact that Ms Miriam LAU has to represent the interest of the industry is understandable, for all of us rely on our voters. However, I would like to tell Ms Miriam LAU's voters and our voters that, had there been no fair competition and monopolization, it would not be necessary at all to propose this motion on further slashing the diesel duty, so that a certain industry has to be subsidized by taxpayers which is unfair to other taxpayers. For this reason, I consider this motion reactionary in nature. These people are, in Chairman MAO's words, reactionaries. By allaying the dissatisfaction of the people towards society, rulers and the exploiting class, reactionaries ensure that the people continue to be exploited. This is why I will definitely object. However, it is most important that we must address the root of the problem. We must not accept what is wrong as right as we grow accustomed to it.

And then there comes another dilemma concerning the tax concession enjoyed by franchised buses. This is absolutely unfair to other transport industries. Of course, we were justified in subsidizing franchised buses because of the historical background that subsidizing franchised buses as a mass carrier could avoid aggravating the burden of the public. However, the problem that has surfaced at the moment is that franchised buses are no longer simply a mass carrier. They have now turned into mobile billboards, or a mobile advertising industry. We can therefore often see double-deckers worth millions of dollars creating pollution on the road with very few passengers on board. It is actually not true that our bus companies or franchised bus companies are providing quality services. However, many tourists have the wrong impression that the services of the bus companies in Hong Kong are so good that they will still operate even though there is only one passenger. Now, we can still see the phenomenon of buses scrambling for passengers at bus stops. This is a far cry from the days of "Under the Lion Rock" when passengers could be kicked down the buses by bus conductors.

It is really ridiculous that we still have to subsidize this mobile advertising industry, despite the fact that the bus companies can make money from it. Therefore, we should not request the Government, or ultimately taxpayers, to further slash duty to ease the industry's operating pressure or means of living.

If we truly represent the interest of the industry, both the people of the industry and the persons representing their interest should come forward to strongly urge the Government to break the monopolization of the oil companies expeditiously. A series of initiatives taken by the Government recently, including the offer of free land grant to petrol filling stations, has created the problem of further subsidizing the profit of the stations and help them further exploit the transport industry. Therefore, if we are determined to resolve the problem at root, we must tackle the problem of monopolization by the oil companies. Should the monopolization continue, thereby creating operational problems for the transport industry and inducing the people to revolt because of the oppressive government, the Government will have to interfere.

For these reasons, we should ultimately not support this motion. To support this motion will be tantamount to continuing to support the oil companies

to exploit the industry and "pickpocket" the public. I will therefore support Mr Ronny TONG's amendment.

I so submit. Thank you, Madam President.

**MR FREDERICK FUNG** (in Cantonese): Madam President, global oil prices have continued to rise, with the hike in the prices of petroleum and its by-products being the most prominent. Energy prices in Hong Kong, a city and society where there is an acute shortage of natural resources, naturally come under tremendous pressure. In particular, the price of automobile diesel has become the first to bear the brunt, with its pump price rising by nearly 20%, from \$6.08 per litre to \$7.24 per litre recently. For this reason, the transport industry has in recent months called on the Government to substantially reduce the current duty of \$1.11 per litre in order to lower the pump price of diesel, hoping that the operating pressure on the entire industry can be eased.

Both the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I share the view that we are facing a dilemma in tackling the problem of high diesel prices in Hong Kong. On the one hand, soaring oil prices will definitely lead to an substantial increase in operating cost. On the other hand, the ecological and environmental damage done by the fumes and gas emission released in the course of burning diesel, compared with other fuels, is more serious and far-reaching. Let me cite Singapore, which has similar economic development conditions to Hong Kong, as an example. Because of the environment damage done by the burning of diesel, the rate of diesel duty in Singapore is six times the rate of duty on ordinary petrol, with a view to lessening the users' financial incentive to use diesel. At the same time, policies like launching electronic road pricing, introducing road tax, and so on, are put into implementation to further control the traffic flow. For these reasons, both the ADPL and I are of the view that, in considering the requests for diesel duty reduction, we have to strike a balance between easing the hardship faced by the industry and protecting the environment and ecology.

The fact that 130 000 public light buses, lorries and heavy vehicles mainly operating within the Hong Kong territory cannot, like 20 000 cross-boundary container trucks, refill low-priced oil on the Mainland, and that fuel expenditure represents between 15% and 33% of the operating cost of these vehicles, have

caused a substantial increase in overall expenditure, thus many "self-employed" drivers are even required to subsidize their fuel expenditure with part of their income. As a result, their income is further cut in a disguised manner. While we have no objection to the request put forward in the original motion to urge the Government to reduce the rate of duty on ULSD by half in the coming year for the purpose of resolving the pressing problem facing the local transport industry and front-line drivers, both the ADPL and I would like to raise the point that, in the medium and long terms, the situation in which the local transport industry has to "pay exorbitant oil prices" has actually highlighted the fact that the local fuel market is operating in an irrational manner.

To start with, the rate of duty on ULSD in Hong Kong is \$1.11 per litre. However, the pump price of ULSD has risen to \$7.24 per litre recently. In other words, the price of ULSD is \$6.13 per litre after deducting duty. Compared with other developed economies, this price is truly extraordinarily high. For instance, the average pump price of automobile diesel in Japan is \$4.10 per litre after deducting tax. In European countries such as Italy, Spain, France, Germany and Britain, the pump prices of diesel range from \$3 per litre to \$4 per litre. The price is even as low as \$2.84 per litre in the United States.

From these figures, we can see that suppliers of automobile fuels in Hong Kong are reaping huge profits from their business. Fuel prices will unavoidably be pushed up as Hong Kong is acutely lacking in natural resources and has to rely on the importation of fuels. However, there has always been a tacit agreement among various fuel suppliers to raise prices simultaneously. Moreover, the high land-price policy upheld by the Government has made the cost of building petrol filling stations even higher and the threshold for entry to the fuel market relatively high. As a result, many potential businessmen have been deterred, thus further raising the possibility of the market being controlled by local fuel suppliers in an unreasonable manner.

Despite potential oligopoly in the fuel market, the Government has often adhered to its free-market policy of "positive non-intervention" as a golden rule for economic development. Consequently, all diesel users are forced to "pay exorbitant oil prices". In particular, at a time when global oil prices are standing high, front-line drivers are finding it increasingly hard to maintain their livelihood. For these reasons, both the ADPL and I share the view that the

authorities should appreciate the public feelings by, first of all, lowering the rate of duty on ULSD by half in the short term. At the same time, fuel subsidy should be offered to public light buses (PLBs) to ensure that the livelihood of front-line PLB drivers will not be affected as a result of fluctuations in fuel prices, and enable PLBs to follow the example of other means of transport by, for instance, encouraging ULSD vehicles to switch to petrol for the sake of environmental protection. We hope the authorities can thoroughly investigate the state of competition in the local fuel market and study the feasibility of enacting a fair competition law with a view to preventing fuel suppliers from controlling the market in an unreasonable manner, as well as protecting the interest of the transport industry in the long run.

Regarding the two amendments, both the ADPL and I cannot subscribe to the approach of Mr Ronny TONG's amendment in deleting the concrete figure on reducing the rate of duty on diesel, because the livelihood of the transport industry has already been hit. The Government is best able to give the industry a helping hand. I find Mr WONG Kwok-hing's proposed amendment to add the wordings "and study the phasing-out of the duty" unacceptable, because abolishing the duty will deliver a wrong message. Are we supporting and encouraging more vehicles to use ULSD? I cannot support this amendment because it will produce a serious impact on environmental protection. In order to address this issue, the Government must examine if unfair competition truly exists in the fuel market.

With these remarks, I support the original motion.

**MR LEE WING-TAT** (In Cantonese): Madam President, it is very unusual for so many divergent opinions to be presented in a motion debate. As far as I understand it, the mover of the original motion, Ms Miriam LAU, was not fully supported by the Liberal Party in proposing her motion. The same applies to the pan-democracy camp — it appears that the pan-democracy camp is not fully supportive of the amendment too. I heard earlier in the meeting that Mr Frederick FUNG, Mr LAU Chin-shek and Mr LEUNG Yiu-chung tend to support the original motion on reducing duty. However, it appears that Dr Fernando CHEUNG, a member of the Livelihood Alliance, disagreed with the view expressed by Mr LEE Cheuk-yan just now. It is indeed extremely worthwhile for Members to study this motion, for it has attracted so many

divergent views. I am not going to discuss the figures and analyses, because I agree with most of them.

In my personal opinion, the problem is fundamentally attributable to two aspects, namely the tax system, or whether it is necessary for diesel to be taxed; and whether there is a problem of monopolization. This is the first time I support Ms Miriam LAU. However, I do not support a reactionary motion. Ms LAU's motion is actually not reactionary. It is rather a motion on the people's livelihood. It is not at all correct for Mr Albert CHENG to condemn Ms Miriam LAU by quoting from Chairman MAO's *Little Red Book*. The book, covering a diversity of views, classified conflicts into internal conflicts among the people, major conflicts and secondary conflicts. Accordingly, the conflicts between the interest of the drivers and the interest of the masses should be defined as secondary conflicts, or internal conflicts among the people. This motion is indeed not reactionary in nature. Judging from this angle, I do not consider Mr Albert CHENG's criticism right.

However, I find it most strange that many colleagues, particularly those from the pro-democracy camp, have put the interest of drivers and that of the people in antagonistic positions. Why would they regard the proposal to reduce the duty and the hardship suffered by the public as antagonistic? This viewpoint held by Dr Fernando CHEUNG is actually extremely dangerous. Other people will probably question whether the proposal to slash the Comprehensive Social Security Assistance for the elderly or stop increasing welfare is antagonistic to the interest of the whole community.

Regarding today's motion, I hope Members can refrain from putting two groups of people in the community in antagonistic positions in the first place. In the final analysis, our debate is confined merely to two propositions. The first one concerns whether diesel should be taxed. In this respect, Members can hold different views and propose different rates of duty. The second one concerns whether there is monopolization of the fuel sold by oil companies. It seems that there is a greater consensus among Members on the second proposition, except that the Liberal Party has not commented on it. Even Mr LAU Kwong-wah feels that there is monopolization, cartel or something similar to secret collusive pricing or price fixing among the oil companies.

If Members consider it necessary to tackle this issue first, I will definitely support the Government taking steps to study it. However, I am quite

pessimistic about its sincerity in studying this issue. Although I have been away from this Council for four years, the Panel on Economic Services, formerly chaired by Mr James TIEN, did attempt to discuss the fuel issue as well as the issues pertaining to today's question. Nor is it the case that the Consumer Council is not prepared to conduct any investigation into this issue. So, the crux of the problem actually lies in the fact that even the Government itself lacks sufficient information.

Ms Emily LAU happened to raise a written question on oil prices today. The Government's reply to the question is very simple — it actually has no knowledge of a lot of things because a lot of commercial secrets are involved. Unless under exceptional circumstances, the oil companies can choose not to provide the Government with information. They may also request the Government not to make public the information submitted. All this has been mentioned repeatedly in previous debates.

I do not have high hope that Mr Ronny TONG's amendment, and even the original motion moved by Ms Miriam LAU, will be passed, unless we are really determined to get to the root of the problems. First, we have to find out whether there is monopolization or collusive price fixing. Second, should fuel as a commodity be taxed? Insofar as this issue is concerned, which was not raised by me for discussion earlier, it appears that there is a greater consensus among Members that fuel should be taxed. In a number of countries, gasoline for private cars or commercial diesel are dutiable. These are the issues we are arguing at the moment: Is the rate of duty exceedingly high? Is it justifiable for some people or companies to enjoy concessions, such as bus companies are not required to pay tax, while some individuals are required to pay tax? These are the issues we have to discuss.

From a certain angle, I greatly sympathize with the professional drivers because they are caught in a situation which is not at all fair. Yet, I really hope that colleagues can stop debating this point because, even if the motion is passed, very little effect can be achieved. Moreover, I very much hope to win over colleagues from the Democratic Alliance for Betterment of Hong Kong, since this issue has not been discussed by the Liberal Party. I have heard the speech delivered earlier by Mr LAU Kong-wah very clearly. Some colleagues, who consider oil prices too high, are dissatisfied with the fact that oil prices in Hong Kong are even higher than those in Japan, though land prices in Japan are higher

than those in Hong Kong. Even Mr LAU holds the same doubt that there is collusive price fixing among the oil companies in Hong Kong.

I hope Members can, after the meeting, discuss whether further actions should be taken, rather than asking Secretary Frederick MA to go back to his office to study the matter. I am certain that, according to the Government's practice, the Secretary will give us a progress schedule in three months. Nevertheless, I am also certain that — he is smiling — nothing can be achieved. The only way to resolve this problem, which has been lingering on for more than a decade in this Council, is to set up a select committee to find out the reasons and confer the committee with the power to acquire information from the oil companies. Although the oil companies we are faced with are leading international companies, I am sure, if various political parties and Members can examine the information dispassionately, we can achieve something in understanding whether there is collusive price fixing and monopolization among them.

I am aware that Members have diverse views on the issue of diesel duty. However, we can truly make progress in this problem only after the first major problem is resolved.

Madam President, I have spoken to call on Members not to put this matter aside after this motion debate. I think it is imperative for various political parties and organizations to do something so that we can vigourously uncover the whole truth. Thank you, Madam President.

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

**MR SIN CHUNG-KAI** (in Cantonese): Madam President, Secretary Stephen IP is actually not found among the Bureau Directors who have attended this meeting to listen to the motion debate today. I said this because Secretary Frederick MA is responsible for looking after the Government's "purse". He can only act from this angle — to make a vigorous effort to ensure that Ms Miriam LAU's motion is not passed today, and this is his major responsibility.

Actually, is this motion moved by Ms Miriam LAU built on an objective foundation? A colleague quoted earlier some relevant figures to illustrate the increases in pump prices. I deeply sympathize with professional drivers

because, as a result of the increases in pump prices, their burden has become much heavier. However, there is one issue we Members of this Council must consider. The Government has allowed the duty of ULSD to fall from \$2.89 to \$1.11. Yet, the duty has still not bounced back after five years. The Government has the same fear should the rate of duty be reduced from \$1.11 to \$0.55. While a reduction of \$0.55 may not pose a major problem, whether the duty can bounce back is the crux of the issue. Both this Council and the Government share the same fear that it might be necessary to freeze the price five to 10 years after a reduction. This is the first matter to be considered.

Second, Members should actually look at the issue clearly. I suppose it is necessary for the Government or Secretary Stephen IP to clarify. Secretary Frederick MA may present us with the information should he have it. According to my understanding, five petrol filling station (PFS) sites, requiring a combined premium of hundreds of millions of dollars, are available recently. As the saying goes, without a sheep, there can be no wool. Some people have calculated in this way: Insofar as the pump price is concerned, the land premium accounts for some 10% of the price per litre, and this is what we have to note. In brief, in addition to the duty revenue of several dollars, the Government will generate handsome income from land premium. Of course, I am not calculating in terms of diesel. More than \$6 out of \$12 for each litre of petrol for private vehicles will go to duty, and some \$1 to the land premium. I hope the Government can explain why the land premiums are so exorbitant. Many PFS sites have been acquired through auctions at a price of \$7,000 to \$8,000 per sq ft. The Government has also made proceeds from this.

It can thus be seen that the exorbitant pump price involves three elements: First, the Government receives some \$6 in duty; second, in addition to duty, the land premium levied by the Government; and third, oil prices. The amendment proposed by Mr Ronny TONG today is important in the sense that it raises the issue of how to absorb the reduction in the rate of duty. In a closed-door meeting in this Chamber two years ago in which oil companies were requested by Ms Miriam LAU to furnish an explanation, even the oil companies complained of being cash-strapped, saying that if return on investment or return on asset was calculated, they could only reap a small profit of several percentage points. The crux of the issue is that they have not provided us with concrete figures for reference.

In discussing this issue today, oil prices are one issue. However, it is the Bureau headed by Secretary Stephen IP, not the Financial Services and the Treasury Bureau, that is required to take practical action. Can Secretary Stephen IP consider whether it is adequate for five additional PFS sites to be released? PFS sites are found to be insufficient in urban areas. At present, PFS sites are mostly situated in the New Territories. There is none in urban areas. Will prices drop should, for the purpose of enhancing competition, more sites be released, thus enabling the prices of the PFS sites to fall too? These are, on the contrary, key tasks.

Actually, Madam President, today's question has sought to, in addition to discussing the impact of the exorbitant oil prices on professional drivers and the transport industry, take into consideration the imbalance of the transport businesses in general. As mentioned by "Tai Pan CHENG" earlier, in order to curb inflation, and so on, the Government waived the diesel duty for buses in the '90s. This practice has resulted in a certain measure of unfair competition in the transport industry. While taxis and public light buses running on liquefied petroleum gas have to be taxed, the burdens of different diesel vehicles in the transport industry are different. Is it timely for diesel duty to be imposed on buses? I think the Government should consider this, because the waiver has lasted for years. Is it appropriate for a review to be conducted now? However, Madam President, this issue involves not just a review. The Government's overall budgeting might be involved too. In this case, a review has to be conducted again in the next stage.

I greatly support the amendment proposed by Mr Ronny TONG this time. In particular, he has proposed to, apart from reducing the diesel duty, enable end-users be benefited in the end. What is more, the Government is duty-bound to introduce fair competition legislation. It is a pity that the government official responsible for reply today will do nothing more than telling us how the Government's "purse" can be protected, without telling us how competition will be improved.

I so submit.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Ms Miriam LAU, you may now speak on the two amendments. You have up to five minutes to speak.

**MS MIRIAM LAU** (In Cantonese): Madam President, although Mr Ronny TONG is not in the Chamber at the moment, I would like to tell him that when I proposed a motion in this Council in November 2000 (that is, four years ago) on extending the duty concession on ULSD, I already started urging the Government to fully review the diesel duty rate. I would make the same request every time a debate was held in this Council on diesel duty ever since. I hope the Government can review the rate of duty on diesel to examine the scope for concession on diesel duty before determining a new duty rate, or even abolishing the duty, so that I will not have to lead the transport industry to appeal to the Secretary to listen to our grievances or beg him to extend the duty concession once every year or every few months. Despite my repeated requests for review, the Government has all along been evasive and reluctant to address this issue. The truth is that the Government does not want to explore this issue at all.

In addition to conducting a full review, I agree that it is essential to ensure that end-users of ULSD will be truly benefited by the reduction in the rate of duty. I would also like to tell Mr TONG, had he been here, that over a number of years — definitely more than four years — we have held numerous discussions and presented a lot of data, such as those on how the oil companies "cheat in pricing", in the closed-door and public meetings held by the Panel on Economic Services. However, the Government is simply incapable of doing anything after the discussions. I would like to present Members with some interesting figures on the import and pump prices of diesel over the past six years for analysis.

During the period between July 1998 and June 2000, the average gap between the import price and the average pump price of diesel was \$4.8 per litre on average. After deducting \$2 per litre as duty, the average gap was approximately \$2.8 per litre. This gap represented the total sum of the cost and profits of the oil companies.

In the following two years, between 2000 and 2002, the average gap rose by \$0.27 per litre. In other words, the oil companies reaped an additional profit

of \$0.27. Two years after, between 2002 and 2004, the oil companies were found making \$0.41 extra. Although a profit of \$0.41/litre appeared unimpressive at a glance, it was found that the oil companies made an additional profit of some \$250 million when the annual oil consumption exceeded 600 million litres. Even I, a humble Member of this Council, can come up these figures, why can the Government not do so? Why did the Government not ask the oil companies why they could have reaped such a huge amount of extra profits? Under what circumstances or why they could have made extra profits? While we do not have the authority to ask the oil companies to provide the relevant data because commercial secrets are involved, the Government can ask them to do so. Nevertheless, what has the Government done?

Having said that, I suppose I ought to support Mr Ronny TONG's amendment. However, I am sorry that I cannot do this. Mr TONG has proposed in his amendment to carry out a review before determining the rate of duty. According to his proposal, the Government must ensure that the oil companies will not pocket the duty concession before deciding whether to reduce the rate of duty on diesel. When I heard Mr TONG raise this point, this image sprang to my mind: When a beggar begged a wealthy businessman for some bread, the latter refused because he believed that the bread would be stolen by mice should the former have it. Owing to the mice, the businessman decided that the beggar could have the bread only after the mice were caught. Yet, I can tell Members that the beggar would have starved to death should he wait outside until the mice were caught. This is why I insist that Members should first agree to reduce the diesel duty today. Of course, I very much agree that the Government is obliged to devise appropriate actions against the oil companies and their "price cheating" practice.

Mr TONG should indeed understand that the current exorbitant oil prices have put the affected industries in dire straits. His understanding and mine should be consistent. However, I do not understand why he insisted on first catching the mice before giving the bread, without considering whether the person concerned would have starved to death. I find this quite incomprehensible. Why should the transport industry be made to continue waiting? I wonder how long the industry has to wait and suffer, and yet the dawn might never come. Just as Mr LEE Wing-tat said, no one could tell how long it would take should the Government be asked to conduct a review. The answer might be somewhere between one to six years. Even if the review

finally bore fruit, would the transport industry be benefited? No one knows the answer to this question. Will the industry be let down eventually, despite Mr TUNG said that he was extremely worried?

I have called on the Government to review oil prices for years. It is groundless for me to object should the Government truly carry out a review. For these reasons, I will abstain from voting on Mr Ronny TONG's amendment. However, I wish to remind colleagues that supporting Mr TONG's amendment is tantamount to voting against my motion. Yet, I will support Mr WONG Kwok-hing's amendment because the industry has all along been fighting for a full waiver of diesel duty.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam President, Honourable Members, the debate in the last two hours or so ended in the blink of an eye. In this debate, I have listened to Members' in-depth analysis of this issue, and from the speeches of Honourable Members, I know that they have a very good understanding of the Government's financial conditions. Although Secretary IP has missed this wonderful debate tonight, I can assure Members that I will certainly convey their views to him. I trust he will take follow-up actions in many aspects. Tonight, we are here to discuss the duty rate for ultra low sulphur diesel (ULSD). Indeed, like Honourable Members, the Government is very much concerned about the recent surge in oil prices as well as the impact of these changes on various trades and industries.

Mr Ronny TONG urged the Government to expeditiously review the rate of duty on ULSD, in order to assist the affected industries and ensure that end-users of ULSD can really benefit from any reduction of the duty rate.

Earlier in the debate Members have spoken on the background of the reduction of the duty rate for ULSD. Yet, I still wish to explain it again. In 2000, ULSD was introduced for vehicular use in Hong Kong. At that time, the duty rate was pitched at a concessionary level of \$1.11 per litre for environmental reasons and was scheduled to be restored to \$2.89 per litre on 1 January 2002. However, in order to relieve the impact of an economic downturn on the industries, the Government has postponed the reversion of the ULSD duty rate to \$2.89 per litre on five occasions. Recently, the Financial Secretary has announced the Government's plan to propose to the Legislative

Council a sixth extension of the effective period of the concessionary duty rate on ULSD from end-2004 to end-2005. In other words, its duty rate will not be restored to the original rate of \$2.89 per litre early next year. This is entirely because we appreciate that the industries still face many difficulties in their operation.

The Financial Secretary has considered all relevant factors before making this suggestion, including the pressure of a surge in oil prices on the operation of the transport industry, the overall economic climate of Hong Kong and the financial conditions of the Government. As also pointed out by Mr Ronny TONG, when considering whether the ULSD duty rate should be further reduced, we have to consider whether this is fair to other taxpayers.

The duty on diesel, like that on other vehicular fuels, is a very important and stable source of recurrent revenue for the Government. In 2003-04, the duty on hydrocarbon oils generated a revenue of \$3.5 billion, 80% of which came from unleaded petrol used by private cars; and the consumption amount of ULSD was more or less the same as that of unleaded petrol. If based on the original rate of \$2.89 per litre, the yearly revenue to be generated to government coffers from ULSD duty should be to the tune of \$1.8 billion. But given the current concessionary duty rate of \$1.11 per litre, the duty on ULSD can only generate a revenue of close to \$700 million, or to be more exact, \$690 million, for the Government yearly. So, an extension of the concessionary duty rate of \$1.11 per litre for one year will result in a loss of \$1.1 billion to government coffers. We appreciate the impact of a surge in international oil prices on various trades and industries. In order to relieve the pressure on the transport industry, the Government, after reviewing the situation carefully and comprehensively, has decided to propose to the Legislative Council the extension of the duty concession for one year as a relief measure. We think that the relevant factors have been taken into consideration very thoroughly. If the duty rate is further reduced by half to \$0.55 per litre as suggested by Ms LAU, the Government would receive \$400 million less in revenue in 2005. If this duty is phased out after 2005 as suggested by Mr WONG, the Government would suffer a loss of as much as \$1.8 billion in revenue, and this would constitute even greater pressure on government revenue.

Earlier on Members said that the fiscal deficit of the Government has remained very serious, stressing that a very high fiscal deficit still prevails. In fact, we really do not have the means to further reduce the duty rate of ULSD.

This is how we look at the issue from a financial viewpoint having regard to the overall economy. Earlier on many Members mentioned the oil companies. While I must admit that it will be more appropriate for Secretary IP to respond to this point, I would like to tell Members what the Government thinks. The Government has all along closely monitored the trend of international oil price and local pump prices of vehicular fuels. The Economic Development and Labour Bureau has noted that in terms of trend movements and magnitude, changes in local pump prices have been broadly in line with the monthly average Singapore FOB prices. Given increased volatility in international oil price and also in import prices of unleaded petrol and vehicular fuels in recent months, there have been some slight differences in the relevant pump prices from the monthly average Singapore FOB prices. The Economic Development and Labour Bureau will require oil companies to explain to the public the justifications for adjustment in every announcement of price adjustment and remind oil companies to enhance the transparency of their pricing. The Economic Development and Labour Bureau will also continue to closely monitor and announce the import price of fuel of the oil companies in order to enhance transparency, and will introduce competition into the market. The Financial Secretary has also stated that the Competition Policy Advisory Group will proactively study whether there is any anti-competitive conduct on the part of oil companies. We will work with the Economic Development and Labour Bureau in concert to ensure that end-users can truly benefit from the duty concession granted by the Government.

Earlier on some Members mentioned the imposition of a fuel duty in the international community. Indeed, levying duty on vehicular fuels is a common practice internationally. Our duty rate on ULSD is not high when compared with other developed economies where ULSD is sold. Furthermore, these economies have imposed other taxes on vehicular fuels, such as a sales tax. According to information, the duty rate of dutiable ULSD in such places as Britain, Germany and Australia ranges from HK\$2 to HK\$7 per litre, and on top of this duty, a sales tax at a rate between 10% and 17.5% is also levied. In Hong Kong, the current duty rate of dutiable ULSD is only \$1.11 per litre.

Taking into account the overall interest of the community and the fiscal position of the Government, we consider that there is no scope for a further reduction of the concessionary duty rate on ULSD, which is already at a very low level.

I will propose to the Legislative Council a motion to extend the effective period of the concessionary duty rate on ULSD to the end of next year in due course. I hope Members will support this motion then.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now call upon Mr Ronny TONG to move his amendment.

**MR RONNY TONG** (in Cantonese): Madam President, I move that Ms Miriam LAU's motion be amended, as printed on the Agenda.

**Mr Ronny TONG moved the following amendment: (Translation)**

"To delete "reduce the" after "the Government to" and substitute with "expeditiously review the current"; and to delete "to \$0.55 per litre until 31 December 2005, and to conduct a further review before that date" after "ultra low sulphur diesel" and substitute with "with a view to easing the hardship caused by the high cost of ultra low sulphur diesel to the affected industries, especially the transport industry which is the hardest hit, and to ensure that end-users of ultra low sulphur diesel can really benefit from any reduction of the duty rate"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Ronny TONG to Ms Miriam LAU'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.

(Members raised their hands)

Ms Miriam LAU rose to claim a division.

**PRESIDENT** (in Cantonese): Ms Miriam LAU 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 LUI Ming-wah, Ms Margaret NG, Mr CHEUNG Man-kwong, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Mr Timothy FOK, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong, Mr Patrick LAU and Miss TAM Heung-man voted for the amendment.

Ms LI Fung-ying and Mr WONG Kwok-hing voted against the amendment.

Ms Miriam LAU abstained.

Geographical Constituencies:

Mr James TIEN, Mr Albert HO, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily

LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr LAU Chin-shek and Mr Frederick FUNG voted against the amendment.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 23 were in favour of the amendment, two against it and one abstained; while among the Members returned by geographical constituencies through direct elections, 26 were present, 20 were in favour of the amendment and five against it. 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.

**MR FRED LI** (in Cantonese): Madam President, I move that in the event of further divisions being claimed at this meeting in respect of the motion "Reducing the duty on ultra low sulphur diesel" or any amendment thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed at this meeting in respect of the motion "Reducing the duty on ultra low sulphur diesel" or any amendment thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Mr WONG Kwok-hing, as Mr Ronny TONG'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. You have up to three minutes to explain the revised terms in your amendment.

**MR WONG KWOK-HING** (in Cantonese): Madam President, I move that Ms Miriam LAU's motion as amended by Mr Ronny TONG, be further amended by my revised amendment.

Honourable colleagues, this question, which has been debated for several hours today, has perplexed this Council for years. Actually, the Government was the one who started all this, for it has failed to effectively curb the monopolization of the supply of crude oil by oligopolists. As such, these oligopolists regard the Government as nothing, and the debates in this Council as a game. They can raise prices quickly and lower them slowly. Yet, there is nothing we can do to check them. This has precisely demonstrated the fact that

such a monopolistic supply is not adequately monitored by the Government, and a monitoring mechanism is lacking. This Council has actually failed in its duty for not being able to supervise the Government. Under the circumstances that no fundamental solution is forthcoming, the Government can merely procrastinate the matter by doing some patching work. Although Ms Miriam LAU may fail to pass, and my amendment will probably suffer the same fate, I find Mr Ronny TONG's amendment incapable of providing assistance to meet the financial needs of the entire industry and failing to provide a long-term solution to truly resolve the problem. I see that there are four key words in Mr TONG's amendment. They are "expeditiously review .....

**PRESIDENT** (in Cantonese): Excuse me, Mr WONG Kwok-hing, you are given three minutes to explain your revised amendment, not to comment on other Members.

**MR WONG KWOK-HING** (in Cantonese): Fine, I was just about to explain why I had to make an amendment. It is precisely for this reason that I hope a better solution can be identified to examine and resolve the problem, because only through abolishing the existing duty can we truly help the industry. This is why I have these feelings towards the request for an "expeditious review": When will the expeditious review come to an end? How far can we understand the hardship of the industry? The people just find it unbearable to recall how they suffered bitterly from exploitation. Oligopolists are jubilant over the retention of monopolization. As such, I hope Members can support my amendment to give the industry, actually the entire community, a helping hand. Thank you, Madam President.

**Mr WONG Kwok-hing moved the following revised amendment to the motion as amended by Mr Ronny TONG: (Translation)**

"To add "and study the phasing-out of the duty" after "before that date"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That Mr WONG Kwok-hing's amendment to Mr Miriam LAU's motion, as amended by Mr Ronny TONG, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-hing rose to claim a division

**PRESIDENT** (in Cantonese): Mr WONG Kwok-hing 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 Miriam LAU, Ms LI Fung-ying and Mr WONG Kwok-hing voted for the amendment.

Dr Raymond HO, Dr LUI Ming-wah, Ms Margaret NG, Mr CHEUNG Man-kwong, Mr Bernard CHAN, Mr SIN Chung-kai, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Mr Timothy FOK, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr Patrick LAU and Miss TAM Heung-man voted against the amendment.

Mr WONG Yung-kan and Mr WONG Ting-kwong abstained.

**Geographical Constituencies:**

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr LAU Chin-shek and Mr TAM Yiu-chung voted for the amendment.

Mr James TIEN, Mr Albert HO, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr Alan LEONG, Mr Ronny TONG and Mr Albert CHENG voted against the amendment.

Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Miss CHOY So-yuk, Mr LI Kwok-ying and Mr CHEUNG Hok-ming abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, three were in favour of the amendment, 21 against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 26 were present, five were in favour of the amendment, 14 against it 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.

**PRESIDENT** (in Cantonese): Ms Miriam LAU, you may now reply and you have two minutes 19 seconds.

**MS MIRIAM LAU** (in Cantonese): Madam President, on the one hand, I feel extremely disappointed, for I find that colleagues are reluctant to support my proposal that may immediately relieve the hardship of the industry. On the other hand, I am quite pleased because I have been campaigning for years to call on the Government to conduct a review and, today, through an amendment proposed by Mr Ronny TONG, the request for the Government to conduct a full review was supported by a number of Members. In this, I can take some

comfort. Had I not moved this motion to specifically ask the Government to reduce the duty, will colleagues demonstrate this inclination and will so many colleagues support the amendment today?

I find the Government's response most disappointing, because the Secretary was merely repeating most of the information and the responses we have constantly been told in the past four to six years. There is literally no progress on the part of the Government, and there is nothing new. I trust Mr TONG does not want the Secretary to adopt this attitude in dealing with his request for review. With regard to Mr TONG's request, I had a discussion with him before this debate today, and I was told that he hoped the review could be completed in three months. I wonder if Members have noticed that the Government has not responded to this point. Nor has it indicated an intention to carry out the review. It is just wishful thinking on the part of Members that the request for the Government to conduct a review will be heeded.

Anyhow, given the Government's inclination, I hope those colleagues who have voted in support of Mr Ronny TONG today will not let the Government go. Mr TONG has requested the Government to complete the review in three months. I hope colleagues supporting Mr TONG's amendment will make a joint request to the Government to deliver its homework in three months in answer to Mr TONG and the transport industry. I wonder if Members can ask themselves to answer this question honestly: Will they let the transport industry down by what they have done? I think they should not put the industry and the general public in antagonistic positions. We are actually in the same boat, though our difficulties may not be the same. I hope Members can, if possible, help those who are in trouble, instead of pinpointing the industry for asking the Government to implement some relief measures by saying that this is unfair to other taxpayers. Why should the community be plunged into confrontation?

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Ms Miriam LAU, as amended by Mr Ronny TONG, be passed. Will those in favour please raise their hands?

(No Member indicated their intention)

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

(No Member indicated their intention)

**PRESIDENT** (in Cantonese): It appears to me that Members do not entirely understand the question put. Let me repeat it. *(Laughter)*

**PRESIDENT** (in Cantonese): The question now put is: That the motion moved by Ms Miriam LAU, as amended by Mr Ronny TONG, 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)

Ms Miriam LAU rose to claim a division.

**PRESIDENT** (in Cantonese): Ms Miriam LAU has claimed 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. Is it true that one Member is prepared not 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 LUI Ming-wah, Ms Margaret NG, Mr CHEUNG Man-kwong, Mr Bernard CHAN, Mr SIN Chung-kai, Mr WONG Yung-kan,

Mr Howard YOUNG, Mr LAU Wong-fat, Mr Timothy FOK, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Jeffrey LAM, Dr Fernando CHEUNG, Mr WONG Ting-kwong and Mr Patrick LAU voted for the motion as amended.

Ms LI Fung-ying, Dr KWOK Ka-ki and Miss TAM Heung-man voted against the motion as amended.

Ms Miriam LAU and Mr Daniel LAM abstained.

**Geographical Constituencies:**

Mr James TIEN, Mr Albert HO, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr CHEUNG Hok-ming, Mr Ronny TONG and Albert CHENG voted for the motion as amended.

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung, Mr LAU Chin-shek and Mr Frederick FUNG 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, 23 were present, 18 were in favour of the motion as amended, three against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 25 were present, 20 were in favour of the motion as amended and four 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.

**PRESIDENT** (in Cantonese): Second motion: Alleviating the disparity between the rich and the poor.

## **ALLEVIATING THE DISPARITY BETWEEN THE RICH AND THE POOR**

**MR FREDERICK FUNG** (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed

Madam President, recently, there are signs of an economic revival in Hong Kong. With inflation persisting for three months in a row, together with satisfactory land auctions, there is a general optimism in the market. However, another face of the fact is, while prices keep surging, wages are moving downwards instead of upwards. The median wage has dropped from \$9,900 of the same period last year to \$9,500 now. The so-called economic revival has benefited only the businessmen and certain people by pushing their incomes even higher, whereas the grass-roots people are not benefited at all. So, on the contrary, the recent development has even aggravated the disparity between the rich and the poor in society.

I would like to highlight one point. In the past, the Government has grown accustomed to relying on the unemployment rate as an important index in solving the poverty problem, believing that with a lower unemployment rate, that is, when the people get jobs, the poverty problem can be solved. It is true that the unemployment rate has already fallen from a high level to 6.8%. However, another side of the coin reveals that the problem of employment poverty has become increasingly severe. As at the second quarter of the year, the number of workers earning less than \$5,000 a month has increased to 550 000. Their income is simply too mediocre to support a basic living of themselves. In fact, the concept that a lower unemployment rate can solve the poverty problem is totally incorrect now.

Madam President, we may at the same time make reference to the changes in the Gini Coefficient, which has risen from 0.476 in 1991 to 0.525 in 2001, reflecting that the disparity between the incomes of the rich and the poor has become every serious. According to a press release published recently by the Hong Kong Council of Social Service (HKCSS), if all households of the territory are classified into 10 groups, then the median monthly income of the lowest group is \$2,977, and that of the highest group is \$80,000. A comparison of

these two groups reveals that the difference between them is 26 times. So the conclusion is that: The disparity between the rich and the poor in Hong Kong is moving towards the third highest position in the world. However, someone may immediately refute this proposition by saying that the Gini Coefficient is just a "comparative" or "relative" poverty figure. Is it not true that the Government has already provided a basic safety net for the poor people? As a matter of fact, it is exactly because the Gini Coefficient is a relative figure which cannot fully reflect the actual poverty situation in society that in the motion we request the Government to establish a poverty line, which can specifically identify the really poor people, thereby enabling social resources to be allocated effectively to them.

Some people may think that today's motion is promoting welfarism, promoting the culture of the public supporting the livelihood of the lazy bones. They have the misconception that the poverty of such people is caused by their excessive reliance on welfare relief, their reluctance to try harder in looking for jobs — it is absolutely their "personal responsibility". They think that as long as such people are willing to adopt a proactive attitude in looking for jobs, they would be able to get rid of poverty. This is really the wishful assumption of the public as well as some people in the business sector. The issue in question at least involves two facts which we must consider: First, are there such jobs in the market? Secondly, even if such jobs do exist in the market, are the incomes from such jobs sufficient for maintaining their basic living? This reflects that poverty is not as simple as "personal responsibility", nor can it be solved simply by "giving out cash". As a matter of fact, poverty has already become a structural problem, created in the process of the synchronized development of human civilization and economic progress. Both the Hong Kong Association for Democracy and People's Livelihood (ADPL) and I hope that a rational and pragmatic attitude can be adopted in discussing the causes of poverty as well as exploring how poverty in society can be alleviated.

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

One of the main causes of poverty in modern cities is the economic restructuring and the transformation of the mode of production. As an international city, Hong Kong is inevitably affected by globalization. With regard to the world economy, the mode of production has changed from the

so-called "Fordism", the mode of operation by uniform and mass production, to the post-modern flexible accumulation economic system, which stresses the speed, flexibility and diversity of both production and consumption. With this mode, the use value of products is no longer the lone emphasis, instead, their sign value is more important. In addition, the rapid development in information and technology has led to the shaping of a new economic model. American sociologist Daniel BELL pointed out a long time ago that, the main trend of the overall economic development would be led by technology; that the "post-industrial" society would change from being production-oriented to service-oriented; and the professional population and skilled population would constitute the backbone of the workforce. This will be the fundamental change of the economic structure. Meanwhile, when economic development stresses knowledge, skills, and innovation, it will cause unprecedented impact on the low-skilled and manual workers.

In fact, the knowledge-based economy has already emerged in Hong Kong. As early as the '80s, the manufacturing industries were relocated northwards *en masse*; the conventional wisdom that "with dedicated hard work and perseverance, one will find unlimited opportunities in society" has already been replaced by today's emphasis on personal flexibility, knowledge, skill and creativity, and so on. As a result, the low-skilled workers have lost their employment opportunities. Quoting the words of Mr WONG Hung, a scholar from The Chinese University of Hong Kong, the workers have been marginalized/polarized. On the other hand, the mainstream workforce, who are capable of grasping knowledge and skills, will enjoy a higher status due to the economic development, and they will become increasingly wealthy. But on the other hand, the grass-roots labourers will be excluded by the mainstream society due to their lack of competitiveness, so they will not be able to survive in the market.

In addition, during the past few years, there has been a serious "tilt" in the economic policies of our Government, in that it has allocated all the resources to projects under the knowledge-based economy. This is understandable, and we have no objection to it. However, the Administration should by no means overlook the adverse effects of this "tilt", that is, it has accelerated the creation of a structural poor class. Originally, the grass-roots people can make use of a

"poverty eradicating ladder" to make their way up in society, but such a ladder has thoroughly been narrowed, or even destroyed.

The above reasons have thrown light on the urban poverty problem through the economic structure of society. Of course, there are many other causes for the problem, such as social culture, welfare policy, and so on. However, due to the time constraint, I am not going to examine them one by one here. I would like to focus my speech on discussing the economic factors.

Having understood the above structural reasons, both the ADPL and I think that there are two basic dimensions to solving the poverty problem. First, we must immediately provide for the basic needs of living of the grass-roots people; and in the long term, we must formulate strategies in different areas for eradicating poverty and rebuild the "poverty eradicating ladder" for the grassroots.

In the first part of the motion, I urge the Government to set up an interdepartmental committee on aiding the poor to examine the increasingly serious disparity between the rich and the poor in society, and cease to use the past strategy of taking some piecemeal measures to solve problems that have become urgent. Besides, the Government should also establish a poverty line. In the meantime, the Government should also examine comprehensively the Comprehensive Social Security Assistance (CSSA) system and the related subsidies to determine if they can really safeguard the basic living of the recipients. These are all short-term relief measures.

For longer-term or more thorough solutions, they are listed in the latter part of my motion, that is, I urge the Government to co-ordinate the efforts of various departments in formulating corresponding policies as well as measures to help get rid of poverty in the long run; such policies include those in various areas such as economic affairs, labour, employment, education, housing, youth, and so on, thereby providing the poor people with a fair and reasonable platform so that they can have the chance of stepping on the "poverty eradicating ladder". The ADPL and I have made an attempt to put forward some policies for eradicating poverty in the form of bullet points for our discussion and reference.

In terms of economic policies, both the ADPL and I think that the Government must make improvement to the "tilt" problem in relation to the

present economic policies. A more thorough and effective approach would be to solve the poverty problem on the structure level. The Administration, while developing high value-added industries, must also take into account the development of low-skilled and labour-intensive industries. In doing so, it should study the possible scope of development of these types of industries, and also consider providing preferential treatment such as tax concessions and land leases, as well as matching arrangements in related infrastructure facilities and legislation. The Administration may also consider establishing loan funds specifically for such industries, thereby assisting such industries to seek further development in Hong Kong. Such a move will help absorb grass-roots workers and provide them with the chance of eradicating poverty.

Let me quote an example. In recent years, the environmental protection industries have developed rapidly in different parts of the world. We all know that, in a "post-industrial" community, apart from the emphasis on the development of knowledge-based economy, stress is also put on the great concern for the environment, especially the waste recovery and recycling industries. We believe that, with the increasing public awareness of environmental protection, the recovery and recycling industries will find tremendous scope of development, if the Government can provide the corresponding financial assistance and matching arrangements. This will absorb a large number of low-skilled workers.

As for other viable industries, such as the river-loop industrial zone, the mode of small economic development in old districts, local cultural tours, and so on, I think they deserve some in-depth studies by the Government. In this connection, the Government may provide some relevant support with a view to absorbing the surplus labour on a structural level, thereby enabling some unemployed people to resume work.

With regard to labour policies, I would like to make the following suggestions.

The Administration should:

1. strengthen its intermediary role between the labour market and unemployed workers;

2. formulate a minimum wage and the maximum working hours; and
3. separate the CSSA for unemployment relief and the underprivileged such as the elderly and the handicapped, so that the latter group can enjoy the Government's support on a long-term basis. For some unemployed people, they should be allowed to receive assistance for a certain period of time, such as from a temporary short-term unemployment assistance fund. In this way, while receiving assistance, they can look for employment by themselves or through the Labour Department. If they can find jobs within half a year, they may stop receiving this assistance. Of course, after half a year, if they still cannot find any job, or the Labour Department still cannot provide them with any job opportunity, they may continue applying for or receiving this assistance.

Another aspect is about education and youth policies. We suggest that the Administration should:

1. promote multi-intellectual education, thereby facilitating the development of non-mainstream abilities;
2. increase the number of university places in the long run, and increase the subsidies for adult education and associate degree programmes; and
3. promote the establishment of mutual aid funds in schools, so that support can be provided to poor children through money or the re-use of materials.

Certainly, there are many other ways and measures to eradicate poverty in some relevant areas. Due to the time constraint, I am unable to discuss all of them here. However, the ADPL and I will continue conducting in-depth studies on this subject and present our views periodically to the relevant departments, the relevant Secretaries and even the Chief Executive.

I hope that, through this motion, I can make Honourable colleagues from different political parties really understand that the disparity between the rich and the poor in society has become increasingly serious, as well as what we think are the underlying causes of the problem. I hope I can put forward some

suggestions on ways of solving the problem. I hope such suggestions can serve as a stimulus to motivate Members to propose some other methods, so that we can make some contribution to the work of solving the poverty problem and eradicating poverty in Hong Kong. I very much hope that the Chief Executive can include the ways of solving the poverty problem and the formulation of measures for eradicating poverty as part of the key issues in his policy programme for the coming year, thereby achieving the target of adopting a people-based approach, minimizing social conflicts in the long run and promoting social harmony and development. I hope Honourable Members can support my motion.

I so submit.

**Mr Frederick FUNG moved the following motion: (Translation)**

"That, as the Hong Kong economy has entered an inflation period, yet the unemployment rate remains high, with wages not showing an evident rebound and the disparity between the rich and the poor becoming more serious, this Council urges the Government to set up an interdepartmental committee on aiding the poor to comprehensively examine the disparity between the rich and the poor in Hong Kong and establish a poverty line, so as to enable a more effective allocation of social resources and safeguard the basic needs of the grass-roots people; at the same time, the Government should co-ordinate the efforts of various departments in formulating corresponding policies as well as measures to help get rid of poverty, with a view to narrowing the gap between the rich and the poor, reducing social conflicts in the long run and promoting harmonious social development."

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

**DEPUTY PRESIDENT** (in Cantonese): Dr Fernando CHEUNG and Mr James TIEN will move amendments to this motion respectively. Their amendments have been printed on the Agenda. The motion and the two amendments will now be debated together in a joint debate.

I now call upon Dr Fernando CHEUNG to speak first, to be followed by Mr James TIEN; but no amendments are to be moved at this stage.

**DR FERNANDO CHEUNG** (in Cantonese): Madam Deputy, many people in society think that the poverty problem in Hong Kong is only a result of an economic slowdown which is short-lived. We must shatter this myth and unveil the truth behind poverty.

We may have forgotten that during the days of an economic take-off in Hong Kong in the 1980s and 1990s, poverty began to erode into our social fabrics. During the 10 years in the 1980s, the aggregate growth of our GDP in real terms was 72% and the aggregate growth during the first seven years of the 1990s was as much as 99.5%. However, cases of Comprehensive Social Security Assistance (CSSA) rose by more than 40% in the 1980s and it rocketed by 168% during the first seven years of the 1990s. This shows the gravity of the problem of poverty in Hong Kong.

Often the Government will say that an increase in CSSA cases shows that the burden borne by the Government has become heavier. However, the story behind this is that there are many people who do not get CSSA even though they are poor. If we use the standard of some international poverty line and measure it against the figures provided by the Government, it can be seen that the poverty problem in Hong Kong is very acute, for more than 18% of the households in the territory are poor. Compared with other advanced countries and places, this is indeed shocking.

Today I have brought with me a graph about the Gini Coefficient. It shows that starting from 1971, the Gini Coefficient rose from 0.42 to 0.525. Mr Frederick FUNG has also mentioned this Gini Coefficient earlier and this coefficient shows how acute the problem of poverty and the disparity between the rich and the poor in Hong Kong are. We rank number five in the world. At the same time, our fiscal reserves also rank number five in the whole world. This can be said to be a big contrast. Our public reserves, taken per capita, rank number one in the world. Economic growth in Hong Kong for the last quarter was more than 12% and it is estimated that annual growth may be more than 6%. In other words, Hong Kong people are making more and more money. But where has the money gone?

The problem of poverty in Hong Kong is becoming more and more acute. Obviously this is not something which happens once in a while as the economic cycle turns. It is structural in nature. This structural problem is caused by unfair policies.

Undoubtedly, the economy of Hong Kong is plagued by the problem of the relocation of industries under the impact of globalization. But as developed countries and places in Europe and North America have to face the same challenge confronting Hong Kong, why is our problem of poverty far worse than that of these countries and places? This is because we have been upholding a policy of "positive non-intervention". The governments of other countries are launching policies to protect their people and to ensure that they will maintain a basic living in the sweeping tide of globalization. But our government has been doing very little and the problem is allowed to deteriorate. The Government is consciously tilting towards the giant consortia, using a high land premium policy to offer excessive protection to public utilities, refusing to impose a minimum wage and a maximum number of working hours, and so on. All these have brought great woes to the grassroots.

We now demand that the Government should formulate policies to assist the poor. We hope that the Government can rectify its wrongs and stop tilting towards the giant consortia. The scales must be redressed.

Madam Deputy, the poverty problem is not the matter of just a handful of people and if we turn a blind eye on it, every one in society will surely pay a great price in the end. An ancient Chinese saying has it that what matters more is not the scarcity of things but their uneven distribution. The meaning is having not enough is not so much a problem as compared to not distributing them evenly. As the economy grows all the time, when there are some people who are unable to enjoy the fruits of prosperity, it will lead to social instability. When talking about the economic outlooks, we say that we are being cautiously optimistic. But when our economy continues to grow, the people are still denied the fruits of prosperity however hard they work, and when life remains so difficult after all the sweat in their brows, people will lose the desire to strive forward. Society will lose its vigour and vitality. A recent survey done by the Hong Kong Council of Social Service shows that of every 100 children in Hong Kong, 25 or one quarter of them come from a low-income family. Children are the hope of our future and if they are trapped in poverty, how will our society ever have any hope for the future?

I have been making a study on children in poverty recently. I find that many poor families face some very basic problems. They cannot even afford the expenses on clothing, food and schooling. They have no money to access the Internet, no money to buy sneakers, and no money to pay for social activities. My son is learning taekwondo and he has got his black belt. But I can tell Members that his taekwondo outfit costs more than \$1,000 and each time when he takes the taekwondo examination, it will cost more than \$500. So as our children grow, we have to pay lots of expenses of various kinds. For the low-income families, the lack of financial means is robbing their children of some basic needs in their development and learning.

Yesterday, there was a report in the papers that a man in his prime had been out of work for a few years since he had been fired. He told the reporter that he was a local and he wanted to make a living by his own efforts and he did not want to live on the dole. But he was so hungry that he stole a few buns to eat. A bun may cost only a few dollars, but he could not afford it. In its publicity efforts abroad, Hong Kong often boasts of its magnificent and ultra-modern infrastructure, like the new airport and the Tsing Ma Bridge, and so on, but there are people in Hong Kong who cannot even feed themselves. There are people who cannot even satisfy a humble wish like this. As this chasm in our society between the rich and the poor is so wide, I think that it can never hope to be bridged.

To bring life to an ailing society like Hong Kong eaten away by the cancer of poverty, the Government must address the poverty problem squarely. A poverty line must be established. It can be used as a statistical norm showing who the poor are and what changes they have gone through. With this poverty line in place, we can make studies and formulate measures to eradicate poverty. Though the Government has always been saying that it is concerned about the poverty problem, it refuses to set a poverty line. The Government chooses to bury its head in the sand because it does not want to be accused of having a poverty problem. It must never try to evade the problem if it has the determination and sincerity of solving it.

An interdepartmental committee on aiding the poor should be set up. We must realize that eradicating poverty must not depend on handing out welfare alone. There must be support in the form of matching policies in employment, education, housing, health care, transport, and so on. So there is a need to set up an interdepartmental committee to co-ordinate the relevant initiatives. As a

matter of fact, this idea was already put forward by some community organizations as early as in 1996.

I very much support the motion moved by Mr Frederick FUNG. I have stated in my amendment that this committee on aiding the poor should consist of representatives from community organizations and academic institutions. It is because efforts in aiding the poor can never be effective if they are made from the top by the Government. Actually, when faced with the poverty problem, the Government can be said to be at its wit's end and it fails to come up with any creative and effective solutions.

I hope Members will support my amendment. Madam Deputy, I so submit.

**MR JAMES TIEN** (in Cantonese): Madam Deputy, Mr Frederick FUNG's motion is entitled "Alleviating the disparity between the rich and the poor". This motion topic is open to two interpretations. One is the provision of assistance to the poor to alleviate the disparity between the rich and the poor. The other is bringing down the rich as a means of narrowing the wealth gap. However, Mr Frederick FUNG has never mentioned in his speech the idea of bringing down the more capable and richer ones, for his whole idea is just to assist the poor in lifting themselves. I very much agree with him on this point.

Madam Deputy, I suppose the deterioration of the poverty problem in recent years has been caused by three factors. The first factor is the recession that started several years ago, around 1997 and 1998. This has led to the incessant rise of our unemployment rate and precluded any wage increases. Society has been caught in deflation, plunging many industries into extreme sluggishness.

The second factor is something that started much earlier than the recession in the past few years. Over the past one or two decades (that is, since the 1980s and the 1990s), our economy has been undergoing a transformation process, one which is marked most obviously by the relocation of our industries northwards to the Mainland. Why were there so many factories in Hong Kong in the 1970s? Understandably, the first answers must be our low land prices and cheap labour at that time. Another reason was that industrially, Southeast Asian countries

and the Mainland were still lagging behind us at that time. All this accounted for our industrial boom in those years, and as a result, workers with low qualifications and not many skills could still find jobs in a variety of manufacturing industries such as the garment industry and the plastics industry. However, faced with our soaring land prices in recent years, manufacturers no longer find it advisable to establish any production lines here, or they may simply consider it much better to do so in the Pearl River Delta Region. In the late 1980s, the business sector once supported the importation of labour, hoping that the availability of imported workers with lower wages, together with the employment of local workers, could enable Hong Kong manufacturers to survive longer. Unfortunately, all representatives of the labour sector opposed the importation of labour very rigorously. Having been denied the importation of labour, manufacturers started to think that since land prices, electricity charges, and so on were so high in Hong Kong and the Government had even implemented the "user pays" policy, it might be a good idea for them to withdraw from Hong Kong.

There is another strong reason for their withdrawal. But when it comes to this reason, I simply do not know whether we should thank or blame the labour-sector Members of this Council. They have succeeded in fighting for so many benefits for workers, but, as I often comment, their noble intention has achieved an undesirable result. Over the years, many employers have come to realize after cost computations that given our labour legislation, they will sooner or later fail to survive, and that it is better to move northwards to the Mainland. But honestly speaking, even this is no longer so viable these days. Many manufacturers operating in Shenzhen now find that the monthly wage they have to pay has already exceeded RMB 1,000 yuan. In other words, labour costs there have also gone up. As a result, many manufacturers have started to move farther north from Shenzhen, that is, to move yet farther into northern Guangdong. Many manufacturers have even moved to Vietnam or other Southeast Asian countries. Economic restructuring has led to the disparity between the rich and the poor in Hong Kong. It can be said that it has made it very difficult for grass-roots employees to get a job. This is also a major reason. I think this is a structural reason, one which has led to such problems as unemployment and manpower mismatches. In many cases, these problems simply cannot be resolved.

Another reason is the policy of family reunion implemented since the reunification. I must first make it clear that we all support this policy very

strongly. But we must also note that many of the 150 people who come to Hong Kong on One-way Exit Permits every day are low-income earners with little education. They will inevitably compete with local workers for jobs. In other countries such as the United States, Canada and the United Kingdom, the situation is very different. Dr Fernando CHEUNG commented earlier on that the wealth gap problem in foreign countries was not as serious as that in Hong Kong. He is certainly right, but we must at the same time understand the immigration policy of, say, the United States. Under its immigration policy, extra points are awarded to those who know English, who are university graduates, or who can meet the specified investment requirements. In other words, the whole immigration policy is designed to bring in immigrants of greater capabilities or means. The immigration policy of Hong Kong is totally different. Under this policy, as many as 55 000 poor people are allowed to come to live in Hong Kong every year, meaning that over the past seven or eight years, roughly 400 000 poor people have arrived, so whether or not the local people are themselves rich, the wealth gap problem will definitely deteriorate due to the arrival of large numbers of poor people.

Madam Deputy, on the question of helping these people, I only wish to say that in the opinion of the Liberal Party, we should offer assistance only to those in the greatest need, instead of helping them all. But who should be regarded as having the greatest need? And, how can we tell that one is in no need for assistance? All this of course is a question of relativity. Are we going to draw a poverty line for 1 million people and then offer assistance to all those 800 000 people below the line? Or, should we say that only 200 000 or 300 000 of these 1 million people need special assistance because they are particularly poor? I think all this really warrants discussions in society.

Currently, under the Government's policy, if a CSSA recipient has a job, he can enjoy a disregarded earnings ceiling of \$2,500 monthly. Honestly speaking, I also find this ceiling much too low. When one can otherwise receive \$8,000 to \$9,000 in CSSA payment, people will inevitably say that it is better not to work if just \$2,500 can be disregarded. Can the people be given a greater rate of disregarded earning? It may really be necessary for the Government to review the wage ceiling of \$2,500. But precisely what level should be set down, I cannot tell.

The motion proposes that the Government establish an interdepartmental committee on aiding the poor. Similar motions were also moved by Mr

Frederick FUNG himself and Mr WONG Sing-chi in 2001. At that time, the Liberal Party opposed the proposal because the Government had already set up the Task Force on Employment, and we believed that the best way to aid the poor should be to help them find a job and earn their own living. We therefore thought that if the Task Force on Employment could do a good job, many people would be able to extricate themselves from poverty. We were then of the view that the emphasis should be on training and the creation of employment opportunities. But as we can now note from the latest statistics of the Government, the number of CSSA recipients has increased from 370 000 in 1999 to 530 000 last year. And, although the Task Force on Employment has been doing quite a good job over these three years, we just do not know whether it can really help any sizeable number of people to secure employment after retraining. We are afraid that this may not be the case. Therefore, we have decided to change our mind; we now agree that the Government should set up an interdepartmental committee on aiding the poor — this is really a very appropriate name coined by Mr Frederick FUNG. We maintain that the Government should set up such an interdepartmental committee.

I also see eye to eye with the two Members who pointed out earlier on that children, especially children of poor families, should receive our special attention. If they are really as miserable as described by Dr Fernando CHEUNG, not even having any money to buy basic sports equipment, I am sure that they will definitely face social integration problems in the future. We should therefore pay special attention to children.

Some also say that the elderly and the disabled are another group of people that should receive more attention from us. We are also aware of this. In fact, although many old people in Hong Kong have worked very hard for several decades and managed to bring up their children, they may, for various reasons, have no savings, and their children may be unable to support them. For this reason, the Government should pay more attention to them.

I would think that of all the problems, the most difficult one to tackle should be unemployment, because in the case of many employees, it is very difficult for retraining to yield any effect. That being the case, should the committee on aiding the poor explore how best to build a second safety net, so that long-term assistance can be offered to those who need a helping hand from society due to their loss of employability? We think that this idea should be supported.

The Liberal Party, however, does not agree to the formulation of a poverty line because as pointed out, for example, in one study of the United Nations Organization entitled Choices for the Poor, it is very difficult to draw a universal poverty line due to price variations in different countries and places. The United Nations Organization has also put forward the idea of a consumption basket, but this is also hardly workable. Price variations in different countries are again the reason. Property prices pose the greatest problem; many countries want to draw a poverty line, but just because of the problem posed by property prices, they are unable to do so. As for the standard suggested by the World Bank, I do not think that it can be accepted by anyone in Hong Kong. The poverty line it suggests is set at a daily income of US\$1 or US\$2, or HK\$7 to HK\$15. Such a daily wage level is simply inconceivable to Hong Kong people. Therefore, I think that the drawing of a poverty line should be left to the interdepartmental committee on aiding the poor. Most importantly, the Government must first lay the groundwork, and members of the public, academics and experts should be consulted only at a later stage. There is no need to follow the advice of Dr Fernando CHEUNG and invite the participation of all these people right at the very beginning. If we do so, it may become less likely for us to complete the work as quickly as we desire.

Madam Deputy, in tackling the poverty problem, the last important point to note is that the Government must review its population policy indeed. As long as the present population policy remains unchanged, it will be very difficult to solve the wealth gap problem.

Thank you, Madam Deputy.

**MR LAU CHIN-SHEK** (in Cantonese): Madam Deputy, if one is asked to name the most serious crisis facing Hong Kong at present, I will certainly say that it is the growing gap between the rich and the poor. By all appearances the economy of Hong Kong picked up over the past year. Property prices climbed. But those from the lower strata of society do not stand to benefit from this rosy outlook. Many people are still making some \$2,000 to \$3,000 a month. The household income of a family of four may be less than \$5,000. This polarization of the rich and the poor is both alarming and unnerving.

Madam Deputy, Karl MARX predicted as early as in the 19th century that the development of capitalism would inevitably lead to a growing concentration

of wealth in the hands of a few capitalists. The accumulation and concentration of capital would result in the outward expansion of a country and in the end it would become imperialist. MARX also predicted that the monopoly of political powers in an economy by a minority would eventually lead to the collapse of imperialism. Unfortunately, this prophecy made one and a half century ago fell flat. Capitalism has not collapsed. Why? It is because most of the places practising capitalism have seen two development and changes. The first is a redistribution of social resources. The second is the pressure exerted by community organizations which has led to greater social justice.

Madam Deputy, the redistribution of resources and wealth is not egalitarianism but a demand for a more rational distribution, narrowing the gap between the rich and the poor and raising the economic standing of the lower strata in society. Both a sound social welfare system and a reform in the tax regime will lead to a redistribution of wealth in society.

The South Korean experience is a good illustration. In the wake of the Asian financial turmoil, some of the existing giant conglomerates in the country fell apart and when coupled with government and trade union efforts, social wealth was redistributed. The time bomb in the Korean society was thus defused. Sad to say, there have been no such positive developments in Hong Kong. Like Korea we were battered in the Asian financial turmoil, but our Government did not face up to this crisis, seize the opportunity and work for a redistribution of wealth. On the contrary, various policies and measures have served to make those in the middle and lower strata of society bear the brunt of the woes brought about by the economic downturn as a result of the financial turmoil. Consequently, not only has wealth not been redistributed, but that it has become more concentrated. The public is therefore convinced that the Government is favouring the giant consortia.

As for forces which may promote this rational redistribution of wealth, that is, the pressure groups, especially the trade unions, though they may engage in lawful activities, these trade unions are confined to those recognized by the Government and employers. Also, without the right to collective bargaining, trade unions are powerless to balance the interests of employers and employees.

Madam Deputy, I must give a warning here that if the above situations do not change, that is, the Government still favours the giant consortia while suppresses the growth of pressure groups, especially that of trade unions, then the problem of the disparity between the rich and the poor will never be eased. There is no way which stability can appear in society. Regrettably, the price will be borne by the entire society.

I so submit.

**DR YEUNG SUM** (in Cantonese): Madam Deputy, the impact of poverty on a person is indeed immense. Not only will he lose his sense of security, he will be at a loss to plan for the future as he will never know what lies ahead. In addition, poverty also has a great impact on a person's self-image. We should not accept that in a civilized society like ours, there can be so many people living in poverty.

Poverty and unemployment are interactive. Our jobless rate presently stands at 6.8% and more than 260 000 people are unemployed. Among these jobless people, most of them are middle-aged people with a primary school education. I believe the Secretary will agree that even as our GDP is growing, I am convinced that those who are currently out of work will most likely stay that way, for they are unable to catch up with the technology and knowledge required in economic restructuring. So I reckon that the jobless situation in Hong Kong will stay on for a long time to come. Times now are different from those in Hong Kong in the 1970s and 1980s. At that time, if only we wanted to work and use our labour, we could make a living easily. But things are different now. Menial labour is worthless and it is completely replaced by machines and knowledge.

So I sincerely hope that the Secretary can give serious thoughts to this: As we will be living with unemployment for quite a long time to come and it will not disappear all of a sudden with growth in the economy, so with respect to the disadvantaged, the Government is obliged to formulate a policy to assist the poor and a committee should be formed to this end in order that this long-standing social problem can be addressed.

Madam Deputy, whenever we talk about the disparity between the rich and the poor, we would usually talk about the Gini Coefficient. Many Honourable

colleagues have mentioned that the Gini Coefficient was 0.46 in 1991 and by 2001, it had risen to 0.525. We rank almost the fifth in the world with the worst disparity between the rich and the poor. We are just a little bit better than Chile, Mexico and Honduras. In many Western countries, they will regard it a sign of danger if the Gini Coefficient in their countries has reached 0.4. But the Gini Coefficient in Hong Kong has reached 0.525. Madam Deputy, this figure was obtained from a survey done in 2001. If a new survey is done in 2004, I am sure that the figure will be higher than 0.525. This is something we can all expect. Given this, can we afford to wait any more? According to the poverty line drawn by the Hong Kong Council of Social Service using the standards of the European Union, households with a total income less than 50% of the median income for a society will be considered as leading a life of poverty. Based on European Union or United Nations standards, there are 1.12 million people in Hong Kong living below the poverty line. Of the some 7 million people in Hong Kong, there are as many as 1.12 million people living in poverty. How can we tolerate such things in an advanced community like Hong Kong?

In addition, according to a survey done by the Boys and Girls Clubs Association of Hong Kong on children from families which receive CSSA payments, these children have a low self-image, lacking in self-confidence and dare not socialize with people. Honourable colleagues, Madam Deputy, just imagine there are presently 300 000 children living in poverty and what effect will this have on their development?

Hong Kong is a long-time signatory to the United Nations Convention on the Rights of the Child. Article 27 of the Convention provides that "States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development." So we have signed this Convention. But what has the Government done for these children from families receiving CSSA apart from slashing various allowances? Put it simply, Hong Kong ranks the fifth worst place in the world in terms of the disparity between the rich and the poor. Judged by European Union standards, 1.12 million people in Hong Kong are living in poverty.

Madam Deputy, Honourable colleagues, if we think that this state of affairs is acceptable, then I would have nothing to say. I have said before that poverty leaves a trauma in the mind of a child. We can also see that in many cases, poverty is hereditary. It can pass on from generation to generation. People will be haunted by poverty all through their lives. Seen from a longer

term, this will translate into social instability. The case is not of a middle-aged man walking into a restaurant in Western District and snatching a bun. Not as simple as that. The incident is only the tiny tip of the iceberg of looming danger in Hong Kong. It is a sign that stability is at risk and the chasm of poverty is so deep that it cannot be fathomed. We are bound to see dire consequences if this problem is not addressed.

So Madam Deputy, we think that the Government is duty-bound to establish a poverty line for Hong Kong. The Government can save some efforts if the standards of the European Union are adopted. Otherwise, the Government should hire some experts to work out some criteria for poverty to enable it to know the number of Hong Kong people living in poverty.

From a report I read in the *South China Morning Post* recently about the comments made by a senior official from the Department of Health on this issue, I learnt that there are about 290 000 families on CSSA. Multiply this number by two, we will get 560 000 and this is the number of the poorest of the poor in Hong Kong. But that is not an indicator line for poverty. I hope the Secretary will stop dodging the issue. We must first address the issue and examine how many poor people there are in Hong Kong. After an indicator line is drawn, we can then tackle the poverty problem by adopting an interdepartmental approach. We need to adopt such an approach because the Secretary cannot single-handedly mastermind all efforts in helping the poor as there are needs in education, health care, housing, labour and transport besides health and social welfare that warrant attention. An interdepartmental committee is therefore essential. We hope that through this committee, a safety net can be formed for the poor people in Hong Kong. However, forming a safety net is not enough, the most important thing is to help them get rid of poverty. This will prevent inherited poverty from occurring again in Hong Kong. It will make children living in poverty feel that Hong Kong is a society with prospects. Our duty is to make this possible. The Government should also put in the best efforts in this respect. Among the CSSA recipients, more than half are elderly persons. As they do not have any pension and they do not benefit from any Mandatory Provident Fund schemes, so for long-term considerations, the Government should give serious thoughts to setting up a retirement plan for the elderly.

Thank you, Madam Deputy.

**MR LEUNG YIU-CHUNG** (in Cantonese): Madam Deputy, people of this modern age always have a misconception. They think that the more advanced technology becomes, there will be fewer poor people. But the fact is exactly the opposite. Poor people will not benefit from advanced technology because they do not have the financial means. Moreover, as these poor people are unable to catch up with the advances in technology and that they cannot afford the basic necessities in life, they are alienated from the mainstream society. This will aggravate the impoverishment which they themselves and their next generation experience. This situation is far worse in Hong Kong. A recent survey shows that of the 30 developed places, Hong Kong is one of the poorest.

The poverty problem nowadays can be seen in the many figures cited by Honourable colleagues, so I would not repeat them. Many real-life stories bespeak of the miseries of the lower strata in society and they point to the fact that the poverty problem today may be much worse than the past. Characters in the Cantonese movies decades ago might well be worried about not being able to feed themselves and have a roof over their heads, but if and only if they managed to find a job, such problems could well be solved. But in Hong Kong today, there is this strange phenomenon and that is, even if you can get a job, you may not be able to solve your food and housing problems. Why? It is because the wage you get is so low that you simply cannot pay for your food and housing. Even if you can pay for the transport fees, you cannot afford the other living expenses. So the problem in this regard may be more acute than in the past.

By all appearances, things in Hong Kong look good. We have nine-year compulsory education and education should be able to improve the future life of our younger generation. But the reality is different from what we expect. Now one quarter of the children in Hong Kong are from poor families. Though they are not required to pay the school tuition fees, please do not forget, they have to pay for other fees, such as fees for Internet access. On top of this, they need to pay for extra-curricular activities if they want to join them. For many poor pupils, they cannot afford to take part in these activities. Thus they are barred from acquiring knowledge which they should be able to acquire in their schooling. This will effectively diminish their chances of upward mobility later.

Madam Deputy, there is one thing which I cannot help but tell Members about it. In the school in which I teach, there is a teacher who is responsible for matters concerning lunch boxes. She tells me that often times when there are

lunch boxes left, she does not know what to do with them, but later on she finds out that this is not a problem. I ask her why and she tells me that when pupils know that there are lunch boxes left, they will queue up and ask the teacher to give these lunch boxes to them. Why? The teacher then asks the pupils and she finds out that they do not have the money for lunch. That is why they will wait after other pupils have taken the lunch boxes to see if there are any lunch boxes left and if there are, they will ask the teacher if she can give the lunch boxes to them. This is a real story. It happens in the secondary school I am teaching in. So I really think that we should look into this issue in earnest. These pupils come from such poor families and it would be quite difficult to change their future life through schooling. So when faced with this problem of poverty which is so complicated, I do not think we can simplify it or evade it. I hope Members can face up to this real problem.

In 2001, this Council had a debate on the poverty problem. A Member from the business sector opposed strongly the setting up of a committee on aiding the poor and establishing a poverty line. The Member said in his speech that the cause of poverty was just the bad economic performance of places outside Hong Kong, coupled with the inability of the workforce in traditional industries to catch up with the new developments in knowledge and skills. He said that the Government needed only to provide more temporary jobs to enable these people to tide over their financial difficulties. It would be quite sufficient if these poor families could be enabled to lead a decent living and get aid from the safety net. There would be no need to set up a committee on aiding the poor or to establish a poverty line. The reason according to this Member was that a poverty line was no more than a line and it would not help solve the problem. What worries me is that he was not just saying the view held by the business sector which he represents, the Government may also think that there would be no need to do such a simple thing as drawing a poverty line.

Madam Deputy, I have to point out that this is not as simple as drawing a line. We are urging for the establishment of a poverty line because we hope to find a consensus in society. What is that consensus? It is how we should define poverty. Actually we find many marginalized workers, such as cleaners, security guards or staff in other low-income trades, do not have a stable job and their income is very low. They need help from the community. Unfortunately, many Honourable colleagues, many members of the public and many political parties think that this does not matter and things will be fine if these people do not starve to death. But when someone is not starved to death,

it does not mean that he is not poor. How are we to define poverty? We really need a poverty line so that there can be a consensus in the community, then on the basis of this consensus we can find out the reasons of their poverty so that solutions can be sought.

As a matter of fact, the poverty problem nowadays is very complicated. As I have said, even people who have a job and people with knowledge may still have to face the problem of poverty. For example, middle-aged people may be discriminated against because of their age, new arrivals to Hong Kong and ethnic minorities may be discriminated against because of their place of origin or their race. It is difficult for them to find a job or they may be forced to accept some low-paying jobs. This makes them poor.

In addition, as society advances, the poor people are marginalized, and they are forced to move to some remote areas. If they go to work, they may have to spend a lot of money as travelling expenses. This is something I have talked about before. Besides, they may be forced to give up close relationships with friends and relatives. Once they become distant from friends and relatives, it would be difficult for people in some trades to find a job. We know that casual workers, for example, will depend on their friends to find a job. Because of this situation, it is more difficult for them to get a job and so they are forced into poverty.

In my opinion, poverty is caused by many complicated factors and it would also involve many areas such as housing, social welfare, education, health care, labour, and so on.....(*the buzzer sounded*) so I hope that a committee can be formed to tackle this complicated problem.

Madam Deputy, I so submit.

**MR BERNARD CHAN:** Madam Deputy, poverty in Hong Kong represents a serious challenge to the whole community. Apart from causing hardship and misery for individuals and families, it ends up affecting all of us. Poverty increases tensions within the community. It reduces people's confidence in their future and their children's future. It leads to cynicism and hostility. It encourages people to lose faith in the value of education, personal discipline and good citizenship.

Our main response to it is to provide basic handouts. But then, people lose their independence, their self-respect, and essentially, they lose their

freedom. They become dependent on others, and we start to develop an "entitlement" culture.

Poverty also leads to ill health. It can lead to self-harm, like substance abuse or attempted suicide. It increases the rate of domestic violence, child abuse and other sorts of crime. Poverty among children, in particular, stores up bigger, long-term problems for the whole society.

All these things damage the community and they cost us money. Poverty increases burden on our social services, our hospitals, our police and prisons. In other words, poverty hurts the taxpayers as well as the poor.

But how do we reduce it? It is important to bear in mind that there are many different reasons why we have a growing poverty problem.

One of the biggest reasons is actually our economic success over the years. We have progressed from a manufacturing economy to a services-based economy. Most people are more prosperous as a result of that transformation, but it has left an older, unskilled part of the workforce with fewer job opportunities. Less-academic younger people are also being left behind. Another cause of our growing poverty rate is demography. We have an ageing population, with many people heading for retirement but with too few savings to live on. We also have an ongoing immigration of relatively unskilled people. Another cause of poverty is exclusion and marginalization of people because of disabilities or discrimination, or the weakening of family ties.

In the long run, time will probably reduce some of these problems. The middle-aged unemployed will gradually leave the employment market. The Government's planned education reforms will upgrade the quality of our younger workforce, but there will still be the issue of old people with too little to live on. Moreover, like every developed economy, we are probably going to see continued outsourcing of lower-value jobs.

The Government is currently spending significant amounts on various forms of social welfare, retraining and job creation schemes. With the economy generally doing well at the moment, and with the budget deficit declining, people will obviously call for more government action.

I do not see how a poverty line will help the poor. It would simply give politicians something new to argue about. But the Honourable Frederick FUNG is surely correct in saying that we need to allocate resources more effectively.

Our current system of social services, including welfare, health care, housing, and so on, subsidizes a large proportion of the population in some way. But that may not be sustainable in the long term. One day — it may be several years away — we may have to ask ourselves some very difficult questions, and make some unpleasant choices. We may have to ask "which road shall we go down?"

Do we go down the road to a comprehensive welfare system? That could mean an unemployment benefit scheme and a universal pension system. Maybe a minimum wage, a universal children's allowance or supplements for people on low incomes. It would mean higher costs, higher tax and more bureaucracy. It would make people more dependent on the state, and it would affect people's incentives to save or to work. Do we want to go down that road?

Or, do we go down the other road — the small government road? That could mean cutting subsidies for those who can look after themselves, and focusing resources on the truly needy. We would have to consider radical measures to create more incentives, open up more economic opportunities, and allow for more social mobility. That could mean deregulation, tax cuts, relaxed land supply, looser immigration controls for talents, incentives for more labour mobility, and so on. Do we choose that road?

For the business community, and probably the middle class, and for many less well-off people, these could be very difficult choices. But if the growing poverty gap continues in the longer term, we may need to go one way or the other to avoid worsening social divisions, and maybe even instability. Doing nothing will not be an option. Thank you.

**MR WONG KWOK-HING** (in Cantonese): Madam Deputy, the recent land sale has fetched good prices and the property market appears to be robust. The price of posh flats has gone up to \$20,000 per sq ft and sentiments look good. Some people think that the economy has picked up. But can the grassroots benefit from a buoyant property market? The fact is most members of the

public are unable to share the fruits of economic recovery. Compared to people living in flats with a price tag of \$20,000-plus per sq ft, the plight of the grassroots highlights this growing disparity between the rich and the poor.

The Hong Kong Council of Social Service published a report on poverty data in Hong Kong this September. The report points out that the percentage of families in Hong Kong belonging to the low-income bracket, that is, defined as those below the poverty line with a household income amounting to half of the median household income, has increased from 11.2% in 1991 to about 18% in 2002. The figure means that one child out of every four is living below the poverty line; and one out of every three elderly persons is living below the poverty line. Data like these serve to point to the growing disparity between the rich and the poor. For the past few years, the Gini Coefficient in Hong Kong stood at 0.525. The figure is for 2001 only. As some Members have pointed out earlier, this is higher than, for example, 0.249 in Japan, 0.408 in the United States and 0.368 in Britain. Despite the fact that the Hong Kong economy has picked up, it does not follow that poverty will vanish naturally. Jobless rates are still high. The low-income group has not benefited from the economic recovery at all. Why does the number of applicants for Comprehensive Social Security Assistance (CSSA) not fall but keep on rising? There were 13 627 cases in January this year. In July there were 15 232 cases. This is good proof of the gap between the rich and the poor. I hope Members will understand that people are poor not because of their fault or that poverty is due to personal factors alone. It is caused by other social factors as well. That is why the motion proposes that a committee should be formed on aiding the poor. That I think is essential. The establishment of a special committee to tackle the poverty problem will help the Government examine the problem of the disparity between the rich and the poor, gauge its extent and find out the most suitable ways to improve the living of the poor people, such as offering assistance to the chronically ill, organizing retraining and skills enhancement courses for the unemployed on CSSA so that they can return to the labour market.

The proposal to set up a special committee to study the problem of the gap between the rich and the poor does not mean that the Government is asked to hand out money all the time or do anything to add to its burden. The proposal is made in the hope that the Government can use resources and public funds effectively. In addition, I think that a poverty line should be established. Therefore, I find it hard to accept the deletion of the words "and establish a poverty line" in Mr James TIEN's amendment. It is because the establishment

of a poverty line will enable us to know how many people and families are living beneath the poverty line. Hence we will be able to know how serious the problem is. Some people think that the existing means test for CSSA applicants may be used as a reference, but the means test cannot reflect the social reality and the problem itself, as well as the shrewd and incisive mind of people from all sectors.

Another merit of establishing a poverty line using rational and scientific methods is that it can enable us to identify the number of poor people, gauge the seriousness of the problem and recognize who are the poor. As a result, the Government may pool resources together for disposal, help these poor people to come out of poverty and minimize the mismatch of resources on the part of the Government. This is a good proposal and it can help us understand social problems better.

Madam Deputy, looking up the records I learn that the Council has discussed the topic of whether or not to establish a poverty line for at least four or five times. All through these years, those who argue against establishing a poverty line are always saying that a poverty line is useless in aiding the poor and it would be much better if they are offered help direct. I am surprised why some people are so repulsive to the idea of a poverty line and they are totally opposed to it. Admittedly, a poverty line cannot help the poor people direct, but it can help us understand the social reality and the problems which we must tackle. To those opponents of drawing up a poverty line, may I ask is it because they are afraid to face the reality? To face the problem before them? Or is it because they do not come from a poor background, so they have no idea what poverty is? The case is like a Chinese emperor who wore the best clothes and ate the best food, but he was unable to understand why the poor farmers wore so few clothes in winter. It was because these poor farmers did not have the money to buy clothes.

Madam Deputy, from all this, it can be seen that the widening gap between the rich and the poor is no ordinary social problem. If we fail to address it squarely and tackle it, the gap will continue to widen and in the end it will affect the harmony and stability in society. With these remarks, I support the original motion moved by Mr Frederick FUNG and the amendment proposed by Dr Fernando CHEUNG. Thank you, Madam Deputy.

**MR TAM YIU-CHUNG** (in Cantonese): Madam Deputy, Hong Kong is a rather affluent society and it is economically very advanced. Owing to continual ageing of the population and drastic adjustments to the economic structure, the problem of impoverishment is deteriorating. Helping poor families to come out of poverty and bridging the gap between the rich and the poor are not only essential tasks for the SAR Government in building a caring and just society, it is also an indispensable task in maintaining social stability.

Whenever the problem of poverty is discussed, the focus of attention would usually fall on the CSSA recipients. But apart from the CSSA recipients, there are also many people who lead a very difficult life. For example, some elderly persons may have some savings, but that is all they have got. They dare not use it unless it is absolutely necessary and even if they use it, they would try to use it as little as possible. That is why they usually lead a very frugal life. Once I went to visit some elderly persons living in a housing estate for the elderly. I found that an old woman was using a kerosene stove to cook. The housing estate has a central liquefied petroleum gas system, but she did not use it. She preferred a kerosene stove. She explained to me that using kerosene would save on some expenses. Some other elderly persons may live with their children, but the income of their children is limited. The money is barely enough to feed their family and so apart from providing three meals a day to their parents, they have no spare money to make their parents lead a better life. Many people are leading a poor life. It is because the labour market for the grassroots has drastically shrunken. So they have difficulties finding a job and even if they can find one, their wage is low and it is not sufficient to make ends meet. This will inevitably pose some obstacles to the education or intellectual development of their children.

To bridge the wealth gap between the rich and the poor, positive measures must be formulated to address the needs of various groups. On the problem of impoverished elderly, the Government should not just rely on the CSSA system. The problems with the existing old age allowance and the CSSA system is that the amount of old age allowance paid out is insufficient for the recipients to meet their living expenses, and the criteria for elderly applicants of CSSA are much too stringent. So if the poor elderly persons are to be aided, the Government must set up a scheme to offer some subsistence allowance to the elderly. This will provide the essential financial support to the elderly living in abject poverty. Apart from cash assistance, the Government should also provide subsidies in rents and medical expenses. Restrictions should be lifted for elderly applicants

of rental assistance for public housing units. For those elderly persons affected by redevelopment, a scheme must be set up to waive or remit their rentals, so as to genuinely ease the burden of their living. With respect to medical expenses, the Government should put in place a less stringent system to waive or remit medical fees payable by the poor elderly persons. This will avoid adding to their burden. As for strengthening Chinese medicine services in public hospitals, a most pressing task is to set up a waiver and remission system for Chinese medicine fees.

To alleviate the problem of poverty effectively, another approach which should be taken is to boost employment. This includes creating more job opportunities, enhancing labour protection and increasing support services for employment. Yuen Long is one of the communities in Hong Kong with the lowest household income, and the poverty problem is especially acute in Tin Shui Wai, where as many as one quarter of the residents of public housing estates are on CSSA. One of the major causes of poverty in this area is an appalling shortage of jobs. In order to give greater protection to the living of grass-roots workers, the DAB proposes that the Government should take active measures to create jobs for the grassroots, for example, by helping the environmental protection industries, implementing a scheme to separate wet and dry wastes and investing more on infrastructure projects. With respect to protecting the interest of workers, the Government must spare no efforts in cracking down on illegal workers, and impose heavier penalties on employers who default on payment of wages. All these will help ensure workers will get the wage due for their toil. The Government must take active steps to study into the feasibility of launching a minimum wage system. Apart from that, in terms of employment support services, the Government should continue enhancing retraining and in-service training to help employees upgrade their skills. Also, resource centres on employment and further studies should be increased, job matching and employment services should be strengthened, community care and support services such as day care services for infants and domestic helper services should all be enhanced.

One of the causes of acute poverty in the new towns is the expensive transport costs. Residents living in the New Territories have to shoulder a heavy burden in transport costs. Often times they are caught in the dilemma of to work or not to work. If they do not work, they will have no income. But they do not want to depend on the CSSA payments. However, if they work in the urban areas, the traffic expenses will be more than \$1,000 per month and

they can manage to make only \$4,000 to \$5,000 monthly. So to government efforts in aiding the poor effective, assistance should be granted for transport costs paid by the low-income group. The Kowloon Motor Bus and the minibus operators under the Environmental Light Bus Alliance are offering some transport concessions to domestic helpers holding a skills card of the Employees Retraining Board. This is some kind of transport allowance for people with low income, though in a crude form. So the Government should proactively co-operate with the transport operators and set up a scheme of transport allowance for people with low income. This will help ease their financial burden and enable them to seek employment in other districts and hence reduce the financial pressure on them.

The cause of poverty is complicated and diversified and it cannot be solved by social welfare alone. Government departments must join hands to tackle the problem. Unfortunately, only the Secretary for Health, Welfare and Food is attending the debate tonight. I think that other departments should also think about how sound measures can be devised to narrow the gap between the rich and the poor. To achieve this goal, resources in society will have to be redistributed. That is why it is equally important to lay down corresponding requirements in taxation and fiscal policy. To tackle all these problems, the Government must look at the situation with a bird's eye view and undertake rigorous planning. For this reason, the DAB agrees to the idea of setting up an interdepartmental committee on aiding the poor and that people from community organizations and interested parties should be appointed to the committee to work together for practical solutions to the poverty problem.

I so submit.

**MS LI FUNG-YING** (in Cantonese): Madam Deputy, on 12 October a plot of residential lot in Ho Man Tin was sold for \$9.24 billion, or 87% higher than the upset price, shattering the records of land sale for a single site ever since the reunification. A commotion was caused in society in the wake of the sale. The Financial Secretary explained later that the current rise in property prices was mainly in the luxurious flats and the momentum for a surge in property prices across the entire market was not strong. In my opinion, when most people have not yet shared the benefits of an economic recovery, the vibrant market for posh flats does carry some symbolic meaning. Just a few days after the land sale, that is, 17 October, which was the International Day for the

Eradication of Poverty designated by the United Nations, the Hong Kong Council of Social Service released a report. The report points out that the median household income of the highest income bracket in Hong Kong is 26 times that of the lowest income bracket. The median household income of the lowest income bracket has fallen from \$3,084 in 1991 to \$2,997 in 2001. This is a grim footnote to the posh flats market. For while we see the prices of posh flats in Hong Kong hitting new highs time after time, the wage of the grassroots are sinking to rock bottom lows on the other hand. That is really a tell-tale picture of what Hong Kong is all about.

In a New Year toast in February 2000, the Chief Executive claimed that he would solve the problem of the disparity between the rich and poor in Hong Kong. But down the years ever since, the gap has widened and it is deteriorating all the time. In March 2000, when the Legislative Council debated the problem of the disparity between the rich and the poor, the Secretary for Education and Manpower said that he would examine the issue from the perspective of labour and manpower resources. He proposed measures to boost the economy, employment and retraining programmes with the aim of helping CSSA recipients cease relying on the CSSA. He thought these measures could alleviate the problem. Unfortunately, facts over the past few years have shown that these measures are not effective in easing the problem.

I do not oppose discussing how the problem of the disparity between the rich and the poor can be solved from the perspective of human resources. In fact, during the past few years the labour sector has been urging the Government to commit more resources to manpower. The Federation of Hong Kong and Kowloon Labour Unions to which I belong has suggested to the Government that jobs instead of financial assistance should be offered so that the unemployed may return to the labour market. Other proposals made by us include helping the development of the environmental protection industries, making a review of the imported workers policy, and increasing the job opportunities of local workers, and so on. All these will help ease the hardship of poverty faced by the grassroots. Put more clearly, the proposals made by the labour sector as well as the CSSA offered by the Government, can in various degrees alleviate the hardship faced by the grassroots living in extreme poverty.

Madam Deputy, the topic under discussion today is, however, the disparity between the rich and the poor. This is much more complicated than devising ways to help the poor people. Perhaps the Chief Executive also

appreciates that it is a very complicated thing to narrow the gap between the rich and the poor, so in the policy address of 2004, he ceased talking about solving the problem of the disparity between the rich and the poor. He only said that globalization had brought more poverty to the entire world and Hong Kong was no exception. He watered down and rationalized the wealth gap in Hong Kong.

I agree that economic growth is instrumental to improving people's live, but if we look at the 1980s and 1990s in the last century, at a time when global economy was growing, the disparity between the rich and the poor was intensifying in places like the United States, Britain and Japan. Perhaps we need to look into why in these countries the disparity between the rich and the poor worsened despite their economic growth to find out what the reasons and the consequences of this were. I would also like to point out that the disparity between the rich and the poor is not purely a question of the business environment being good or bad, or whether the jobless rate being high or low. Despite the fact that this disparity problem would deteriorate at a time when the economy slows down and the jobless rate stands high, these countries which I have mentioned above would provide a minimum buffer in the form of a minimum wage and unemployment security. And so conditions there are not as bad as in Hong Kong. For us, not only is our Gini Coefficient higher than that of Britain, the United States and the other three small dragons in Asia, but also in the report released by the Hong Kong Council of Social Service, our Gini Coefficient is used to compare with that in developing countries like Honduras, the Central African Republic, and so on.

In my opinion, either the Government is being pretentious in saying that it will solve the problem of the disparity between the rich and the poor, or grave blunders have been committed in terms of the direction of solving the problem. The greatest blunder is that no attempt has been made by the Government to review the problem of the disparity between the rich and the poor in Hong Kong from an institutional perspective, on why our figures in this respect can rank so high among the developed countries and places. In addition, these figures are absolutely high. Why? Why is the responsibility for this state of affairs put on the poor people so that the so-called help given to the poor people to upgrade themselves are used to cover up the institutional deficiencies. The result is that the gap between the rich and the poor is made increasingly wider still.

Madam Deputy, the forming of a committee on aiding the poor and establishing a poverty line are only a starting point to prevent the grassroots from falling into poverty. It is still a long way to go before the gap between the rich and the poor can be bridged. Therefore, if a committee on aiding the poor is formed without establishing a poverty line, it is like holding a football game without a goal in place. There will be no target to strive for. I am not sure whether the amendment to be moved by Mr James TIEN later would be voted, if it would, then I can only give it my reluctant support. It is because passing this amendment is better than passing nothing. If I vote against this amendment, the result may well be that both the motion and the two amendments would be negatived. In that case, the grass-roots people would not even have a chance to go to the pitch and play this game of football. That will be their greatest tragedy. Thank you, Madam Deputy.

**MR CHEUNG HOK-MING** (in Cantonese): Madam Deputy, in recent years many academic institutions and other organizations have conducted surveys on the problem of the disparity between the rich and the poor in Hong Kong. These surveys show that the problem is deteriorating. A report released by the Hong Kong Council of Social Service last month indicates that the number of people from low-income families in Hong Kong is as many as 1.12 million. The number of children from poor families has grown to 25% of the children population. If the households in Hong Kong are divided into 10 percentiles, the median monthly income of the lowest income bracket is only \$2,977 while that of the highest income bracket is as much as \$80,000. The difference between the two is 26 times. The conclusion of the report also points out that Hong Kong ranks as the third worst place in the world in terms of the disparity between the rich and the poor.

However, the approach taken by the SAR Government on this problem is still very conservative. It only tries to solve a problem as it comes up and no attempt is made to deal with it at root. The measures taken are lacking in vision. A few years ago, Hong Kong came under the influence of economic restructuring and the macro environment from outside, hence the economy was persistently sluggish and the jobless rate was always hitting new highs. Wage earners were severely battered, subject to the constant threat of unemployment. Those middle-aged people with low skills and education attainment were the hardest hit. But what the Government did was just creating some temporary

jobs to ease the problem and there was no serious attempt to find ways to make them more competitive in the job market.

Only by making the poor self-reliant can they be extricated from poverty. I believe knowledge can change one's destiny. For those people with low skills and poor education attainment, especially the middle-aged group, it is essential that they can be provided with appropriate training and retraining programmes. The Government should put in more resources for training. At present, courses provided by many retraining institutions are mostly on such work types as security guards and domestic helpers. But these are not in great demand in the labour market and so graduates of these courses may not all get a job.

In the past when Hong Kong was under British rule, the Government in developing new towns in the New Territories used to hope that residents of new towns could find jobs in the neighbourhood. So areas were zoned as industrial areas. All these were done in the hope of creating self-sufficient communities so that residents would not have to travel a long way to the urban areas to work. In this way, resources would be put to the best and most effective uses. But with the economic restructuring in Hong Kong and the relocation of industries northwards across the border, developments in the industrial estates in Tuen Mun and Yuen Long are handicapped. So residents of the new towns have to travel a long way to the urban areas to work. Hence they do not have enough time to take care of their families, leading to family disputes and youth problems in the new towns. The Government has to put in lots of resources to alleviate the problems.

In view of the fact that many people with low skills and low education attainment are living in the new towns, coupled with the changes in the Hong Kong economy, the SAR Government should consider reviewing the old concept of developing new towns as self-sufficient communities. Then the Government should look into how local features of these new towns can be used to develop economic activities on a community level. Efforts should be made to forge partnership with local agencies and voluntary agencies to provide retraining programmes to the middle-aged with low skills and low education attainment. For example, considerations can be given to opening some leisure farms with entertainment, environmental protection education and catering facilities, or to develop ecotourism areas, and so on. All these activities would need people of various trades, for example, those at the basic levels responsible for farming,

instructors who teach tourists how to farm, tourist guides who disseminate information of conservation and staff who provide catering service to the tourists, and so on. The organizations concerned can offer courses on different work types so that graduates can look for jobs in their neighbourhood. These jobs may not be well-paid, but they can still be quite attractive as workers do not have to pay for the expensive transport fees of travelling to the urban areas to work.

With respect to making the unemployed people self-reliant, the Government may consider setting up resource centres for further studies. Some kind of incentive should be offered to employers to involve them actively in putting more resources to train up talents. The Government may also consider drawing reference from the experience of western countries in implementing some proactive strategies for the labour market, or formulating those which are proactive and characterized by foresight, in order to enhance manpower training, especially training given to the young generation. It is because the long-term aim should be to achieve a healthy and balanced growth in the local labour market.

In conclusion, I hope that the Government should set up an interdepartmental committee on aiding the poor and to formulate a package of initiatives for the same purpose. Members of this committee may include the related Bureau Directors, such as the Security Bureau, the Economic Development and Labour Bureau and the Housing, Planning and Lands Bureau, and so on. This will help raise the ability of the committee to make decisions. Or the authorities may consider members from the Task Force on Population Policy headed by the Chief Secretary for Administration, for they come from various Policy Bureaux and they are familiar with the kind of information required for the formulation of a policy on aiding the poor and this should be helpful to the work on aiding the poor.

Madam Deputy, I so submit.

**MR PATRICK LAU** (in Cantonese): Madam Deputy, to improve the wealth gap situation has always been a matter of concern to the public. Mr Frederick FUNG has personally put forward on numerous occasions the proposal of setting up a committee on aiding the poor. I strongly support the proposal of examining comprehensively the disparity between the rich and the poor and

formulating effective solutions subsequently. However, we should avoid setting up a committee with an excessively bloated framework, which would affect the work efficiency of the departments concerned. Therefore, I think the best approach is, with the initiative of the Government, to set up an interdepartmental committee on aiding the poor. In addition, a suitable consultation mechanism should be established to regularly canvass the views of representatives of non-government organizations and academic institutions. With regard to this consultation mechanism, attempts should be made to avoid including too many members. Otherwise, it would eventually bring no fruitful result, nor any desirable effect.

Madam Deputy, with regard to setting up a safety net to help people in genuine need, I think a consensus in this regard has already been reached in society. However, on the proposal of setting up a poverty line, I have some reservations. First of all, it would definitely trigger off a lot arguments in society on where the poverty line should be drawn.

In addition, what would be the effect after the poverty line has been drawn? With the poverty line drawn, will the poverty problem be resolved, thereby closing the disparity between the rich and the poor?

In fact, with the changes in the economic conditions in society, the living standards of the people have also undergone continuous changes. The establishment of a poverty line will impose many limitations on the Government in its implementation of policies, hindering it from exercising flexibility in the deployment of resources and launching relevant policies with good timing. Contrary to its original design, it will cause a negative impact on people in need of assistance.

Madam Deputy, the worst result of establishing a poverty line is labelling some people, thereby aggravating the contradiction between the rich and the poor, polarizing the community and further intensifying the disparity between the rich and the poor. This is because this poverty line can make some of the originally contented families fall into the category of poor people, thus subjecting members (including the children) of such families to mental stress. And their inferiority complex may affect the healthy growth of the children, and consequently, their destiny of a poor life may be forced to prolong.

It has been suggested that the poverty line should be drawn at the \$10,000 level. If so, I am afraid this will lead to the immediate emergence of a group of poor professionals. By then, the Government would not be solving the poverty problem, but creating more such problems instead. Let us take the construction industry as an example. In recent years, with the recent economic downturns and high unemployment rates, many university graduates become unemployed right upon graduation. Even if a graduate can luckily get a job, the salary will not be high, mostly at \$7,000 to \$8,000. If both his parents are unemployed or have retired, and that his brothers and sisters have moved out, they could easily fall within the definition of the poverty line and the university graduate can easily be rendered a poor professional.

Ultimately, as far as the root cause is concerned, actually the poverty problem is created by the policies of the Government. Hong Kong is not a welfare society, but its policy makes CSSA recipients stay out of active production. At the same time, our present unemployment rate is high. The unemployment rate of our construction industry stands at 17%. So many of our workers are unemployed or underemployed, which further aggravates the poverty problem. In order to solve these problems, we must put our economy back on the right track. The Government may consider providing some tax concessions to attract massive investments, so that more employment opportunities can be created. In particular, for the construction industry, the Government should help boost the income of workers, so as to improve their living. Only in this way can we help the community to thoroughly get rid of poverty.

Madam Deputy, most important of all, everyone should be given a good chance and no one should be labelled, and no one should be deprived of the chance to get rid of poverty. Therefore, the Government should encourage more wealthy persons to make investment in educational funds with a view to assisting them to get rid of poverty by way of education. Many of the university students whom I know or have taught before come from poor families, and they eventually get rid of poverty after obtaining their professional qualifications through enormous hard work. As a result, they have improved their standards of living.

Therefore, I support enhancing the capability of the socially vulnerable to help themselves and encouraging the poor people to find employment by providing them with financial assistance, instead of indefinitely expending our resources to increase our welfare expenditure. Only in this way can we allocate our resources more effectively to help people genuinely in need of help, such as

the elderly, children and people with disabilities. Only in this way can we be really fairer to people of various social strata, and only in this way are we implementing policies that can solve the problem in both the long and short terms.

Madam Deputy, I so submit. Thank you.

**MR LEUNG KWOK-HUNG** (in Cantonese): Whenever this topic is mentioned, I would invariably have some strong feelings. In 2000, when the Chief Executive was answering questions in the Question and Answer Session that followed the presentation of his policy address, I was staging a protest in the Public Gallery upstairs. I was manhandled away by the security guards. When they were questioning me, I saw Mr TUNG over the television answering the question whether it was necessary to establish a poverty line. Now, quick as a wink, four years have lapsed, but we are still discussing whether it is necessary to establish a poverty line.

At that time, I blurted out that Mr TUNG's answer was simply bullshit. The security guards besides me could not help laughing as well. I felt that it was most ridiculous not to establish a poverty line. I still remember that I criticized Mr TUNG in my column in a newspaper, comparing him to a bad Chinese doctor who found his patient unwell but did not do anything — not feeling his pulse, nor prescribing any medicine for him. In short, apart from saying that the patient was sick, he did not do anything. Such a doctor can never cure his patients. Secretary Dr York CHOW is a doctor, so he can surely see this point. A doctor should employ four methods in making his diagnosis, namely, observation; auscultation and olfaction; interrogation, as well as pulse feeling and palpation.

We all acknowledge we have a poverty problem. Now what is most amazing is that someone says that it is not necessary to establish a poverty line. In other words, if no x-ray examination is conducted, how does one know the conditions of the innards? After nearly five years, we still have to discuss whether we need to have a poverty line. I really feel a strong sense of helplessness. However, it is very difficult for me to go back to the Public Gallery to stage another protest now. Next time when Mr TUNG comes to the Legislative Council again, maybe I should go to the Public Gallery to scold him again. I shall ask him: Does he not feel sorry for what he has done to Hong

Kong people? It is just like the story in which the king asked why the people did not take meat porridge when they could not have enough rice for food. He is absolutely not aware of the sufferings of the people.

Honourable colleagues have cited a lot of data in this Chamber. But I can tell you, the data can only make others fall into sleep. After looking at the figures for too long, I do not know what they stand for. It would be much better if you can go and have a look at the situation in the public housing estates. For example, the housing estate where I live is a poor estate. A lot of elderly people and new immigrants are living there, as the young people have already moved out, possibly because their living standards have improved or they have moved out after getting married and giving birth to children. The poverty situation there is most horrible. There are people picking up unwanted items from the ground. When I take a meal in a fast food shop, someone will come up and want to take away my can of soft drink that I have not finished. Why does something like this happen? If I put something outside my flat, it will be taken away in no time. Therefore, it was really a meaningless discussion yesterday as we discussed whether the housing estates were clean. If I put some newspapers outside my home, they will be taken away very soon. Any articles that can be sold for money will be taken away very soon. This is poverty.

Poverty is like the atmosphere, which envelops Hong Kong. However, at present, someone still claims that we do not need to establish a poverty line. This is like someone who always talks of high ideals, but never commits himself to doing any actual work. When there is poverty, we must make an effort to tackle it. However, if we do not define "poverty", how can we tackle it? The Liberal Party does not support the establishment of a poverty line — all the Members of the Liberal Party have left this Chamber — this is quite understandable to me, because they have never defined what "liberal" stands for, and they just call themselves the Liberal Party, and that is it.

(THE PRESIDENT resumed the Chair)

This happened many times before when discussions were held on draconian laws. Therefore, it is nothing surprising at all. But this is really an irresponsible practice, a practice that cheats the people, a practice that pulls wool over the eyes of the people. Actually, it is very simple. What are Hong Kong

people most afraid of? Poverty and unemployment. However, having discussed the issue for five years, we still have not been able to formulate a poverty line; and whether the committee on aiding the poor should be established is still an issue under argument. When the legislation on Article 23 of Basic Law (Article 23) was being enacted, was there a single Hong Kong person who felt that national security was at stake? Yet, the Government still felt the urgency to enact the law expeditiously. The relevant document was presented in September of the year before, and it had to be passed in July of the following year. This Government does not care about the people's livelihood. During the past five years, the poverty problem has become increasingly acute, yet it could not care less. Instead, it wants to curb the freedom and human rights of the people. It even specifies a date for the completion of the enactment process. Some people may say it is because there are controversies on the definition of poverty. But was it not the same for Article 23 which also saw the emergence of controversies? Some people also say that, in defining the committee on aiding the poor, its application may cause more confusion in society. But if Article 23 was really passed, would it not cause great controversies as well? Hong Kong people will have more confusion about human rights and national security because they can be prosecuted any time. This fully shows that this Council actually cannot monitor the Government at all.

With regard to the Article 23 legislation, were it not for the last-minute change of stance of Mr James TIEN, who must have been enlightened by someone wise, the legislation would have already been passed. He kicked away the ball right before it went straight into the net. He saved a goal. Now, we have a tournament in which five games have been played. Yet throughout these five matches, due to the obstruction caused by the small-circle elections, we cannot establish the poverty line and the interdepartmental committee on aiding the poor, which Hong Kong people very much want to have for tackling the poverty problem. The issues of the Article 23 and the elimination of poverty (poverty legislation and poverty line) are very good teaching materials. This Government would enact laws on issues that Hong Kong people are most afraid of, but for certain things that Hong Kong people do not want to have, such as poverty, it chooses not to enact any laws on them, nor does it start eliminating them.

Today, I feel that if this motion is again negated, it would only disgrace this Council once again. Therefore, I shall support Mr Frederick FUNG's motion.

**MR ALBERT CHAN** (in Cantonese): Madam President, poverty is a social phenomenon. Poverty should be a mode of life, and poverty could also be part of human life. However, poverty is not a crime. Yet, in Hong Kong, what poverty brings to the people is discrimination, hardship, loneliness, hunger and even death. Poverty could, so to speak, bring more miserable consequences than crimes.

I still recall a book on philosophy read years ago. It is entitled *The Concept of Dread*, written by a European philosopher, Soren KIERKEGAARD. It talks about the experiences and thoughts about dread brought along by existence. In Hong Kong, poverty has bought such a kind of dread to millions of Hong Kong people. In Hong Kong, poverty is even deeper, heavier and more miserable than the original sins in the religious world. We can see that, in Hong Kong people living in poverty have to face a tragic fate. Over a thousand poor people have committed suicide in Hong Kong during the past few years. Among such suicide cases, many of them were driven by poverty to generate the desire and inclination of destroying their own lives.

These suicides were not confined to the elderly. While there were those in their sixties or seventies, there were also those in their forties or fifties, there were even some young people who were in their twenties or thirties; there were even some fresh graduates from colleges, who had faced poverty as a result of their inability to find employment. The crimes brought about by poverty make Hong Kong people face punishment. This is the Government's making, because the policies of the Hong Kong Government have created the disparity between the rich and the poor, created the povertization of Hong Kong, created the polarization of wealth, created the monopolization by the large consortia, deprived Hong Kong people of the opportunities and created opportunities for them to deprive Hong Kong people of the chance to lead a dignified life.

Many years ago, I already said that our great Motherland was gradually becoming more middle-class, whereas Hong Kong was gradually moving towards povertization. This viewpoint was advanced by me in this Chamber many years ago. However, it seems that our Government has never addressed such a development squarely. The Government often engages itself in some "grand, big and empty talks", boasting that "if the Motherland develops well, Hong Kong will do even better", and so on. In recent years, the development of our Motherland has been very good, and the people are gradually becoming the middle class, with the number of wealthy people increasing and the livelihood of many poor peasants in various provinces having been improved.

However, during the past seven years, Hong Kong has been moving towards povertyization gradually, with bankruptcy cases amounting to over 10 000 in a year, and suicide cases over 1 000. Such a povertyization phenomenon has intensified into a major problem that may bring some factors of instability to society.

However, what has the Government done? They have not helped the poor people to improve their livelihood. Worst still, they even have gone so far as "robbing rice from a beggar's bowl" — further cutting the rates of CSSA payment. The poor people are already living in great hardship. They do not have any travelling subsidies, nor any assistance to meet their needs in various aspects like clothing, food, housing and transport. Many people can only spend \$5 on food for two meals every day. Yet the Government still ignores all these, without making any measures to help these poor people to improve their livelihood.

At present, the poverty in Hong Kong seems to pass from one generation to the next. This is of course completely different from indigenous residents like Mr LAU Wong-fat, who can pass their small houses from one generation to the next. Instead, poverty seems to have become cross-generation in nature. This phenomenon will lead to further division of society. Therefore, I hope, through today's motion — Mr Howard YOUNG is sitting here to represent the Liberal Party. Whenever the issue of poverty is raised, Members of the Liberal Party will disappear. I am not sure whether they feel scared, frightened or ashamed. If they feel ashamed, they may still have some sympathy and they may try to do something about the poverty problem. This is because very often they are partly responsible for causing the poverty problem. As they support the major consortia, the latter's profits keep on rising and they have totally ignored the existence of the poverty problem. Today, they even want to delete the proposal of setting a poverty line.

Madam President, I hope Members can stop acting like an ostrich by burying their heads in the sand, pretending that they do not see the poverty problem. Many Honourable colleagues have cited numerous examples to illustrate the problem. If Members continue to act like an ostrich, then ultimately society as a whole will suffer the bad consequences. This is because the poverty problem will not disappear all by itself. In the face of such unfair and unreasonable situations, the poor people will not continue ignoring them, nor will they tolerate them anymore. Through this motion, if the Government can

really learn from its past experience, I really hope that Secretary Dr CHOW can address the problem with the scientific attitude of a doctor. Actually, the poverty problem is not an issue that has just emerged during the past five years. It was discussed in the Legislative Council in the mid-90s already. At that time, Prof Stewart MacPHERSON suggested setting a poverty line. I hope the Government can learn from the past examples and change its ostrich policy by facing this problem squarely, pumping up the courage to accept the challenge and ameliorating the poverty problem in Hong Kong.

Thank you, Madam President.

**DR RAYMOND HO** (in Cantonese): Madam President, recently, the economy of Hong Kong has shown some signs of recovery. The Individual Visit Scheme has injected some vigour into certain sectors. Recently, there have been frequent news reports on pay rises and recruitment of additional staff. Although the economy of Hong Kong seems to show some signs of turning the corner, the actual economic conditions generally are still not very optimistic. The high unemployment rate and the poverty problem are still the main focus of our concern.

The disparity between the rich and the poor has all along existed in Hong Kong. Although many rich people have become negative-equity property owners after the financial turmoil, the situation has not changed as a consequence. As we explore the root cause, it was mainly attributable to the economic restructuring. In the '70s, the industries were the mainstay of our economy, so a lot of Hong Kong people could go to the factories and earn their living there. At that time, education was still not popular. As such, most people would work as blue-collar workers, and their wages would not show great discrepancies among themselves. However, when we entered the 21st century, most of the manufacturers, especially those operating labour-intensive industries, had already relocated their production plants to the north or to other Southeast Asian countries. At present, the economy of Hong Kong comprises mainly the financial and service industries. There are less and less traditional "craftsman" posts that once existed in Hong Kong. Since Hong Kong has been plagued by the financial downturn, together with lower demand of employers for low-skilled employees and those with low qualifications, many unemployed persons now belong to the "craftsmen" categories. As such, the disparity between the rich and the poor has become increasingly serious.

In order to solve the problem of disparity between the rich and the poor, I think the Government should work from different aspects. The mere provision of financial assistance simply could not solve the problem. As a common Chinese saying goes, "It is difficult for us to take care of those in poverty for a prolonged period of time." The problem cannot be solved that way. In the long run, the Government should work from the education front, that is, the Government should provide suitable courses and financial assistance to people who are low-skilled and those with low qualifications, so as to enhance their competitiveness. At present, the Government's policy of reducing subsidies to evening education seems to have ventured in an exact opposite direction from such a philosophy. I hope the Government can pay more attention to this issue.

Apart from education, the Government should also work from other policy areas, such as the economic and housing policies, in order to solve the wealth gap problem. By formulating suitable economic policies, the Government can provide employment opportunities to low-skilled persons and those with low qualifications. With suitable housing policies, the Government can help them to reduce their housing expenditure. Of course, apart from these two policy areas, we still need to have other matching policies. As such, I think it is necessary for the Government to establish an interdepartmental committee on aiding the poor, so as to solve the wealth gap problem and formulate the relevant policies.

The disparity between the rich and the poor has existed for a long time, I hope the Government can face it squarely so as to reduce social conflicts. I hope in the near future, all Hong Kong people are satisfied with their own lives. They may not long for the unlikely prospects of becoming a billionaire overnight, but they should be able to enjoy a good life with all their material needs fulfilled.

Madam President, I so submit. Thank you.

**MR LEE CHEUK-YAN** (in Cantonese): Madam President, after the reunification, this Council has debated the issue of the disparity between the rich and the poor on many occasions. Today, the debate is still about the two demands, namely, supporting the setting up of a committee on aiding the poor and the establishment of a poverty line. It seems that the highest common

factor (HCF) is the setting up of a committee on aiding the poor. If this motion is passed, the Government should really take action to implement it. And next we shall do it step by step by pressing for the establishment of a poverty line.

More and more people in society have become concerned about the disparity between the rich and the poor. Apart from the fact that the problem has become increasingly serious, it is also because more and more people have started to realize that, if they just sit back and do nothing, and let the problem deteriorate, it will just bring about instability to society, which will be harmful to both society and the economic development of Hong Kong, and ultimately everyone will be affected. Therefore, Mr James TIEN needs not worry. I say this all because Mr James TIEN said on a certain day in the newspaper that, if we really have to aid the poor, please by all means do not topple LI Ka-shing, rather Mr LEE Cheuk-yan should be help to lift himself. I do not know whether he was trying to divide us, the clansmen of Chiuchow, or he was trying to divide the people surnamed LI. Although I have made use of his example, I hope Mr James TIEN will not forget one fact, that is, what happens in the reality is, LI Ka-shing is stepping on the shoulders of LEE Cheuk-yan. So what do we mean by aiding the poor? Frankly speaking, aiding the poor means: when LEE Cheuk-yan is being used as the stepping stone, it is hoped that he will not get hurt, injured, or be trampled to death, so that he can continue supporting the upward move of LI Ka-shing, and that he can pass this job onto the next generation, and let my next generation continue supporting LI Ka-shing's upward move. In fact, the work of aiding the poor will not eventually topple LI Ka-shing, because the whole society will continue to function properly, and the wealthy class can continue to lead their wealthy lives. They are the ultimate beneficiaries. If the ultimate purpose of aiding the poor is to hope to foster stable development in society, so that workers can continue working and earning money for society, then the ones who will be benefited ultimately are none other than the capitalists. Therefore, supporting the poor is equivalent to supporting LI Ka-shing, and of course, it also means supporting Mr James TIEN because he is also one of those who step on the shoulders of others. Therefore, if people belonging to different strata can take care of each other, then we can work together to revitalize Hong Kong. I hope no statement will be made to the effect that the work of aiding the poor will topple certain people and lift some other people to higher places.

Madam President, although the Liberal Party supports the setting up of a committee on aiding the poor, they still oppose establishing a poverty line. This is really a small imperfection on their part, which is absolutely unacceptable to us.

Maybe the Liberal Party thinks that, once a poverty line is established, it will be directly related to the reception of welfare. But in fact, this is not necessarily so, and it is definitely not so. As a matter of fact, establishing a poverty line is not necessarily related to qualification for reception of welfare. When we demand the Government to establish a poverty line, our most significant consideration is to have an objective standard to facilitate our analysis of the profile of our impoverished population, so as to enable us to formulate specific policies to solve the problems. This will help us to avoid making a wrong estimation of the problems and formulating the wrong policies.

Madam President, during the past few years, the Hong Kong Confederation of Trade Unions (CTU), with the assistance of the Census and Statistics Department, has analysed the data contained in the Annual General Household Survey, and grasped some basic characteristics of the poor population and families in Hong Kong. I would like to take the opportunity of this debate to share with Members some of such data.

We set the poverty line at a level below half of the median income of the general household income per capita. This is a regular standard adopted by advanced economies in measuring relative poverty, and this is also the international standard. According to this definition, we find that the size of the poor population in Hong Kong has increased from 900 000 in 1991 to nearly 1.2 million in 2003, representing an increase of over 30%. During the period, the population of poor elderly people has increased drastically from 100 000 to almost 200 000, representing an increase of nearly 100%. The ageing population and the lack of retirement benefits are the major reasons for the sharp rise in the number of poor elderly persons. We expect this problem will become increasingly severe in the next 10 to 20 years.

The persistently high unemployment rate is considered the main cause of poverty. According to our statistics, nearly 90 000 poor families last year fell into the unemployed category, which accounted for a quarter of all the poor families. However, this figure also reveals another fact, that is, even if we can help all the unemployed poor families to secure employment, it will not able to remove the poverty problem completely. This is because, even if they can find a job, the wage is still very low.

At present, having found a job in the labour market is no guarantee for getting rid of poverty. Last year, over 180 000 families with employment were living below the poverty line, accounting for half of all the poor families. From this, we can see that the existence of low-income families with employment is the most important cause of poverty in society. Such families account for half of all the poor families. Among such families, many poor families with employment rely on their monthly income of \$5,000 to \$6,000 to feed the entire family of four members, for instance. Recently, the Government keeps mentioning that certain political organizations have proposed to create jobs in place of relief as a strategy of aiding the poor. However, whether this direction will prove successful depends a lot on whether we can ensure that there is good value for labour. The CTU has been fighting for the establishment of a minimum wage as well as a living subsidy system for families with employment. All these are pursued in the hope of ensuring that there is good value for labour and that the problem of employment poverty can be resolved.

Madam President, I have been given to understand that the Chief Executive will list aiding the poor as one of his key areas of administration in the future. If this is true, I certainly welcome it. However, I hope that the Government would not do it in a perfunctory manner. I still remember that several years ago, when poverty was the subject of discussion, somehow a suggestion of establishing a committee on aiding the poor would be sufficient for wrapping up the discussion, and the job was considered done. However, at that time, the Government already said that aiding the poor was a very significant policy. We hope it would be different this time around. I would like to tender two pieces of advice to the Government. First, the Government should not think that a one-off allocation of several hundred million dollars as non-recurrent expenditure would suffice to resolve the poverty problem. The poverty problem actually is due to many historical factors (such as the consistent refusal of the colonial government to implement a retirement protection scheme), the family cyclic problems (such as a lower family dependency ratio brought about by the fact that the very young children have to be taken care of by a single parent), and there could also be structural problems (such as the prevailing economic restructuring that makes some workers with lower qualifications unable to share the economic benefit). In order to solve all of these problems, the Government must be prepared for commitment on a long-term basis.

Moreover, the work of aiding the poor requires a complete package of measures, so that various measures may complement each other, giving full play

to their intended effect. For example, if we intend to implement the living subsidy for families with employment, it must be complemented by the implementation of a minimum wage policy. Thank you, Madam President.

**MR RONNY TONG** (in Cantonese): Madam President, Secretary, Honourable colleagues, has anyone of you, including those in the Public Gallery, lived in a partitioned room? Have you ever had the experience of having to go to a public toilet to answer the call of nature? I call see "Tai Pan" has raised his hand. Who has ever taken a bath in the kitchen? I can tell you, this is not the lifestyle which everyone aspires to. Today, I can stand in this Chamber, partly because of my luck, and partly because we still had some equal opportunity in the community of Hong Kong in my era, so that the poor people could still have some chance to climb the social ladder. However, do we still have the same equal opportunity in the community of Hong Kong today? This is rather doubtful.

Poverty is not a shame. Poverty is a social illness. In order to cure this illness, we must treat the entire society as a whole, not just its superficial symptoms. In order to solve the poverty problem, we cannot just feed the poor by providing them with CSSA, which just helps them on a day-to-day basis. In order to solve the poverty problem, we must improve society as a whole. We must implement matching measures in such areas as education, welfare, medical services, labour, economy and business environment. Only in this way can we be able to really ameliorate this social illness. If the Government lacks the determination, the building of a fairer society with justice is only a remote and inattainable target.

My assistant has prepared a lot of data for me, but I think I need not cite any more of them. Many people have also mentioned the Gini Coefficient. All we need to know is that there are 1.12 million people living in low-income families in Hong Kong, and 25 out of every 100 children are living in low-income families.

I visited some poor families last Sunday. I dared not face them because I did know when they could break away from such a poor life. Unfortunately, under the governance of the Chief Executive, the implementation of policies

during the past seven years has focused only on the interests of the business sector, with no due regard to the disparity between the rich and the poor. So the situation has deteriorated to where we are — the problem, which could have been ameliorated at an earlier stage, can only get worse now. Looking up the records, we can see that this problem was raised as early as the era of the Provisional Legislative Council. At that time, Ms Elley MAO, Principal Economist of the Government said that there were no standards for defining poverty. On behalf of the Government, she opposed the establishment of any indicator to facilitate policy changes, and she thought that only rapid economic growth should be given prime attention. And this has been the same version repeated by the Chief Executive down these seven years. Unfortunately, all we can see over the years is a problem that might otherwise have been ameliorated has gradually worsened with the lapse of time. As of today, we still could not see any positive signs of improvement. Each extra day of such delay will only write countless more miserable stories. May I ask the Secretary, "How much longer do we have to wait?"

The establishment of an interdepartmental committee on aiding the poor is one of the possible ways of curing the general ills of the society of Hong Kong. I cannot see any reason why academic institutions which have engaged in studies on the relevant subject for a long time, or non-governmental organizations (NGOs) which have maintained long-standing contact with the grass-roots people and served them on a long-term basis should be excluded from such a committee. I think that a committee on aiding the poor can identify the true causes of the problem only if it embraces representatives from NGOs. On the other hand, it would be useless to include in the committee people who never know what poverty is, unless such people are willing to go to Shum Shui Po or other poor districts in Hong Kong and live there for a couple of months. I very much hope that the Government will not waste time anymore.

Another point of contention seems to be whether it is necessary to establish a poverty line. The Liberal Party opposes it. Academically, the poverty line has triggered off a lot of arguments. However, what we want to discuss today is not how to set a poverty line; the point I wish to exemplify is the functions of a poverty line. If a poverty line is established, we can have a clearer objective when we formulate policies. At least we know who are the people living beneath the poverty line, and then we can provide assistance to them. Besides, we can ensure that people with greater needs can be provided with more

assistance. Establishing a poverty line will help us to understand thoroughly how the poor people live. This is essential.

Today, I support Dr Fernando CHEUNG's amendment. Thank you.

**MR LI KWOK-YING** (in Cantonese): Madam President, the poverty problem is not the franchise of developing countries. Many advanced countries and territories, including Hong Kong, are also plagued by it. The economic ups and downs have a close bearing on social stability. Last month, that is, on 3 October, President of the World Bank James WOLFENSOHN issued an urgent call to all the countries in the world to urge them to take proactive actions to solve the poverty problem. Speaking with great insight, WOLFENSOHN pointed out specifically that "the elimination of the poverty problem is the key factor for achieving global stability and peace." His remark has fully illustrated that solving the poverty problem is a crucial factor in maintaining social stability and harmony as well as curbing violence.

At present, the economic situation in Hong Kong has shown some signs of improvement. However, the unemployment rate remains high, and the poverty problem is deteriorating. The "Bun Theft Incident" mentioned earlier bears live testimony to the problem. Many low-income persons and families are now living in dire straits. Most terrible of all, poverty has induced many family and social problems. For example, earlier on, a family tragedy took place in Tin Shui Wai, which is one of the low-income districts in Hong Kong. Such family problems caused by poverty are really a matter of concern to us. The occurrence of such tragedies reminds us of the urgency of solving the poverty problem and alleviating the disparity between the rich and the poor.

Poverty is the core factor causing family violence. As long as the poverty problem is not solved, it will further damage the harmonious family life and social order.

The major victims of family violence are women and children. Many studies and surveys conducted on the subject reveal that abuse cases involving women and children tend to take place in low-income families. The DAB conducted a survey on family violence in early 2004. The survey findings show that women who have been subject to violence by their spouses are mainly from

low-income families; of which nearly 20% earn only \$5,000 or below, and 40% are without any employment.

In the same survey conducted by the DAB, we discover that nearly 40% of the abused women would vent their grievances on their children. A recent survey conducted by the Hong Kong Council of Social Service further confirms that there are obviously more occurrences of child abuse in districts with low-income families.

All these surveys indicate that poverty is the main cause of family violence. From the consideration of maintaining family harmony and social stability, it is imperative for us to alleviate the poverty problem.

It is most encouraging for us to learn that the government officials have started to show concern for the life of the poor people. They even went to such districts to visit the people, especially the children, in order to understand their living conditions. However, I hope what the Government will do is not just limited to making a few friendly gestures of offering sympathy and comfort, but also express their care and concern for these low-income people and families by taking some concrete actions, such as formulating specific and relevant policies and measures for the poor people, narrowing the gap between the rich and the poor, stabilizing the social order, and *inter alia*, the proposals of setting up an interdepartmental committee on aiding the poor and establishing a poverty line.

The poverty line is the most effective proposal for solving the disparity between the rich and the poor. The DAB has all along been urging the Government to formulate the relevant policies. Unlike the safety net, which we are familiar with, the concept of a poverty line will help to remove the problems of some marginalized poor families which cannot benefit from the CSSA system and have been excluded from the safety net. Such marginalized poor families are not eligible for CSSA, so they cannot enjoy the protection of the safety net provided by the Government. So all they can do is to continue tolerating all these and leading a tough life.

With regard to the tough life of such marginalized poor families, the Government cannot simply ignore it altogether and just relies on the CSSA system to help the most vulnerable group in society. Instead, the Government should proceed to broaden its vision of aiding the poor by drawing reference from the international practice. This will entail the formulation of a poverty

line by setting it at half of the median household income, so that objective and clear criteria can be adopted to help the marginalized poor families.

Of course, a poverty line alone is not sufficient. It is still imperative for the Government to provide all sorts of assistance to marginalized poor families living below the poverty line. Apart from financial assistance, suitable measures should also be adopted to enhance their skills. For example, the Government may enhance the employment opportunities of the low-skilled workers through projects of developing the local community development.

With the impact of globalization and economic restructuring, the low-income people are the first to bear the brunt. However, if the Government can adopt a positive and proactive attitude and formulate specific measures, it can definitely solve the poverty problem and narrow the chasm between the rich and the poor.

With these remarks, Madam President, I support the original motion of Mr Frederick FUNG. Thank you.

**MR WONG YUNG-KAN** (in Cantonese): Madam President, as the Member representing the agricultural and fisheries sector, I would like to speak on today's motion with reference to the situation of the agricultural and fishing industries in Hong Kong. By doing so, I shall exemplify that, if a poverty line is formulated in Hong Kong, farmers and fishermen should constitute the major groups under this line.

The agricultural and fishing industries had once carried certain weight in the economy of Hong Kong in the past. However, since the '70s of the last century, the Government has not formulated any agricultural and fishing policies. In addition, with the implementation of incessant reclamation projects and resumption of land, the Government has in effect been marginalizing the agricultural and fishing industries, thereby leading to their demise. As a result, many fishermen have gone ashore and many farmers have abandoned their farmland to make their way to the urban areas to earn a living in other trades. Those who still stay in the agricultural and fishing industries are just leading a mediocre life.

Since farmers and fishermen are usually not highly educated, nor do they possess any other skills, so no matter which alternative trades they have pursued afterwards, usually they can only take up low-skilled jobs with limited income. Their most common jobs are sailors, sundry workers at construction sites and manufacturing workers. Later, most of them can only take up jobs in the service industries such as cleaning workers, security guards, and so on. A decade ago, when the economy of Hong Kong was still enjoying its booming period, there were ample job opportunities. At that time, as all the productive members of farming and fishing families enjoyed stable incomes, they did not have to worry about their livelihood. However, with the subsequent economic recession and the rising unemployment rate, nearly all farming and fishing families have seen some or all of their members becoming unemployed.

Madam President, I very much hope the public can realize that actually many farming and fishing families are living in poverty. But they usually have an unyielding spirit. So unless they are really at the end of their rope, they will never resort to applying for CSSA. So long as one single person in the family is still employed, so long as there is still one more working day, no matter how mediocre the wage is, they would rather cling to the job and keep on working.

How should we help these current and previous farmers and fishermen get rid of poverty? I think the answer is not in the provision of CSSA to them, but in assisting them to resume working in the agricultural and fishing industries. Here, I am grateful for the proverb passed down by an ancient sage and this proverb has been regarded as the motto among us fishermen, "Giving them fish is not as good as teaching them how to fish." With this proverb, I can save a lot of words in my attempt to give an explanation here. I dare say, the proportion of people receiving CSSA in the agricultural and fisheries sector is the lowest in comparison with other sectors. But the proportion of poor people in the agricultural and fisheries sector is the highest among the different trades and industries.

Since becoming a Legislative Council Member for the agricultural and fisheries constituency, I have moved a number of motions in this Council, such as urging the Government to formulate a sustainable policy for the agricultural and fishing industries, developing off-shore fishing, developing leisure farming and fishing and eco-tourism, and so on. All these proposals were made to enable the ailing industries to undergo restructuring so that they could be provided with employment opportunities and the chance to bread away from

poverty. Unfortunately, these proposals invariably brought false hopes because whenever I moved a motion, it would be passed with the support from Honourable colleagues of the different Legislative Councils down the many terms, and even the Government dared not raise any objection. However, in their formal reply, the officials would change their stances and expressed a lot of reservations. So in the end, no positive enforcement measures have ever been implemented.

Over the years, among cases that I have followed up to offer assistance to people from my constituency, nearly all of them have faced all kinds of legal restrictions in the course of operating their businesses. As a result, it has become increasingly difficult for them to operate their businesses. Such restrictions include excessive restrictions on the construction specifications of farm houses; the over-stringent environmental protection regulations; rigid land planning control; inflexible policy for imported agricultural labour. In addition, there is a lack of proper co-ordination among different government departments, and they may have divergent views on a single issue. So strange situations like the following may arise: The Agricultural, Fisheries and Conservation Department had identified a piece of agricultural land for a farmer to carry out greenhouse planting, and they would also provide him with technical support. However, the Lands Department and the Planning Department would usually reject the application, thereby making the farmer incur very heavy losses.

Madam President, we farmers and fishermen in Hong Kong have a stronger aspiration for improving our poverty situation than any other groups in the community. As for how the problem can be solved, I think the ideas contained in Mr Frederick FUNG's motion, such as setting up an interdepartmental committee on aiding the poor and establishing a poverty line, could benefit our poor farmers and fishermen. However, if we really want to help them to get rid of poverty or prevent poverty, I think the Government has to formulate sustainable policies expeditiously for the agricultural and fishing industries with reference to the special characteristics of our sector, thereby assisting them to seek further development after restructuring. We should make it a target to help the farmers own the piece of land on which they work and to help the fishermen to own a fishing boat in which they embark on their fishing expeditions. This is the best approach.

Madam President, I so submit.

**MR ALBERT HO** (in Cantonese): Madam President, Honourable colleagues who are present in this Chamber now have all witnessed the development of Hong Kong during the past few decades, and today it has emerged as an internationally renowned cosmopolitan city. The living index of Hong Kong is one of the highest in the world. It used to rank fifth and it has fallen to 12th this year. And with inflation, it will soon move higher up the list and will find itself among the top 10. Our income per capita is US\$23,000 per annum; our ranking in the world in this regard is also very high, not to mention how many of our billionaires are included in the table of the world's wealthiest persons.

However, while today we can see the sales figures of red wines and brandies have maintained a consistently high figure in Hong Kong, and while we can see a lot of luxurious limousines running on the roads, Hong Kong is also considered a place plagued by poverty. In the '90s, Hong Kong had repeatedly been condemned by the United Nations Commission on Human Rights (UNCHR) for the problems related to the bedspace apartments. The UNCHR thought that such bedspace apartments inhuman accommodation, and therefore requested us to eliminate all such. For a certain period of time, the Administration has successfully done some work in eliminating such caged apartments. Recently, the number of such apartments has risen again, largely due to the influx of new immigrants from the Mainland and the tightening of the requirements for application for public housing. In May 2001, the UNCHR also issued a warning to us on the poverty problem of our elderly. It even went so far as to request us to set up an interdepartmental working committee to deal with the poverty problem. Regarding this point, we did raise it with the Secretary in the past.

Poverty is closely related to physical disability, old age, broken families, lack of knowledge, low qualifications, unemployment, semi-unemployment or low income, or even social exclusion due to inferior status. As a form of human existence, poverty makes one feel ashamed. As a human being, I cannot tolerate it. I do not need to portray what harm poverty will do to Hong Kong society. But as a human being, with dignity and conscience, I cannot tolerate that people around us are being tortured by poverty.

In an extended sense, poverty will really bring about some negative threat and impact on social stability. Poverty will make those plagued by it feel

inferior, depressed, commit suicide, take drugs, cause family violence, thereby creating hatred, and a tendency of inflicting violence on others and even committing some acts of crime like robbery, murder, and so on. If such problems should continue to worsen, the overall stability of society will be affected.

In a further extended sense and from the perspective of social development, if the poverty problem is structural, it will give rise to a situation in which many family members will face the problem of continued and inherited poverty. Many people actually cannot jump out of the dead alley of poverty because the next generation of these poor people will be denied education and equal opportunities, while society will find mobility, channels for climbing the social ladder and chances of nurturing talents lacking. Mr Ronny TONG or other Members in this Chamber, or others who have made their way to where they are from the lowest stratum of society, for example, if they were not given an opportunity at that time, society would have lost a lot of top-calibre talents now. It would be society which might otherwise suffer such loss.

Honourable Members, regardless of what the causes of poverty are, be it due to the globalization of world economy, or the change to knowledge-based economy necessitated by economic restructuring, or the ageing of our population, or our need to make adaptations and adjustments, we must solemnly address the poverty problem or the disparity between the rich and the poor. One of the causes of poverty is, as we can see from the disparity between the rich and the poor, some serious exploitation and unfairness which makes us feel that this system does not have the approval and acceptance of the people.

Madam President, we demand a narrowing of the disparity between the rich and the poor not because we are hostile to the rich, not because we oppose others becoming rich; it is not even because we are promoting egalitarianism. We are even of the opinion that such disparity in society sometimes helps to promote free competition and social development because it motivates the people to work hard in pursuit of some materialistic objectives. However, most important of all, such disparity must not lead to the emergence of extreme poverty, thereby making some people live below the bottomline of poverty. And such disparity must be conducive to competition in society, promoting the progress of society as a whole and enabling the poor to lead a better life.

Honourable Members, our social security system has to be revamped. We must ensure that the basic living needs of everyone must be taken care of. We should start doing this by way of education and a universal retirement plan, and we must also establish a culture of equality, care and respect.

I so submit.

**MRS SOPHIE LEUNG** (in Cantonese): Madam President, Mr Ronny TONG asked just now how many of us had ever taken a bath in a kitchen. I had, and part of the roof of that kitchen had even collapsed, and we had no means to repair it. In spite of this, I had lived there for a rather long period of time. Anyone could claim to have had some experience in life if he has lived like this. However, I am not going to talk about this today. Instead, I am going to discuss how the community can help alleviate the disparity between the rich and the poor, and even prevent the further worsening of this widening chasm between the rich and the poor in future.

In fact, many people had said that, if the issue was not handled properly, the disparity between the rich and the poor would become increasingly acute in the 21st century. Many Honourable colleagues have spoken on the severity of the overall poverty problem in Hong Kong. I would like to focus my discussion on the poverty problem faced by women. I hope my discussion can arouse further concern of society, so as to expedite the alleviation of the predicaments faced by low-income women.

First of all, let us look at the income situation of the female workforce in Hong Kong. Although there are slightly more women than men in the population of Hong Kong, the female workforce is smaller than the male workforce. According to the information collected by the Census and Statistics Department (C&SD) in 2003, with regard to the median income of persons employment, the income of women is lower than that of men by 18%. It is equally noteworthy that, among employed persons earning less than \$4,000 a month, women are in the majority, accounting for about 61%. Even if we do not go any further to explore the number of woman recipients of CSSA, the above data is already sufficient for illustrating the existence of a large number of low-income women in society.

If we do not tackle the problem early, it could linger on to become a long-term burden of society, and eventually make many families and even our next generation suffer. As women nowadays have a longer life expectancy than men, the number of women will gradually increase. According to the projection of the C&SD, the proportion of women in the total population of Hong Kong will increase substantially from the present 52% to 59%. It can thus be envisaged that the changes in the population will magnify the problem of low-income women to such proportions that it must be faced jointly by everyone.

In recent years, I have come into contact with a lot of financially poor women, including women with lower qualifications, unemployed middle-aged women, new immigrants, as well as women from single-parent families. What they want to have most is not alms, but an opportunity of enabling them to work for a future with their own abilities, so as to alleviate their present financial predicaments. The situation could well be compared to that of a very hungry lady, who is given a fish by a kind-hearted person to temporarily solve her problem of hunger. However, even though the kind-hearted person can always catch a lot of fish, she still hopes that she can be given the opportunity of learning the fishing skills, so that she does not have to wait for luck and salvation by others.

Therefore, in the long run, I think we should do our work well on two fronts. First, we should provide more job opportunities in society to women, so as to enhance their financial strength. During the past couple of decades, women have been most affected by the economic restructuring. In the past, a job in the factory or the sewing workshop was already sufficient for feeding the entire family, and it was a stable job which you could work until and beyond your 60th birthday. It could simply alleviate much of the social welfare burden. However, with the hollowing out of the manufacturing sector, many job opportunities have drained out of Hong Kong. As a result, the workforce of the manufacturing sector has decreased from over 800 000 persons in mid-eighties to one hundred and several tens thousand persons now. This has aggravated the unemployment problem among women. According to our population structure and labour data, many women with lower education have not managed to find a job now. Our nine-year free education policy was finalized only in the late '70s, and the professions in the new economy cannot absorb such surplus labour due to their respective academic requirements. As a matter of fact, even in the '80s and the '90s, the Government had not been able to formulate a set of policies with a sense of direction in the economic aspect. Unfortunately, from

the beginning of the economic restructuring until now, we are still unable to identify a blueprint for the economic development of Hong Kong, and the Government also seems to overlook this phenomenon. I hope the Government can identify a clear and definite direction, so as to create a diversified economy in Hong Kong which could accommodate all the trades and industries in which Hong Kong enjoys an edge, including high value-added industries and service industries. Meanwhile, it should promote the emergence of other new industries for the provision of large numbers of employment opportunities to women, thereby alleviating the financial predicaments of women.

Secondly, Madam President, we should provide women with opportunities to understand and strengthen their own potentials, so as to help them upgrade their competitiveness and become self-reliant. In fact, the natural talents of women are in no way inferior to those of men; they just do not realize this and they have not been given the opportunity in society to understand how much economic value they can produce. For such basic earning skills as cooking, housekeeping, child care, care of the elderly, sewing and knitting, nearly all women can master with great dexterity as a matter of tradition. But I am not asking them to learn such skills. But for some other skills such as inter-personal communication, linguistic abilities, and so on, women could do even better than men. These are valuable assets in the commercial world and could generate considerable economic value. I believe, with some training, or proper education, women should possess sufficient abilities to improve the livelihood of themselves and the family. For example, in certain backward countries, there are some loan funds for women which provide them with the opportunities of developing their abilities in financial management and managing small businesses. Such initiatives founded on the spirit of supporting women's effort in eliminating poverty are worthy reference for us indeed.

With regard to various measures such as improving welfare, establishing a poverty line or even other measures which have been discussed earlier, they are only short-term relief measures, not ultimate solutions. We must realize clearly that the disparity between the rich and the poor should not be simplified as just a welfare issue. Instead, it should be examined as an economic issue.

Just as evident in international experience, with the vigorous globalization of world economy, the lack of competitiveness is invariably one of the main

causes of poverty. In order to get rid of poverty effectively, we must enhance the competitiveness of ourselves as well as society as a whole. We must strive to create wealth, instead of just relying on the reallocation of resources because internal resources are limited after all.

I so submit. Thank you, Madam President.

**MS EMILY LAU** (in Cantonese): Madam President, today another motion debate is held in the Legislative Council on the disparity between the rich and the poor. However, so far few sparks have flown probably because a lot has already been spoken on the subject. Madam President, another possible reason is: Maybe everyone feels that this problem before us is simply a solid truth. Many Honourable colleagues have quoted certain figures compiled by the Hong Kong Council of Social Service (HKCSS) and other organizations in order to exemplify the fact that the number of poor people has increased considerably. So, I am not going to repeat them. I very much agree with Mrs Sophie LEUNG when she said earlier that the disparity between the rich and the poor was not just a welfare issue. Of course, we are glad to see the Secretary was present in this Chamber. Ever since assuming his office, the Secretary has shown himself to be one of the most hard-working Secretaries. He answers questions, and also he takes care of the motion debates, and all these have been tailor-made for the Secretary.

Madam President, in fact, should the Secretary be the only one answering questions arising from today's motion? The HKCSS has presented us with two letters, one of which mentions what we must do, in order to eliminate poverty. Not only do we have to rely on social welfare, but we also need to have matching policies in terms of employment, education, housing, medical services and transport. I do not know why only the Secretary is attending this meeting to answer our questions in this motion. Of course, he has not volunteered to attend out of his own initiative. However, if the Government does not change its own way of thinking, and if it still thinks that the issue of the disparity between the rich and the poor is only answerable by this Secretary, and that the issue will only fall within the sphere of social welfare, the problem can never be solved. Mr LI Kwok-ying said just now that he had noticed that the Administration seemed to have become more concerned about this issue, and that the officials had gone to the districts to see the life of the poor people. And the

Secretary had also said that the socially vulnerable should be taken care of when he first assumed office. I hope all these are true.

Madam President, several years ago, I watched the Chief Executive paying a visit to people living in public housing flats on the television. Upon arriving at a certain flat, he told the head of the household that he admired the latter very much because he had not applied for CSSA even though he was very poor. I watched all this on the television. I thought that, there were several hundred thousands people receiving CSSA, if they had the money to buy a television set, they would have heard what the Chief Executive had said, and if they did, what would they think? But, on the other hand, should CSSA recipients be treated with contempt? How could he speak in that way? It was an episode of years past. However, several weeks ago, I was discussing the CSSA issue with some senior officials in the Ante-Chamber. I forgot who said this, but someone said that a certain person was really of noble character because he had not applied for CSSA. Several years have lapsed, but it seems that the Government still has not changed its way of thinking. I hope the Secretary does not belong to this type of persons. I also hope that not too many senior officials will think in this way. Is it true that only those who do not apply for CSSA are of noble character? And only those who have not applied for CSSA should be respected?

Madam President, as we debate on this motion today, it is most important for us to discuss the way of thinking of the Government. On learning that we shall debate this motion, some senior officials encouraged me to deliver a speech. Madam President, they encouraged me to stress on the fighting spirit. In fact, there is nothing wrong with this, and no one would object to the fighting spirit. No matter the person concerned has to take his bath in a kitchen, or even on the streets, or he has to sleep in a four-tier bunk bed, everyone hopes that he can bring his fighting spirit into play. So far this evening, no Honourable colleague has ever mentioned the fighting spirit. Why should the senior officials want me to speak on it? They said that the people would heed the advice if it was put forward by us. I do not object to the fighting spirit, but I worry that some powerful and influential people will think that Hong Kong people do not have the fighting spirit anymore; that Hong Kong people have been pampered, thus making them lose the fighting spirit. This is the most important point.

Madam President, I believe everyone can recount some stories to illustrate that certain young people, certain elderly are lacking the fighting spirit. I think we should be able to find such stories. However, would it not be a biased and prejudiced reflection of the whole picture? On the contrary, if we want to find some examples, some figures to prove that the number of poor people has increased substantially, and that they are now leading a really difficult life, it would be much easier. Therefore, I hope these people who love talking about the fighting spirit so much can conduct some surveys to examine whether Hong Kong people have already lost the fighting spirit. I have heard similar theories on many different occasions; sometimes they are seemingly right but really wrong. However, if the facts are twisted to say that poverty has existed all the time, and if someone should say that he also used to lead a very tough life when he was young and that he eventually became successful, and then ask why the people now seem to have been spoiled, it is not helpful to resolving the problem. Madam President, that is why I hope the Administration can conduct some surveys, and that the HKCSS can conduct some as well.

Regarding the HKCSS, it has made some recommendations on certain strategies and targets with the purposes of helping the poor children to have adequate learning and development opportunities; preventing the poor from falling into the CSSA net; and creating and increasing employment opportunities. However, the HKCSS has never mentioned the poverty line. I trust the HKCSS needs to give an explanation on this point. The Frontier supports the establishment of a poverty line. Therefore, when the Liberal Party said it did not support it, I did feel disappointed. And some people advised me to oppose this amendment. However, I can also understand why some Honourable colleagues who want to establish the poverty line would like to support the Liberal Party. And some Honourable colleagues may even criticize us for supporting the Liberal Party.

In fact, we just hope to do as much as possible. It is also because the Liberal Party supports the setting up of a committee on aiding the poor, especially Mr James TIEN mentioned the children too. The children really need our help. As also mentioned in the survey conducted by HKCSS, they lack not just sports equipment, but also the money for books. Also, they do not have enough money for participating in extra-curricular activities and for subscribing to the Internet access. Therefore, I hope that we can do something as soon as possible to help the 24 poor children out of every 100 children. I do not know what will be in stock in the speech of the Secretary this evening, but some children could be watching you making the reply on the television. We

really have to do something as soon as possible. I do not know how long it will take to establish a committee; and after its establishment, it will take some more time to put forward some policies. As such, we really hope that we can help the children as soon as possible. I so submit.

**MISS CHAN YUEN-HAN** (in Cantonese): Madam President, as a long-time Legislative Council Member, I have come across quite a number of motions like the one proposed this evening, especially since 1997. The original motion is proposed by Mr Frederick FUNG, and there are two amendments. Members belonging to the Hong Kong Federation of Trade Unions (FTU), including me, all think that these two amendments are better than those proposed in past debates on this topic, though there are still some inadequacies. I am referring mainly to the Liberal Party. It is very good that the Liberal Party has now agreed to support the idea of establishing an interdepartmental committee to conduct comprehensive studies on poverty in Hong Kong. As you know, Madam President, I have been a member of the Panel on Welfare Services for quite some time, and I was also its Chairman at one time. In the past, when we discussed this idea, we found that there were some difficulties. I therefore think that the agreement of the Liberal Party this time around is certainly an improvement.

However, there is still one problem — they want to delete the reference to "poverty line" from the original motion. This will mean the elimination of a yardstick, and in the absence of a yardstick, how can we possibly define poverty? In many cases, it is very difficult to define poverty, and we may thus need to conduct very lengthy discussions. Therefore, in regard to this topic, which the Legislative Council has discussed many times before, while I agree that some improvement can be seen in all the amendments, especially that of the Liberal Party, I still think that they are marked by one deficiency — the deletion of "poverty line" from the original motion.

Madam President, many Members have already discussed the various facets of the problem of poverty in Hong Kong, so I do not wish to dwell on them any further. But I still wish to concentrate on one particular aspect. It is now already 2004, and I can say that poverty is found in all groups in society: children, women, the elderly, the unemployed and even the employed. I can say that when we look around us, we will notice many different kinds of poor people.

As a Legislative Council Member, I have met with people from different walks of life, including unemployed professionals. In the case I handled earlier today, the subject lost his job last year and has since been unable to find another one. I think that if there can be more channels in society to look after these people, their situation now will not remain so desperate when the economy has started to recover gradually. The subject of this particular case is a man in his late forties who used to be a supervisor in a large organization. But since his salary was as high as \$40,000 to \$50,000, his employer simply dismissed him. He then tried in vain to find a job with a monthly salary of just \$10,000 to \$20,000, and now, even though he is prepared to accept a job with an even lower salary, he has still been unsuccessful because of his age. We are well aware of this problem of long-term poverty among the grass-roots people, the elderly, women and the vulnerable. But we must note that the unemployment problem has now even spread to people with good education and professional skills in our society. Very soon, they will be plunged into predicaments.

People may say that they should have some savings anyhow. Madam President, I think Members can all understand that following the financial turmoil, many of these people may no longer have any savings, or worse still, they may have become owners of negative equity assets. We are now faced with a serious problem of immense dimensions. I think it is utterly wrong for the Government to refuse to tackle it.

Madam President, I have recently read a newspaper article on the handling of mood disorders. If we do not try to handle emotions before they reach the breaking point, they will become a socially destructive force. But if mood disorders are properly handled, they will become an asset. What I mean is that if the Government can take steps to help people in such mood, society as a whole will become healthier, thus fostering a very positive drive. Several years ago, when Hong Kong was battered by the sudden onslaught of the financial turmoil, many people were plunged into severe hardships, and the worst-hit were the masses and the average employees. On one occasion, a professional from a chamber of commerce told me in private that they were prepared to help those people who did not know how to overcome their difficulties. He was prepared to give a helping hand.

Actually, there are many people like him in Hong Kong, only that the Government has never drawn up an integrated policy. Its response has been so piecemeal. When we clamour for something, it will make some concessions.

And, when we clamour for more again, it will make more concessions. But it has evaded all the fundamental problems associated with our economic restructuring and the hardship of the vulnerable, problems which Hong Kong must address squarely, including the drawing of a poverty line.

I have already described how I look at the amendments today, and I have also said that the Liberal Party has shown some progress. But I must still say that they have not made enough improvement, and because of this, I must consider very thoroughly how I should vote.

Madam President, before us are a group of people who may constitute a socially constructive force if they are accorded proper attention. But if the Government simply ignores them and refuses to give vent to their grievances and tackle their problems, they will become another cause of social disturbance. The Panel on Welfare Services of the new term has been set up, and I have been elected its Chairman. As a usual practice, I met with Secretary Dr York CHOW to discuss the work ahead. He told me that the Government would exert its utmost to deal with the poverty problem, adding that he regarded the task of solving this problem very important. I was very delighted at hearing this.

But I also agree entirely with a point made by those Members who spoke earlier on, that if the Government really wished to solve this problem, it could not rely solely on Secretary Dr York CHOW. Other Bureau Directors must render their support and make joint efforts. Some issues will require interdepartmental efforts. For instance, while the payment of CSSA to the unemployed falls within the portfolio of Secretary Dr York CHOW, the problem of unemployment itself should be the responsibility of Secretary Stephen IP. Actually, many other issues are also interdepartmental in nature. If the Government is not determined to solve this problem, Secretary Dr York CHOW will have to fight a lone battle, and no headway will be possible. That was why during the meeting, I asked him to bring up this issue for discussion in the Executive Council. Since Mr TUNG Chee-hwa claims that he is concerned about the poverty problem, he should show his resolution and set up an interdepartmental committee on solving the problem, so as to offer assistance to this group of people who are facing immense difficulties. All these people should be given assistance in finding a job and solving their problems.

The Financial Secretary said that he very much approved of the FTU Chairman's proposal on creating jobs instead of offering relief. But I immediately asked him how jobs could be created. If the Government does not address this problem squarely, the poverty problem will not be resolved ultimately.

**DR KWOK KA-KI** (in Cantonese): Madam President, I welcome the motion moved by Mr Frederick FUNG and also the respective amendments of Dr Fernando CHEUNG and Mr James TIEN. Many Honourable colleagues have expressed many views on the amendments, and some of them even think that Secretary Dr York CHOW should not be the only government official to reply to this motion today. This reminds me that several weeks ago, when Secretary Dr York CHOW spoke in this Council for the first time after his assumption of office, he made it very clear that his prime task would be to answer the needs of the vulnerable. I believe Mr Frederick FUNG's motion is basically meant as a direct response to the Government's stubborn insistence of reducing CSSA rates.

It is of course true that we cannot possibly solve the wealth gap problem in Hong Kong simply by relying on CSSA or other forms of assistance as a means of helping low-income earners or the unemployed to become normal members of society again, so to speak. What is most important is that all those involved — society as a whole, the Hong Kong Council of Social Service to which we have referred and even other service providers — can make concerted efforts to assist those people who have hitherto been neglected or denied opportunities, and to lift them all up regardless of their age. Once ours can become a caring society or one with genuine equality, mentioned so often by the Chief Executive, all these issues will not pose any problems at all.

I believe that Mr Frederick FUNG's motion today is actually based on one observation, and I must say this observation really worries me enormously. Since 1997, Mr TUNG, as the head of the SAR Government, has repeatedly emphasized in this Council that his concern will reach even the lowest strata of society, adding that the Government will do its utmost to help these people. In spite of this, some people have still fallen below the poverty line — whether the Government agrees or not, there is indeed a poverty line, or a low-income line. The number of these people is increasing year after year. The Government has been bragging about the rebound of the economy, the recovery of the property market, and so on. But, sorry, I must point out that the number of people below the poverty line or those battered by poverty is on a constant increase. I hope

that the SAR Government will not become too happy too soon; I hope that it will not indulge in complacency at seeing all those improved economic statistics (the export figures over the past few months, the property boom and some other hard economic data, for example), thinking all the ills of Hong Kong have been cured.

The reality may be quite the opposite actually. The undercurrent of discontent caused by the wealth gap, as pointed out by Miss CHAN Yuen-han, may be very strong. If not properly handled, it may lead to violent repercussions in Hong Kong or even produce severe impact on the governance of the Government. And, Madam President, when we look at Mr Frederick FUNG's motion and the amendments by other Members, we can see that they do not urge the Government to offer any specific financial assistance. I am very pleased to note this because what we really hope to tell the Government is that by asking it to look after the poor or set up an interdepartmental committee on aiding the poor, we are not actually asking it to offer any material relief, or any welfare benefits, or any money. This is simply not our intention.

However, as far as we can observe, the Government's approach to all these problems is often much too simplistic. Why do I say so? As pointed out by some Members, basically, we have failed to give any adequate attention to the unemployment problem faced by low-income earners with low qualifications in Hong Kong. This problem should also be the responsibility of many other Policy Bureaux and even the Executive Council, and they should have studied the related problems a long time ago. But over all these years, they have simply done nothing at all.

We have been discussing economic restructuring, but just how many jobs can it create in the process or even after its completion? We notice that the number of jobs is actually diminishing. What is more, we notice that in many cases, the so-called new types of jobs are just confined to several industries, offering very meagre incomes that can never help people extricate themselves from poverty. That being the case, why have other Policy Bureaux, such as the Economic Development and Labour Bureau, and other organizations supposed to be responsible for aiding low-income earners and increasing their job opportunities, failed to work out any measures?

We must of course pay attention to many others, such as university graduates — who, we often say, need our attention — and also high school-leavers. We hope that their employment can assist society. However,

we have been so shocked and worried to observe that many of these people have gradually fallen below the poverty line or even become unemployed.

Why have the several Members who proposed the motion and amendments all asked the Government to set up an interdepartmental committee? The only reason is that we do not want the Government to continue to offer mere lip-service and refrain from taking concrete actions. Even now, the Government is still focusing on whether a poverty line should be drawn, how we should assist CSSA families and which existing forms of assistance should be adopted. These are of course all outside the portfolio of Secretary Dr York CHOW as the government official responding to the motion today. But that does not mean we should give up.

Whatever the voting results may be, I very much hope that the original motion of Mr Frederick FUNG and the amendments of the other two Members can convey this very significant and clear message to the Government and Secretary Dr York CHOW, and through them, to the Executive Council and other government officials: The poverty problem in Hong Kong is worsening fast and has even become a problem we must face every day. The Government can no longer wait, for this is a pressing problem. But it seems that the Government still wants to proceed slowly with more discussions. This is certainly not the message we wish to strike home today. We want just the opposite. We hope that the Government can formulate an integrated policy and set up an interdepartmental committee as soon as possible.

I support Mr Frederick FUNG's original motion and also the amendment of Dr Fernando CHEUNG. I so submit.

**MR VINCENT FANG** (in Cantonese): Madam President, I agree that the disparity between the rich and poor in Hong Kong has been fast widening in recent years, leading to more social conflicts.

The narrowing of the wealth gap is a long-term development objective of society, and we hope that this can make society more harmonious. The widening of the disparity will only result in more social problems, such as riots.

Economists generally believe that the only orthodox and ultimate solution to the wealth gap problem should lie in education and the provision of health care and social welfare. Ideally, these are the best measures, but they can only achieve the objective in the very long run and cannot bring any immediate improvement to the situation in Hong Kong.

For this reason, we must closely examine all the causes of the disparity in Hong Kong before we can administer the proper remedies.

Madam President, we must realize that the widening wealth gap in Hong Kong is very much the result of our economic restructuring necessitated by globalization. Over the past years, due to the Asian financial turmoil and the plummeting of property prices, we have witnessed a substantial contraction of the middle classes. The economy of Hong Kong has been distorted by what is often referred to as the "dumbbell effect", becoming weighty on both ends but very light in the middle.

The key to narrowing the wealth gap is the enhancement of economic vitality. Only this can boost consumer sentiment and set society as a whole on the path of prosperity. When this happens, more job opportunities will naturally be created.

Therefore, I support the idea of urging the Government to set up an interdepartmental committee on aiding the poor to conduct comprehensive studies on proposals relating to the disparity between the rich and the poor in Hong Kong. I also hope that the Government can try to improve the situation by making efforts in two directions. First, it should seek to create more jobs by fostering economic development. Some examples are the temporary posts created after the SARS outbreak last year.

Generally speaking, these posts can only fetch very low incomes and satisfy basic livelihood needs. Having a job is of course better than having no job at all, but these jobs simply cannot offer any promotion prospects.

For this reason, the second direction I propose is that the Government should assist society in enhancing its "value". In other words, members of the public should be assisted in providing high value-added products and services, so that the same types of products and services can be sold at higher prices to yield better returns. That way, people can accumulate wealth.

An example can be drawn from the garment industry, in which I am engaged. Polo shirts are sold in the stalls of Fa Yuen Street, and they are also available in brand name shops, but there is a huge price difference. The upgrading from street-stalls to brand name shops involves a long process in which manpower and material resources must be invested. If one is not prepared to make such investments, one cannot possibly narrow the disparity.

Therefore, I think the Government should further expand the scope of assistance for value-added industries. In the case of the retail sector, for example, operators should be encouraged to provide on-the-job training to their employees: quality service and after-sale service, warehouse and retail management, and so on. Such training can upgrade an hourly packer and turn him into a logistics worker. A shop assistant may also become a "customer service officer". That way, the income of employees can be increased.

The retail sector is a good indicator of our economic conditions. The sector certainly wishes to see the revival of our economy and increases in people's income, because only this can increase consumption power and create more jobs. Lastly, I will support the proposals of Mr Frederick FUNG and Mr James TIEN on the formulation of policies and measures to aid the poor and thus narrow the wealth gap.

Madam President, I so submit.

**MS AUDREY EU (in Cantonese):** Madam President, I suppose I need not cite any more statistics, as it is by now an uncontested fact that the wealth gap problem in Hong Kong has turned increasingly serious. Secretary for Health, Welfare and Food Dr York CHOW, who took office only very recently, has repeatedly expressed his concern about the poverty problem and stated the need to establish a poverty line. And, even Mr James TIEN, a Member from the business sector, also says that it is necessary to offer help to elderly people caught in destitution. The Liberal Party has abandoned its past position, agreeing to the establishment of an interdepartmental committee on aiding the poor. By paying serious attention to the poverty problem, the various sectors of society have indeed taken a very good first step.

To eradicate poverty, we cannot rely solely on the welfare policy, nor can we just put in place a safety net without doing anything further. A strategy on eradicating poverty must cut across different policy areas and government

departments. On the economic front, the Government must explore ways to increase job opportunities or even draw up legislation on a minimum wage to protect low-income earners. Socially, with respect to people's livelihood, basic housing needs and health care demands must be catered for. The ultimate solution is of course the provision of quality education to enable children from the lower strata to climb up the social ladder.

I am especially interested in discussing education as a means of helping people to extricate themselves from poverty. Nowadays, the family backgrounds of students are much more complicated than before. They may come from single-parent families; their parents may have to work very long hours, or the incomes of their parents may be unstable. Many students lack parental care. However, faced with an average class size of 30 or even 40 students, teachers can barely maintain classroom discipline, let alone teach effectively and look after the needs of individual students.

From this angle, teaching in small class can remedy the inadequacies of teaching in large class. The class master/mistress can play a more active role and communicate more with students, giving them support in tackling their difficulties. I am of course not asking teachers to assume the role of social workers. My point is that with more contact between teachers and students, the latter can at least feel that somebody do care about them. This is very important to the development of children.

Children of low-income families or families in receipt of Comprehensive Social Security Assistance (CSSA) have to face many other problems still. For instance, they may lack self-confidence or have an inferiority complex because they are not as materially well-off as their peers in comparison. The Hong Kong Council of Social Service conducted a survey last year. According to the findings, low-income families generally face greater financial difficulties in meeting the extra-curricular activity expenses of their children, buying them non-syllabus readers and computers and paying for Internet subscription fees. In brief, these children face many difficulties.

The Government has recently started to advocate general education, emphasizing that more efforts must be made in respect of project learning and the activity approach, so as to broaden students' horizons and help them think independently. However, many learning activities, such as visits to organizations, field trips and even web searches for project information, may all

incur expenses. Allowing the family financial problems of any students to bar them from participating in these activities is tantamount to denying them learning opportunities.

Just this past Sunday, several Members, including Mr Ronny TONG, Mr LEE Cheuk-yan, Mr Frederick FUNG and I, visited some poor children. This meeting with them has made us realize the pressure they face in their life and learning. For instance, two sisters had to share one dictionary; and, some children did not even have a camera to take the photographs required for their schoolwork, as a result their marks were deducted. A parent who is a construction worker also told me his hardship, recounting that although his income was unstable, he must still pay for his two children's education expenses, including school fees, textbook and exercise book fees and private tuition fees — even the English tutorial classes organized by the school cost as much as \$300 a month. And, the tuition fee of his kindergarten child is about \$700, so the two children would need as much as \$2,000 a month for their education. It is quite a heavy burden for him.

"It is not so much a problem of scarcity as a question of uneven distribution", as the saying goes. It is true that we cannot unrealistically pursue absolute equality in the distribution of wealth, but whether for the sake of social justice or social stability, we must at least ensure that there are sufficient learning and development opportunities for children from the lower strata of society. The Government should consider the provision of more subsidies to these children — the granting of allowances for extra-curricular activities and the purchase of readers, for example. Besides, the existing practice of granting allowances in the form of reimbursements to the recipients must be abolished because this will impose considerable difficulties on parents.

In addition to educating young people, we must also educate other members of the community, so as to do away with the discrimination against families receiving CSSA and remove the stigma attached to them. In fact, persistent discrimination and stigma will only result in social alienation and even hostility among the children of these families. I also actively encourage those who have the means to take concrete steps to help the vulnerable, such as making donations or even rendering voluntary service if donations are impossible, so as to realize the spirit of care, concern and mutual help.

Education is a long-term cause. To properly address the problem of poverty, the Government still needs to do much more. I therefore support the establishment of an interdepartmental committee on aiding the poor, and I also hope that the Government can take on board the opinions of different social sectors, such as the academic and welfare sectors instead of working behind closed doors.

With these remarks, Madam President, I support the original motion of Mr Frederick FUNG and the respective amendments of Dr Fernando CHEUNG and Mr James TIEN.

**MR ABRAHAM SHEK:** Madam President, tonight's motion is a most appropriate subject for discussion in the context of our present economic environment. On one hand, government statistics are revealing economic growth, on the other, many many families in the urban slums and in many of our estates are not sharing the economic benefits. Worse still, they are sinking deeper and deeper into poverty.

Poverty is not a shame, but it is shameful for a city like ours to breed poverty. Poverty is not a crime, but many economic and social crimes are committed by those who are subject to severe poverty. I am sure each and every one of us here tonight, irrespective of our social, political and economic background, is committed to the eradication of poverty in Hong Kong.

For a change — and it is a change for the better — we all share the common belief of closing the gap between the haves and the have-nots. With this common belief, I am sure we could put aside our political differences and find a solution to address this problem.

Mr James TIEN's amendment offers a compromise which could be accepted by all. With its passage, we can take the first step to eradicate poverty in Hong Kong, and it is always the first step which is the hardest step to take.

As for the Honourable Frederick FUNG's demand for establishing a poverty line, the issue is widely discussed in the community. However, there is much controversy over the definition of poverty. Furthermore, if a poverty line is to be set, at what level should it be set? The Government must then review the eligibility criteria for Comprehensive Social Security Assistance and the provision of social welfare services. It might also be required to readjust the

provision of services and reallocate social resources, as the case may be. Furthermore, the proposed establishment of a poverty line will bring about a significant impact to our community. With our present financial deficit, the Government has little room to manoeuvre. Therefore, I do not agree to the establishment of a poverty line. I do, however, support reviewing the current social policy, with a view to adopting more effective means to assist low-income households, especially in enhancing their working skill, so that they can re-enter the labour market to get rid of poverty.

Madam President, it is our Government's duty to safeguard the basic needs of the poor, in particular, to ensure that there are adequate education and other opportunities for them and for their children. Much has been done by this Administration, but its efforts are inadequate. The Government should consider the special needs of low-income families. I believe this is the start of how it is going to address the problem. In order to completely resolve the poverty problem, we should provide better education for the children from poor families. Otherwise, poverty will only pass on from one generation to the other.

When Dr York CHOW took up the office of Secretary for Health, Welfare and Food, he stressed that the top priority of the Bureau is to provide effective support and services to the elderly, the disabled, the chronically-ill and those families disadvantaged by poverty. I believe this shows Dr CHOW has a clear understanding of the crux of the problem. However, Dr CHOW is not the only person responsible for ridding the problem of low-income households and poverty. In fact, the keys to alleviating the disparity between the rich and the poor are to facilitate economic development, promote employment and training, improve our quality of education, nurture local talents, protect the underprivileged and foster a more harmonious society.

With these words, I support Mr James TIEN's amendment.

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

**DR LUI MING-WAH** (in Cantonese): Madam President, initially, I did not intend to speak. The moving of similar motions has almost become a ritual of some Legislative Council Members. These motions are proposed term after

term, year after year. But the movers of these motions or their supporters have only pointed out the symptoms of poverty and the dimensions of the wealth gap, instead of putting forward any fundamental solutions. Other Members have also failed to put forward any solutions. Many Members now present should in fact be held responsible for the prevalence of poverty and the intensification of the wealth disparity. My only reason for rising to speak is simply this: I have to speak out.

Madam President, poverty and polarization are common in all affluent capitalist societies. The economic causes of these phenomena are productivity enhancement and globalization of world economy. In the case of Hong Kong, the arrival of new immigrants year after year does contribute significantly to the prevalence of poverty, but one must not ignore the negative impacts of globalization either.

Madam President, there had been sustained prosperity in Hong Kong up until the late 1990s. The impacts of world development did lead to cyclical downturns every now and then, but the economy of Hong Kong invariably managed to turn around within just three quarters. The unemployment rate of Hong Kong once dropped to 1.2%, which was even lower than the thresholds of full employment in developed countries. Members may still remember that manufacturing industries were the locomotive of the Hong Kong economy at that time. They earned huge foreign exchange for Hong Kong, created the wealth of Hong Kong, and brought about large numbers of jobs, especially low-skill and manual jobs that every society needs. Owing to the impacts of globalization, Hong Kong subsequently became less competitive in terms of labour costs, so our industries were forced to relocate out of Hong Kong. The proportion of manufacturing industries in our GDP then dropped from 24.5% to less than 5%, and the number of their employees from 950 000 to 150 000. Members should still remember that at that time, the industrial and business sectors called for the importation of labour, in the hope of retaining some industries in Hong Kong. But their appeals in the following few years were all voted down by representatives of the labour sector. As recently as two years ago, the industrial and business sectors still hoped to revitalize the manufacturing industries of Hong Kong by introducing a "3:1" scheme of labour importation. But like all previous proposals on labour importation, the proposed scheme failed to come to fruition.

Madam President, I am not trying to delve into the records and blame anybody. I only wish to advise Members that to eradicate poverty, we must

work out ways to foster our overall economic development, for this is the only means to narrow the wealth gap. I have always maintained, and many erudite figures in society also agree, that being a separate economic entity, Hong Kong requires the manufacturing sector to provide impetus for economic advancement and create job opportunities. Since Members have come to realize that poverty is an acute social problem, they should really work out and support measures on solving the problem. Pure theories are of no use to the poor and society. Members must consider my point seriously. I so submit.

**MR FRED LI** (in Cantonese): Madam President, I am almost the last Member to speak, and many of the points I wish to raise have already been mentioned by other Members, so I shall make no repetition here. But having heard Dr LUI Ming-wah say that he must speak out, I am compelled to make a response.

First, can the importation of labour solve all our economic problems? Absolutely not. In case we do import labour, what levels of wages should we offer them? Should we follow the example of Dongguan and pay a monthly wage of \$800? If we do this, the wages of all local workers will be suppressed to \$800 or \$900 a month. Is this something we wish to see?

Why do manufacturers want to relocate their plants to the Mainland? I suppose Dr LUI Ming-wah should know only too well that wages are a key factor. How can we expect Hong Kong and the Mainland to be exactly equal in terms of wage levels? I mean, if the two places really became exactly equal in terms of wage levels, Hong Kong would have degenerated to an inconceivable state. Mr LEE Cheuk-yan discussed the accusation that some wanted to bring down people like LI Ka-shing, but, to me, the truth is that some people actually want to bring down the wage levels of Hong Kong workers. This is the greatest problem. Therefore, how can they resort to labour importation as an excuse? If we agree to labour importation, we will become the culprit of poverty.

Another point is that Hong Kong people now live longer than before. Given the longer average life expectancy and the absence of retirement protection, it is only natural to see a heavier reliance on social welfare and the safety net. Half of the 300 000 CSSA recipients are elderly persons. Basically, we cannot do anything. We must accept the reality that this will exert considerable pressure on government finances. The pressure will also

increase in times of recession, and it cannot be attributed to other reasons. The average life expectancy of Hong Kong people is simply becoming longer and longer. More and more people now live to be 80 or over.

My constituency, Kowloon East, is the poorest area in Hong Kong, and it covers Kwun Tong, where the largest number of low-income earners live. Mr Ronny TONG asked us if we had ever had a bath in the kitchen. I can tell the Secretary that when I was small, my three brothers and I used to share one basin of bath water. Can this be called poverty? Because people had to carry buckets of water back home for use, for water was a very precious resource at the time. How far has the poverty problem worsened today? To the extent that people do not dare to switch on their lights. So, homes are dark, and they should have gone to sleep by now. They will not switch on their lights after eight or nine at night, because electricity charges are high; they will just leave their television sets on, going to the kitchen to get a glass of water or something under the very dim light of the screens. They will think very carefully every time before taking any means of transport, and they seldom take the MTR, also because the fares are very high.

Second, does the Secretary know of a chain store called "Yue Kee"? All the goods sold by this grocery are cheap parallel imports — canned foods from Thailand, Malaysia and Indonesia. A box of some 20 eggs is sold at less than \$10 in the grocery. In Hong Kong, no adulterated eggs are sold, but there are poor quality eggs. I know someone who is in this industry, and he has told me that all the goods sold in this grocery are seconds. But many poor old ladies still go shopping in these groceries early in the morning. The Secretary must ask himself why these groceries or chain stores have been increasing in number. I am not advertising for them, for I only wish to tell Members that many people just will not buy anything from the PARKnSHOP or Wellcome because they find the goods there extremely expensive. They will just shop at some second-class, mini grocery-chains like "Yue Kee". More and more shops are selling relatively cheap vegetable scraps, but many people still patronize them.

Senior government officials often say on television and to the press that our economy has started to recover, and the unemployment rate has dropped to 6% or 7%. They always say that the economy has picked up significantly. But do they know that how sad low-income earners will be after hearing all these

words? They can only earn \$4,000 or so, and their income may even drop to some \$3,000 later. It looks likely that they will have no income increase. So, they are bound to feel hard-pressed when prices rise and inflation emerges. The more the Government talks about how good things are, the more agitated and discontented the low-income earners and poor people will become. This will create dissension and become a bomb in society. Grievances and anxieties will lead to many social problems.

Many people have already told us the number of children from low-income families and how many people in Hong Kong are leading a life below the poverty line. I do not wish to refer to the same statistics again. I only wish to remind the Government once again that as far back as 10 years ago, we already signed the International Covenant on Economic, Social and Cultural Rights. We must therefore discharge our obligation under this Covenant by providing basic and reasonable livelihood protection to all members of society. What I am talking about are basic livelihood protection and the CSSA Scheme. I really hope that the Government can review the CSSA Scheme as soon as possible, so that alternative arrangements can be made and the elderly and the disabled can be given back the CSSA payment which has been slashed in some other form. To these people, a monthly sum of \$100 or so is already a very large amount. Members are probably aware that restaurants in public housing estates are usually very crowded after 2 pm every day. It is because people will only have lunch during the afternoon tea time when discounts are offered. They all want to save money, even if they have to change their patterns of daily life. They will shop at "Yue Kee", and they will have lunch after 2 pm because this is the only time when they can order a casserole of rice for just \$2 or \$3. They just have to be very careful with each and every item of expenditure. More and more people have started to do so. There is no sign of any decrease.

I therefore hope that the Secretary can visit the districts more frequently to understand the real situation, instead of visiting just one or two families or paying visits prearranged by others. He should visit the districts incognito, so as to see what kinds of people wait outside "Yue Kee" and talk to them.

CSSA recipients are poor people, but many poor people have not applied for CSSA. Instead, they earn their living by scavenging aluminium cans and cardboard. Whether this has anything to do with their backbone, they should still deserve our respect. But whether they are in receipt of CSSA, they are also

living in very harsh conditions. We must offer them more care and concern. The Government must not put up any more delay. I think we will support Mr James TIEN's amendment. We do not want to argue about the drawing of a poverty line, but we maintain that a committee on aiding the poor must be set up as soon as possible, so that we can be sure that the Government is still concerned about those in dire need of assistance in Hong Kong.

I so submit.

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

**MRS SELINA CHOW** (in Cantonese): Madam President, Ms Emily LAU said that there had been little flying of sparks in the debate today. That is probably because Members all wish to seek a common ground. But still, having listened to the comments of some Members, I cannot help responding by quoting a frequent comment made by you, Madam President: "Oh, no. You must not behave like this." (*Laughter*) Do not always try to slander and pick on the Liberal Party because I fear that oft-repeated lies may be mistaken for truths. The accusation that the Liberal Party is the culprit of poverty (made by Mr Albert CHAN earlier on) really startles me. (*Laughter*)

Ms Emily LAU has kept on saying that no one had talked about the fighting spirit today. I guess we in the Liberal Party have talked about this most, right? We have been talking about the spirit of hard struggle, self-strengthening and so on. In fact, we have been talking so much about the related economic issues and the creation of job opportunities, so much that some Members have even criticized us for focusing only on economic affairs without doing anything to help the poor. Frankly speaking, we do not disapprove of the idea of helping the unfortunate members of society or those who cannot stand on their own feet. However, what we consider very important, very important, is that we must address our economic problems.

That is why it is grossly unfair to say that the Liberal Party is the culprit of poverty. And, in response to such an unfair accusation, I should perhaps ask Members how wealth can be created. Can Members such as Mr LEE Cheuk-yan, Mr LEUNG Kwok-hung and Mr Albert CHAN suggest any

measures to create more jobs in such an economy? It is no solution at all for us to keep on asking the Government to employ more people. If the Government really does so, will we not as a society have to pay the wages at the end of the day? What we must instead do is to boost the economy and investments, so as to bring forth job opportunities. It is only in this way that more people can secure employment. And, all of us in the Liberal Party have been sparing no efforts to do exactly that. I may perhaps appear a bit boastful, but I must still say I have indeed made some achievements in the tourism industry. Mr James TIEN and other Members such as Mr Andrew LEUNG and Mr Vincent FANG (functional constituency Members who have taken a lot of flak) have all been working hard for Hong Kong economy actually. Our hope is to create more job opportunities by boosting the economy. I am not saying that there is anything wrong with Members' intention of supporting or aiding the unfortunate ones in society. But they simply should not accuse us of doing the wrong thing, or even slander us, or mislead the public, claiming that the Liberal Party never wants to do anything for the poor. The truth is that we have always been concerned about all the related issues.

I also wish to talk about one misleading suggestion, the suggestion on "enacting legislation to eradicate poverty" raised by Mr LEUNG Kwok-hung earlier now. What is it anyway? How can this be possible at all? To begin with, I must say that anyone who talks about the eradication of poverty are founded on one fundamental mistake. Whoever tells society at large that poverty can be eradicated must be a liar. I think there must be poverty in even the most affluent of all societies. Poverty just cannot be eradicated. If anyone says that poverty can be eradicated in any society, that very society must be some kind of a utopia, because there is simply no such a place on Earth. Poverty as a problem can only be reduced, and what can be done is just to aid the poor as much as possible. The Liberal Party supports such a viewpoint, which is why we agree that the proposed interdepartmental committee should be set up. We even support extrication from poverty. What is meant by this? This involves the social mobility of children and even adults who are living in poverty. But how can they extricate themselves from poverty? To achieve this goal, we must make them realize that they can do something to break away from poverty. This will give them hope. Giving them hope is very, very important. For this reason, we agree entirely that in the case of children, for example, we must find out what their needs are and cater for them. These needs may not necessarily be related to education. Education is admittedly important, but apart from it,

children also need to take part in many other activities. So, we must also look after their such needs and make sure that they will not be denied such opportunities because of the poor financial circumstances of their families. If they do not hold any hope, they will never seek to strengthen themselves and struggle for their goals or extricate themselves from poverty. We totally support all efforts in this respect.

However, as Members should note, the most important point is that our efforts of assisting the poor or uplifting them must not be regarded as any welfare benefits, alms or charity. Instead of only giving them benefits, we must also consider how we can help them create an environment conducive to their development. The Government alone cannot achieve this goal, but it must take the lead in creating an environment in which all sectors of society can join hands in the endeavour. And, the work in this respect should start with the seeking of a consensus. First, we must clearly identify those groups of poor people who are in the greatest need of assistance. The Liberal Party thinks that they include children and the elderly. The latter will only increase as our population ages. There are also the unemployed.

When it comes to the unemployed, do Members think that Secretary Dr York CHOW alone can work out any solutions? Of course not. We may just try to find out whether the Government has managed to help many people. For instance, the employee retraining scheme has cost us lots of public money, but has it succeeded in helping large numbers of people in securing employment? Not necessarily. I can cite my recent experience to illustrate my point. I once sought referral of job applicants from the Labour Department. There were indeed many exchanges of documents through the fax. But could the service provided really help the unemployed to introduce themselves to me? Or, could I thus succeed in employing the person I wanted? I only think that the service was not very useful. This shows that what are required are not any government efforts but sales and marketing skills. The co-operation of society as a whole is thus necessary.

We do not support the drawing of a poverty line. The remarks made by Mr James TIEN earlier on can tell Members the reasons for our disapproval. And, I do not intend to repeat the reasons expounded by Mr James TIEN. Our disapproval is not based on any refusal to admit the existence of poverty. Rather, we maintain that instead of arguing about where a poverty line should be

drawn, we should first make a start by asking the Government to set up an interdepartmental committee. Thank you, Madam President.

**MR ALAN LEONG** (in Cantonese): Madam President, a just and caring society should never turn a blind eye to poverty. According to Mrs Selina CHOW, the business sector can boost the economy and create job opportunities. She seems to suggest that those workers who now have a job should be immensely grateful. But I am sure that even the business sector can understand that we are all in the same boat and should thus be prepared to help out one another. If society is bent low by a very heavy burden, the business sector simply cannot avoid being affected. And, of course, the Government should take the lead in assisting those in need of assistance. It is only when society can take adequate care of those in greater need of assistance that all in Hong Kong can join hands to make new achievements without being burdened by any worries.

Madam President, poverty is evidenced not just by the hard facts, statistics and surveys cited by Members today. As a matter of fact, many miserable stories are happening around us every day. Many families of four to five members have to live on an income of \$5,000 or \$6,000 a month. The parents must toil and sweat, from seven to eleven, or even from six to twelve. There is only a hard and grim struggle for survival, for food, for clothing, for medical expenses, and for school fees. However much they would have wanted to spend time with their children and other family members, they simply cannot find the time to do so.

If the wealth gap problem is not squarely addressed and properly tackled, a vicious cycle will certainly result. The children of poor families are deprived of parental care, are deprived of adequate learning support through lack of means, but the competition they face is keener than ever before. Some students may not have a computer at home for Internet connection. In that case, how can they learn at an equal pace as their peers and compete with them fairly? They may simply be denied any development opportunities, so they have no hope and can only tread the same path of poverty as their parents have done, marked by low education, low skills and low incomes.

This will become a source of social instability. A great many Members have pointed out that there must be a social ladder to ensure that young people can become self-made men and uplift themselves through their own efforts.

This kind of vertical mobility has for years been assuring the social stability of Hong Kong. But the signs are that opportunities of becoming self-made men are increasingly difficult to come by.

Madam President, I am especially worried that the population of poor people is particularly large in my constituency comprising Wong Tai Sin and Kwun Tong. The number of poor people there is among the top two in Hong Kong, being as large as 220 000, of whom 68 000 are poor elderly people. And, Kwun Tong is even the district with the largest number of poor people in Hong Kong. According to the conclusions of a study conducted by the Hong Kong Council of Social Service, the poverty and wealth gap problems in Hong Kong are worsening. It cautions that the Government should take concrete steps to solve the problems. According to the findings of this study, the 10% of Hong Kong households earning the highest income already account for 40% of the total household income in Hong Kong; and, the 10% of Hong Kong households earning the lowest income only account for 1% of the total household income. When compared with the situation 10 years ago, the wealth gap problem has indeed worsened instead of showing any alleviation. However, what I can see are just the fragmentary and fruitless attempts of service organizations to help these families at the district level. The Government has never taken any bold steps, nor has it changed its attitude and invested any huge resources in solving the problems.

The drawing up of a poverty line is only the first step towards enabling the Government and everybody to understand the proportions of the problems, and to accurately grasp the characteristics, living standard and needs of the poor people in Hong Kong. We know that once a poverty line is drawn, it may be necessary to adjust or alter our resource allocation in respect of public housing, health care, education, government fees and charges, utility charges and even CSSA eligibility and subsidy items. But these adjustments can put things back onto the right track. It is hoped that the Government can allocate resources flexibly, so as to achieve the best results.

A committee on aiding the poor should seek to pinpoint the causes of poverty and the wealth gap. It should then formulate a policy on eradicating poverty and co-ordinate the efforts in respect of housing, health care and education and even hold discussions with private-sector organizations on providing concessions to the poor. It should also assist the Government in

allocating resources effectively to ensure that they are spent on those in genuine need.

And, before I sit down, I must remind the Government that a committee on aiding the poor must be vested with the power to mobilize and co-ordinate the support of government departments. It must not be a mere advisory body, something like a window-dressing organ, or a "toothless tiger".

With these remarks, Madam President, I support the establishment of a committee on aiding the poor to comprehensively examine the disparity between the rich and the poor in Hong Kong and establish a poverty line, so as to enable a more effective allocation of social resources.

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

**MR ALBET CHENG** (in Cantonese): Madam President, Ms Emily LAU said that few sparks had been seen flying in this motion debate. It is now almost eleven o'clock, and everybody is packing up, ready to leave. So, I do not think there will be any sparks in the time left. Besides, Members should know only too well why there have not been any sparks today.

The Democratic Party already discussed with the Hong Kong Council of Social Service, saying that for fear of achieving nothing, it was prepared to make concessions in the motion debate today. As a result, the Democratic Party will support Mr James TIEN's amendment. Honestly speaking, the original motion and the two amendments are not marked by any major differences. It is thus only natural that there have been no sparks. The bone of contention today is whether or not a poverty line should be drawn. All of us recognize that the poverty problem in Hong Kong is worsening, as evidenced by the Gini Coefficient. Members have also taken this opportunity to cherish memories of their past. Many Members in this Chamber have grown up in poverty, and the speech of Mr Ronny TONG is especially touching. Since Members agree that poverty is a problem, and since they also support the establishment of a committee on aiding the poor, why do they refuse to draw a poverty line? Why do we not administer the right remedy? The only answer is that Members from the business sector are worried that increases in welfare spending and heavier taxes may result once a poverty line is drawn, thus reducing their profits or wealth.

Poverty is no crime actually. When it comes to wealth creation, I mean, without the support of poor people or all those who are exploited in the process, there cannot be any rich people at all. Prosperity is not the sole property of the business sector. Mrs Selina CHOW criticized Mr Albert CHAN, who described the Liberal Party as the culprit of poverty. But Mr Albert CHAN was not the only one who said so; Dr LUI Ming-wah also said that this legislature had been the culprit of poverty in Hong Kong. I hope that he was referring to the Liberal Party. If he really was, I will support him — I seldom do so, but if he really was saying so, I will support him this time around.

A couple of days ago, a very rich friend of mine in the business sector rang me up, asking me if I supported the setting of a minimum wage level. I replied in the affirmative, and he immediately said that he had nothing more to say to me. I then asked him not to hang up, so that I could explain to him the reason for my support. I knew what was in his mind, but I told him that the minimum wage level I wanted was different from what he was thinking about. Why did I support the setting of a minimum wage level? I explained to him that many workers in Hong Kong were being exploited, earning just a very disgraceful wage. I told him that this kind of treatment simply could not induce people to work because once they did so, they had to bear a much heavier burden imposed, for example, by exorbitant transport fares, meaning that they had to incur costs other than labour. I explained to him that it was only natural for people to opt for the easier way out. Honestly, I told him, if I had been in their position, I would have similarly preferred CSSA to a job with a wage of just \$3,000 or so. Such disgraceful treatment, together with the exploitation of workers by unscrupulous businessmen, is precisely the cause of poverty, precisely the factor compelling people to apply for CSSA. I asked him if he knew anything about our demand. I explained to him that what the motion of Miss CHAN Yuen-han had asked for was just a minimum wage of \$5,000 a month, or \$25 per hour, in other words. I questioned him whether this was in any way excessive. In the end, it seemed that he was convinced by me. I was therefore very delighted. I advised him to have more discussions with rich people on all these problems, or else they might mistake him for a communist because Mr Alex CHAN had already said so. If anyone describes me as a communist, he must be holding me in excessive esteem. We in the pan-democracy camp have often been criticized for resisting China and creating chaos in Hong Kong. If I were a communist, I presume that I would be allowed to go to Beijing very soon. I would have been

invited to a state banquet in the Great Hall of the People in Beijing, not in the Hong Kong Jockey Club.

My point is that our society today is really very affluent. Mr Ronny TONG and I, and even Mrs Sophie LEUNG and Mr Vincent FANG, all used to live in poverty. But we have all extricated ourselves from it; we have all made a mark in our respective fields, becoming the backbone of society. But we must not be ungrateful. Both Mr Ronny TONG and Mr Fred LI talked about our constituency of Kowloon East, saying that we represent the poorest masses in Hong Kong. The place where I was brought up is located in my constituency — I grew up in Choi Hung Estate. I was among one of the first ones to move into Choi Hung Estate. I lived on the seventh floor of the lowest block at that time, that is, Kam Wah House, where a post office is located on the ground floor, and which was not equipped with any elevator. Like Mr Ronny TONG, I had also lived in a partitioned room before I moved into Choi Hung Estate. I was living with my three sisters, my parents — like all others, naturally — and also my maternal grandmother. The seven of us had only one bunk bed and a foldable canvass bed. Choi Hung Estate was already paradise to us, and we were all so happy to move in. Although we lived on the seventh floor and there was nothing, absolutely nothing, to insulate us from the scorching heat, we were nonetheless very delighted, thinking that we had really extricated ourselves from poverty. But recently, when I returned to the unit — I had to conduct home visits, so I asked the tenant to let me in — I found that the setting there had remained totally unchanged since my time there. Having said that, I must add that the living conditions there were already far better than those of the partitioned room dwellers in Sham Shui Po whom Frederick and I visited. Therefore, although I may offend the wealthy political party, I must say there will not be any altercations today.

I hope that having listened to our debate (although I will vote against Mr James TIEN's amendment as a matter of basic principle, one can rest assured that the motion will certainly be passed), Secretary Dr York CHOW will urge the Government to submit a bill to the Legislative Council as soon as possible. We will support such a bill. I so submit. Thank you.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Mr Frederick FUNG, you may now speak on the two amendments. You have up to five minutes.

**MR FREDERICK FUNG** (in Cantonese): Madam President, the respective amendments of Dr Fernando CHEUNG and Mr James TIEN both seek to amend the original motion on two of the points contained in it. Dr Fernando CHEUNG's amendment proposes the addition of non-governmental organizations and academics to the interdepartmental committee. Since I support this proposal, I am not going to discuss it.

Mr James TIEN's amendment seeks mainly to ensure that the interdepartmental committee to be set up will be purely a governmental body comprising no other organizations. This is no different from the proposal in my original motion. Besides, he also proposes to delete "poverty line" from the original motion. However, I notice from Mr James TIEN's speech that he has two misconceptions. The first misconception is about the position of the ADPL and I, or even the stance of all those Members who are concerned about the people's livelihood. As he pointed out in his speech, he once thought that the aim of the motion was to bring down the rich. But he later admitted that having listened to my remarks, he realized that I never had such an intention, and that I was not asking for any handouts. His perception of us was very much a preconception, or simply a misconception. He stereotyped all of us, so he simply thought that we would certainly be asking for something like that. I therefore must ask the Liberal Party and Mr James TIEN to listen carefully to our remarks in every motion debate.

Actually, ever since 1991, when I first became a Legislative Council Member, I have been proposing a motion like this every term. As rightly pointed out by Dr LUI Ming-wah, I have been doing so every term. And, I wish to tell Members that I have moved four motions on this subject, but none of them has been passed. The shift of focus from mere studies on the wealth gap to the establishment of an interdepartmental committee and the setting of a poverty line — a shift from pure studies to demands for concrete actions — represents a consistent process of evolution.

The second problem mentioned by Mr James TIEN is about the difficulty in setting a poverty line. He cited two studies conducted by the United Nations to support his claim — the Choices of the Poor and the concept of the

consumption basket. I believe his secretary or assistant must have referred to the editorial of the *Hong Kong Economic Journal* on 18 October. But I suppose they must have misinterpreted the contents of this editorial. The United Nations studies are not quite the same as those conducted in Hong Kong. The studies of the United Nations were on the possibility of drawing up a global poverty line. It has subsequently been ascertained that it is not possible to do so due to the impossibility of setting any common indicators in terms of housing costs. According to the studies, there is a developed housing market in some countries but none in others. That being the case, how can it be possible to set any global poverty line? The editorial is on the studies conducted by the United Nations, not the work of the Hong Kong Government. I think this is the second misconception in his speech. His idea that it is difficult to set a poverty line is probably due to him being misled by his assistant or secretary.

The second point I wish to raise is that although some Members oppose setting a poverty line, they in fact do have such a line in mind. For instance, when Mrs Sophie LEUNG expressed her concern for the poverty of women, she already had a poverty line in mind, one which was about the poverty of women. And, when Mr WONG Yung-kan referred to the poverty of fishermen, or when Mrs Selina CHOW talked about the need to identify those who were really poor before we could administer the right remedy, they too must have a certain poverty line in mind. My point is that unless we do not want to beat poverty, we must somehow have a certain poverty line in mind. My motion does not seek to draw up such a line, nor does it propose where it should be drawn. But we all think that a line must somehow be drawn. In the case of CSSA, for example, there is a line of eligibility. This is also the case with public housing and even the grants and loans offered to undergraduates. The criteria for drawing such a line may vary from case to case, but they may also be identical in all cases. What lines do we have in mind? We may all have different ideas. But at the end of the day, the task of setting such a line should be handed over to the interdepartmental committee. We can certainly put forward our views in the process, in the hope of drawing a line we desire. In any case, however, the establishment of a poverty line is inevitable.

No sparks have flown in this debate, but I still have to ask Members what they think the aims of the motion should be. I always maintain that the motion can serve two purposes. The first purpose is to enable Members to state their positions. We need not discuss this aim because those for or against the idea will naturally indicate their positions accordingly. The second aim of the

motion is to enable us to come up with a consensus in the legislature. I hope that such a consensus can demonstrate to the Government that the legislature has already agreed on a bottom-line, and I hope that the Government can really observe this bottomline. I think we have already found a bottomline today, and I do not agree with the Democratic Party that a change from opposition to support is any compromise. Actually, I even think that by finding this bottomline, we can at least transform all the relevant motions which were negated in the past four terms into an issue that the Government must tackle in this term. The Government must reply to us. If it does not establish an interdepartmental committee, it must offer a reply and an explanation.

What is more, we can also tell the Government one more thing. On political issues, the Government frequently expresses the hope that it can reach a consensus with the Legislative Council, can have exchanges and co-operation with it. If we can pass this motion on setting up an interdepartmental committee today, the Government will have the opportunity to co-operate with Members belonging to different political parties in tackling a social problem faced by all Hong Kong people (This is a poverty problem that Hong Kong must tackle and also a social problem which gives the executive a political opportunity to work with the legislature). I hope the Government can seriously consider the proposal. Thank you.

**SECRETARY FOR HEALTH, WELFARE AND FOOD** (in Cantonese): Madam President, first of all, I would like to thank Mr Frederick FUNG, Dr Fernando CHEUNG and Mr James TIEN for moving the motion and putting forward the amendments today. Over the last three weeks since I assumed the office, I have studied the problem of poverty for at least 20 or even 22 days. I have learnt a lot from listening to what Honourable Members have said just now and have come to a better understanding that poverty is an issue which concerns all the people of Hong Kong.

First, I would like to stress that the Government, led by the Chief Executive, has taken this problem very seriously. The Chief Executive hopes that some policy decisions can be made in the future and I am responsible for relaying our discussion today to the Secretaries of Departments and Directors of Bureaux. I believe the Secretaries and the Directors themselves would also have listened clearly.

Let me spend a bit of time to explain what the Government has done before and what it has now planned to do. I have some information given to me by the Directors of Bureaux and I would not refrain from reading them out only because of the time constraint.

Regarding the economic and employment situation of Hong Kong, the overall size of our manpower in the third quarter of this year has grown by about 84 000 people over the corresponding period last year, with an increase of posts across all major sectors at various strata. Some 60% of the increase are relatively low-skilled jobs. This shows that grass-roots workers have also benefited from the recent economic recovery and the creation of new jobs in the labour market. Last year, the remuneration of workers in general also saw a smaller decrease when compared with the previous year. That said, I am aware that I should not be too happy about the present situation and more have to be done to improve the livelihood of our grass-roots workers.

It is not my intention to spark off too much academic argument among Honourable Members on the topic of disparity between the rich and the poor. I would, however, like to stress that the Gini Coefficient is based on comparison among countries rather than big cities. Since Hong Kong is a big city, it is more appropriate to use cities as the basis of comparison.

It is important to note that Hong Kong's economic system makes opportunities available to people to close income disparity. According to the findings of a study by the University of Hong Kong in 2001, out of the 20% lowest-paid workers 10 years ago, nearly 60% have risen above this level since then. I do not know whether this is a high percentage or not. However, as Honourable Members have mentioned that 40% have still not risen above the level, it is certainly worthy of our concern.

I would now turn to the Government's anti-poverty policy and measures. In promoting social and economic development, it is our strong belief that self-motivation is the basis for both individual and societal progress. With this in mind, I believe that the most effective way to deal with poverty is to create an enabling environment in which people are given the opportunities to make use of their strengths, participate in fair competition and improve their quality of living, while maintaining social mobility through education, training and fostering economic growth.

We offer support and assistance to the socially vulnerable, especially the elderly, people with disabilities and poor families. We have also put in place a social security safety net which provides people who are unable to be economically active to make ends meet with financial assistance to meet their basic and essential needs.

At the same time, we encourage mutual help and cross-sectoral collaboration. We also strive to build capacity of individuals, families and local communities to help themselves and each other to tackle life problems, and cope with adversities in a more effective manner.

As an Honourable Member has commented just now that the Government has not done anything, I would like to provide the information given to me by the Directors of Bureaux in detail.

As far as education is concerned, the Government provides nine-year free education and subsidizes students with financial difficulties through various schemes. For example, the Kindergarten Fee Remission Scheme, the Fee Assistance Scheme for Child Care Centres, the Senior Secondary Fee Remission Scheme, the Examination Fee Remission Scheme, the School Textbook Assistance Scheme and the Student Travel Subsidy Scheme. Nevertheless, not all students who are in need will be able to obtain all of the above subsidies. Some students did not apply for assistance because they did not want others to know about their lack of means. In addition, the Hong Kong Jockey Club Charities Trust has established the Life-Wide Learning Fund to assist students who are in financial difficulties, and enable them to participate in various learning and extra-curricular activities. Again, some students did not apply for the Fund for fear that they would be ridiculed as poor families. However, I am very sure that the Government will provide students and families in financial difficulties with more subsidies and assistance.

I have also discussed with the Education and Manpower Bureau to explore the feasibility of providing after-school care service and to extend the subsidies given to needy children to engage them in after-school activities, so that they can have a better living, enjoy equal opportunities and become hopeful and ambitious people who are determined to study and work.

The Government has introduced various employment initiatives, as an Honourable Member has mentioned, the Youth Pre-employment Training

Programme, the Youth Work Experience and Training Scheme, the Youth Self-employment Support Scheme, the Re-employment Training Programme for the Middle-aged and the Special Incentive Allowance Scheme for Local Domestic Helpers.

Under the present circumstances, some people may already have found employment but not others. We have extended 11 700 temporary jobs in 2004, and the Labour Department has also strengthened its employment service to canvass more vacancies.

In addition, we will explore ways to further encourage and assist those who are on Comprehensive Social Security Assistance (CSSA), the needy and single parents to re-enter the labour market or continue working, in the hope of facilitating them to move towards self-reliance and social integration.

We provide public rental housing to people who cannot afford other types of decent accommodation. Rental assistance is available to tenants in financial difficulties. We also deliver heavily subsidized medical and social services to the eligible persons.

As far as care for the elderly is concerned, the Government has deployed substantial resources to enhance the delivery of services and support, in line with our mission of achieving "a sense of security, a sense of belonging and a feeling of health and worthiness" among the elderly.

In the year 2003-04, we have provided over 630 000 elderly people with financial assistance amounting to around \$11.7 billion through the CSSA and Old Age Allowance Schemes. Our expenditure on elderly services for this financial year will be \$3.4 billion.

Some 22 000 elderly people are now receiving home and community care services. To better target our resources at the development of long-term care services, we will provide assistance for transforming homes for the aged and self-care hostels in order to save the elderly the trouble of moving from place to place and hence provide better care to the frail, elderly people.

Regarding our rehabilitation policy for people with disabilities, the key objectives are to provide comprehensive and effective measures for the development of their capabilities. In order to achieve these objectives, we

encourage people with disabilities to become self-reliant and to obtain employment according to their capabilities and potentials.

In 2004-05, we will deploy \$112 million to provide people with disabilities with vocational training and various employment assistance schemes enabling them to fulfil the market requirements through three skills centres. At the same time, we will also provide 5 100 sheltered workshop places, 1 600 supported employment places and over 3 200 integrated vocational rehabilitation places which offer comprehensive vocational rehabilitation and training services to different categories of people with disabilities to meet their different needs.

Since 2001, the Government has also rolled out a series of programmes to help people with disabilities achieve self-reliance. These programmes, among others, include the On-the-Job Training Programme for People with Disabilities, Enhancing Employment of People with Disabilities Through Small Enterprise and the Trial Placement cum Mentor Scheme for People with Disabilities. To date, over 980 people with disabilities have secured employment in the open market through the programmes.

To enhance people with disabilities' communication with other people, as I have mentioned a few days ago, I will provide, among other things, more information technology and network support to people with serious disabilities.

To assist people in need, we cannot rely on the Government alone. Since the establishment of the Community Investment and Inclusion Fund (CIIF) in 2001, we have tried many new initiatives and have planned to increase the amount of subsidies to the CIIF, as well as to lend greater support to projects targeting at the young people, single parents and vulnerable families, with a view to enhancing their capability of self-help and mutual-help.

It has been our belief that the CSSA Scheme is a basic safety net or the poverty line of Hong Kong. Besides the provision of a safety net, we also have special subsidies for families which are particularly in need. As I have mentioned this a number of times in this Council, I shall not elaborate any further.

However, I hope we can understand that the CSSA Scheme has already taken up more than \$17 billion of the Government's expenditure, which is, 8.8% of the Government's total expenditure. When compared with the ratio of 3.2% 10 years ago, it is already a considerable increase. If we are to increase the

subsidies given to people with disabilities and the needy, we have to consider how much, if any, is appropriate.

All in all, I think poverty is a complicated issue which takes more than an increase in certain rates or benefits to resolve. Since matters of benefits come under my purview as Secretary, my responsibility is similar to an attempt to rescue someone from downstream. If more people fall into the river from further upstream, I have to rescue all the faster. The provision of a safety net is, after all, my responsibility.

The policy needs which I have mentioned just now really have to be provided from upstream. Therefore, first of all, we should not push anyone into the river. Second, we should teach people how to swim ashore if they should fall into the river. Alternatively, if we know the person who has fallen into the river cannot swim, we should first throw him a buoy so as to save us some emergency work when he reaches downstream.

I hope we can understand why we have still not achieved very desirable results after all these years of discussion on this issue here. However, I am very glad that we have at least reached a consensus today. I will bring Honourable Members' proposals to the Government and I hope more will be done on this issue. For me, if more people can get off the CSSA Scheme or other benefits, I will feel more comfortable. However, our success will depend on the well-being of the overall economic system, the general employment structure and the taxation system of Hong Kong. Since we are so determined to help families in need, we can apply the same principle when we have to make other policy decisions in the future.

Thank you, Madam President.

**PRESIDENT** (in Cantonese): I now call upon Dr Fernando CHEUNG to move his amendment to the motion.

**DR FERNANDO CHEUNG** (in Cantonese): Madam President, I move that Mr Frederick FUNG's motion be amended, as printed on the Agenda.

**Dr Fernando CHEUNG moved the following amendment: (Translation)**

"To add "the general public has not yet been able to benefit from the economic recovery and" after "yet"; to delete "an interdepartmental" after "urges the Government to set up" and substitute with "a"; and to add ", which should consist of representatives from relevant government departments, community organizations and academic institutions," after "aiding the poor"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Dr Fernando CHEUNG to Mr Frederick FUNG'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.

(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.

**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 CHEUNG Man-kwong, Mr SIN Chung-kai, Mr WONG Yung-kan, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr Joseph LEE, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the amendment.

Dr Raymond HO, Dr LUI Ming-wah, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG and Mr Patrick LAU voted against the amendment.

**Geographical Constituencies:**

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mr James TIEN and Mrs Selina CHOW 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, 26 were present, 12 were in favour of the amendment and 14 against it; while among the Members returned by geographical constituencies through direct elections, 27 were present, 24 were in favour of the amendment and two against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

**MS MIRIAM LAU** (in Cantonese): Madam President, I move that in the event of further divisions being claimed in respect of the motion on "Alleviating the disparity between the rich and the poor" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed in respect of the remaining clauses or amendments of the motion on "Alleviating the disparity between the rich and the poor" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

**PRESIDENT** (in Cantonese): Mr James TIEN, you may move your amendment.

**MR JAMES TIEN** (in Cantonese): Madam President, I move that Mr Frederick FUNG's motion be amended, as printed on the Agenda.

**Mr James TIEN moved the following amendment: (Translation)**

"To delete "an" after "to set up" and substitute with "a governmental"; to delete "and establish a poverty line" after "the rich and the poor in Hong Kong"; to add "enhance the self-help capability of the socially disadvantaged groups and" after "so as to"; and to add ", thereby helping those who are most in need" after "allocation of social resources"; to delete "safeguard" after "and" and substitute with "safeguarding"; and to delete "in the long run" after "reducing social conflicts"."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr James TIEN to Mr Frederick FUNG'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.

(Members raised their hands)

Mr Albert CHAN rose to claim a division.

**PRESIDENT** (in Cantonese): Mr Albert CHAN 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:

Dr Raymond HO, Dr LUI Ming-wah, Ms Margaret NG, Mr CHEUNG Man-kwong, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong and Mr Patrick LAU voted for the amendment.

Mr WONG Kwok-hing, Mr KWONG Chi-kin and Miss TAM Heung-man abstained.

Geographical Constituencies:

Mr James TIEN, Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mrs Selina CHOW, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr CHEUNG Hok-ming and Mr Ronny TONG voted for the amendment.

Mr Albert CHAN, Mr LEUNG Kwok-hung and Mr Albert CHENG voted against the amendment.

Miss CHAN Yuen-han abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 23 were in favour of the amendment and three abstained; while among the Members returned by geographical constituencies through direct elections, 27 were present, 22 were in favour of the amendment, three against it and one 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 Frederick FUNG, you may now reply and you have three minutes 29 seconds.

**MR FREDERICK FUNG** (in Cantonese): Madam President, I find the official reply disappointing in three aspects. Firstly, we can note from the views expressed by many Members that they have no intention to ask the Government to make handouts. Secretary Dr York CHOW also echoed their view by saying that the Government has no intention to do so. It can thus be seen that the views of both parties are consistent. Although a lot of the views expressed by Members involve other government departments, even those departments relevant to the Financial Secretary, including the Environment, Transport and Works Bureau, the Education and Manpower Bureau and the Housing, Planning and Lands Bureau have not sent any representatives to attend this meeting. Secretary Dr York CHOW is the only one who has come to listen to this debate. It appears that the Government is not interested in this question raised by me.

Secondly, although Secretary Dr York CHOW told us that he would relay our views to the Government, his tone seemed to suggest that he was not involved in the matter. He was like saying something like this: Fine, let me talk to them when I go back. I wonder if he thinks that we have a problem with reaching a consensus. Does he agree or disagree?

Thirdly, the most important consensus among us is to set up an interdepartmental committee on aiding the poor. However, not a single word about this was mentioned by the Secretary in his response. Does he agree or disagree, or is it the case that the Government has chosen to ignore this issue? Again, I have no idea.

Madam President, although the reference to "poverty line" in the motion has already been deleted after today's debate, I still have to tell Members that the poverty line and interdepartmental committee on aiding the poor are actually interrelated. The interdepartmental committee literally acts as a locomotive. Without the locomotive, we cannot find impetus and do anything. The poverty line, on the other hand, acts as a landmark, or a direction, though the delineation of this poverty line might arouse much controversy among us in the future. However, without setting a poverty line, there will be no landmark. In that case, the locomotive will not know where to go. I believe the landmark will definitely appear should an interdepartmental committee be truly set up in future. Otherwise, the locomotive will have no idea where to go. As pointed out by me earlier, there is a line for application for Comprehensive Social Security Assistance, a line for waiting for public housing, and also one for application by university students for grants and loans. I therefore believe the poverty line will appear sooner or later, and the landmark will definitely appear too. For these reasons, even though the amendment has deleted "poverty line" from the motion, we still have plenty of time to discuss where the poverty line should be drawn.

However, I have to tell the Government that we have reached a key consensus among us — all Members of this Council basically agree that Hong Kong has a poverty problem; we basically agree that there is a problem of disparity between the rich and the poor in Hong Kong; and we basically agree that government intervention is warranted. It is simply impossible for the Government to refuse to take action. I would like to stress once again, and remind the Government, that there have been a lot of disputes and confrontations between the executive and the legislature. That such a consensus has been reached in this Council gives the Government an excellent political opportunity to co-operate with this Council and deal with the consensus reached among us today. I have no idea when a similar opportunity will arise, should the Government fail to grasp this one. The purpose of raising this question is in the interest of Hong Kong, for the purpose of ameliorating the problems confronting Hong Kong.

If only we can make this improvement, this Council will gain public acceptance, and most important, the executive will gain public acceptance too. For this reason, this issue concerns not only the people's livelihood, but also the relationship between the executive and legislature. It also concerns how the executive can gain public acceptance. I hope the Government can seriously consider this issue, as I believe it will be very difficult for the Government to

lobby us here to give it our support in future, should it fail to act this time. Should the Government refuse to take up such an important question on which there is already a consensus among Members, it would be pointless to expect the Government to deal with other issues. 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 amended by Mr James TIEN, 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 as amended passed.

## NEXT MEETING

**PRESIDENT** (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 10 November 2004.

*Adjourned accordingly at twenty-seven minutes past Eleven o'clock.*

**Appendix I****WRITTEN ANSWER****Written answer by the Secretary for Housing, Planning and Lands to Mr WONG Kwok-hing's supplementary question to Question 3**

As regards whether a notice on wage adjustment issued by a security service contractor to its staff concerning wage levels stated therein complied with the relevant requirements, the wage adjustment notice was issued by a Housing Department's security service contractor to security guards of two housing estates. As mentioned in our main reply on 3 November, following adjustments to contract rates by the Housing Department in accordance with the Census and Statistics Department's Nominal Wage Index at the time of contract renewal, if the adjustment in contract rate goes up, the contractor concerned must increase the workers' wages by a rate no less than that of the upward adjustment. In case of downward adjustment, the reduction in wages must not exceed the reduction in contract rate. Since May 2004, the adjusted wages of non-skilled workers must not be less than the latest average monthly wage for the relevant industry/occupation published by the Census and Statistics Department at the time of contract renewal. Having verified the information set out in the notice, we confirm that the wage adjustments proposed by the security service contractor comply with the above requirements.

**Appendix II****WRITTEN ANSWER****Written answer by the Secretary for Housing, Planning and Lands to Miss CHAN Yuen-han's supplementary question to Question 3**

As regards details of wage adjustments of contracts renewed after 6 May 2004, as mentioned in the main reply, of the 36 contracts renewed after May 2004, wages of the workers of 21 contracts have been increased in compliance with the level of "committed wage" applicable at the time of contract renewal, and the rates of seven contracts are adjusted upwards as a result. The wages of security guards were increased by 0.25% to 2.81%, and the wages of cleansing workers by 19.8% to 144.9%. For the remaining 15 contracts, all of which are security service contracts, the wages were reduced by 0.05% to 1.6%, with the actual ranging between \$2.6 and \$86. The adjusted wages meet the level of "committed wage" applicable at the time of contract renewal.

**Appendix III****WRITTEN ANSWER****Written answer by the Chief Secretary for Administration to Mr Albert HO's supplementary question to Question 4**

As regards the corresponding statistics on criminal trials and appeals, the Judiciary advised that in criminal trials by jury in the High Court, the Judge will deliver a summing up to the jury and the jury then arrives at the verdict. In criminal trials by Judge alone in the District Court, the Judge would usually deliver oral reasons for verdict and sentence in Court, transcripts of which will be provided for appeal.

For criminal appeals, that is, appeals to the Court of Appeal and appeals to the Court of First Instance on Magistrates' Court cases, written judgements are usually delivered. The time taken for delivery of judgement in those cases is set out at the Annex.

**Annex****Time taken for delivery of judgement on criminal appeals**

<i>Time between conclusion of hearing and delivery of judgement</i>	<i>No. of cases</i>					
	<i>Court of Appeal — Criminal Appeals</i>			<i>Court of First Instance — Magistracy Appeals</i>		
	<i>2002</i>	<i>2003</i>	<i>2004#</i>	<i>2002</i>	<i>2003</i>	<i>2004#</i>
Six months or less	41	55	41	98	106	72
More than six months and up to nine months	1	1	0	0	1	0
More than nine months and up to one year	0	1	0	0	1	0
Over one year	0	0	0	1	2	0
Average (days)	3.7	7.2	5.5	4.0	4.6	4.0

# Note: up to September 2004

**Appendix IV****WRITTEN ANSWER****Written answer by the Chief Secretary for Administration to Ms Margaret NG's supplementary question to Question 4**

As regards how common it is for a Judge to hear another case right after concluding a trial, and the time allowed for a Judge to prepare a judgement for a particular case, we have consulted the Judiciary and have received the advice that it is common for a Judge to hear another case the day following the conclusion of the previous case. The time Judges have to prepare judgements varies. It depends on a number of factors such as the workload and the listing of cases before the Judge concerned, the length and complexity of the case, the extent to which cases terminate by reason of settlement, plea or otherwise and the availability of judicial resources. If a Judge has difficulty in completing a judgement within a reasonable time, the Judge should raise the matter with the Court Leader.

**Appendix V****WRITTEN ANSWER****Written answer by the Chief Secretary for Administration to Mr LI Kwok-ying's supplementary question to Question 4**

As regards whether the Judiciary will consider allowing the plaintiff's request to have the judgement delivered earlier if it may ease his financial difficulties, the Judiciary advised that a Judge should deliver judgement within a reasonable time. If a party to the proceedings has any views regarding urgency or timeliness, the party could make them known to the Judge.

**Appendix VI****WRITTEN ANSWER****Written answer by the Chief Secretary for Administration to Ms Emily LAU's supplementary question to Question 4**

As regards how common it is for a Judge to hear another case right after concluding a trial, and the time allowed for a Judge to prepare a judgement for a particular case, we have consulted the Judiciary and have received the advice that it is common for a Judge to hear another case the day following the conclusion of the previous case. The time Judges have to prepare judgements varies. It depends on a number of factors such as the workload and the listing of cases before the Judge concerned, the length and complexity of the case, the extent to which cases terminate by reason of settlement, plea or otherwise and the availability of judicial resources. If a Judge has difficulty in completing a judgement within a reasonable time, the Judge should raise the matter with the Court Leader.

**Appendix VII****WRITTEN ANSWER****Written answer by the Secretary for Health, Welfare and Food to Ms Emily LAU's supplementary question to Question 6**

Information on the number of cases involved for the amounts of compensation paid by the Hospital Authority (HA) is set out in the attached table.

**Compensation for Medical Malpractice Claims**

<i>Calendar years in which cases reported<sup>1</sup></i>	<i>Amount of compensation paid<sup>2</sup> (approx figures) \$ Million</i>	<i>Number of cases settled</i>
1992	2.5	4
1993	20.5	8
1994	9.7	6
1995	9.8	8
1996	41.0	23
1997	16.7	28
1998	32.3	34
1999	38.7	40
2000	30.0	34
2001	12.0	27
2002	5.0	23
2003	4.6	19
2004	1.8	4

Note 1: "Cases reported" means those medical incidents which have been reported under the HA's medical malpractice insurance policies.

Note 2: The figures given cover both out-of-court settlements and court awards. They include the amount borne by the HA as the retention stipulated in the relevant medical malpractice insurance policies and the amount borne by the HA's insurers under those policies.